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Ever Reach Group (Holdings) Company Limited

恒達集團（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3616)

**(1) DISCLOSEABLE TRANSACTION
IN RELATION TO
CAPITAL INJECTION INTO
AN INDIRECT NON-WHOLLY OWNED SUBSIDIARY;
AND
(2) DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO
FINANCIAL ASSISTANCE WITH REGARD TO
A CONNECTED PERSON AT SUBSIDIARY LEVEL**

**CAPITAL INJECTION AGREEMENT AND THE CONTEMPLATED
FINANCIAL ASSISTANCE**

On 28 November 2023 (after trading hours), Xuchang Hengda, an indirect wholly-owned subsidiary of the Company, entered into the Capital Injection Agreement with Xuchang Shitou and Xuchang Hengrun. Pursuant to the terms of the Capital Injection Agreement: (1) Xuchang Hengda shall make a Capital Injection of RMB40 million into the registered capital of Xuchang Hengrun; (2) Xuchang Hengrun shall, within one year after signing the Capital Injection Agreement (i.e. before 27 November 2024), repay the Shareholders' Loans owed to Xuchang Shitou; and (3) Xuchang Hengda shall conditionally enter into the Equity Pledge Agreement and pledge the Equity Interest in favour of Xuchang Shitou (i) upon Xuchang Hengda having paid up all the additional registered capital of Xuchang Hengrun pursuant to the Capital Injection Agreement before 31 December 2023, and (ii) within 20 business days upon completing the industrial and commercial registration regarding the Capital Injection. Upon entering into the Equity Pledge Agreement, the Shareholders' Loans, which were fully exempted continuing connected transactions due to having entered into on normal commercial terms or better and not secured by any assets of the Group, shall become secured with the Equity Pledge.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Capital Injection are more than 5% but less than 25%, the Capital Injection constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, which is subject to reporting and announcement requirements but exempt from the shareholders' approval requirement under the Listing Rules.

Further, as at the date of this announcement, Xuchang Shitou is a substantial shareholder of Xuchang Hengrun. Xuchang Shitou is thus a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Equity Pledge, which shall provide financial assistance to Xuchang Shitou, shall constitute a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. Upon entering into the Equity Pledge Agreement, the Shareholders' Loans, which were fully exempted continuing connected transactions due to having entered into on normal commercial terms or better and not secured by any assets of the Group, shall become secured with the Equity Pledge and shall become a discloseable and continuing connected transaction.

As (i) Xuchang Shitou is a connected person of the Company at subsidiary level; (ii) the Board has approved the Equity Pledge and the transactions contemplated thereunder, including the change in the terms of the Shareholders' Loans; and (iii) the independent non-executive Directors have confirmed that (1) the terms of the transactions are fair and reasonable, (2) the transactions are on normal commercial terms or better and in the ordinary course of business of the Group and (3) in the interests of the Company and the Shareholders as a whole, the Equity Pledge and the transactions contemplated thereunder, including the change in the terms of the Shareholders' Loans, are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

CAPITAL INJECTION AGREEMENT AND THE CONTEMPLATED FINANCIAL ASSISTANCE

The Board wishes to announce that on 28 November 2023 (after trading hours), Xuchang Hengda, an indirect wholly-owned subsidiary of the Company, has entered into the Capital Injection Agreement with Xuchang Shitou and Xuchang Hengrun, pursuant to which, amongst others, Xuchang Hengda has agreed to make Capital Injection of RMB40 million into the registered capital of Xuchang Hengrun.

The principal terms of the Capital Injection Agreement are as follows:

Date: 28 November 2023 (after trading hours)

Parties:

- 1) Xuchang Hengda;
- 2) Xuchang Shitou; and
- 3) Xuchang Hengrun.

Pursuant to the terms of the Capital Injection Agreement, Xuchang Hengda shall make the Capital Injection of RMB40 million into the registered capital of Xuchang Hengrun.

The amount of Capital Injection of RMB40 million was determined based on arm's length negotiations among the parties with reference to, among other things, the proportion in the equity interest to be held by Xuchang Hengda upon completion of the Capital Injection and the funding needs of Xuchang Hengrun. Payment of the Capital Injection will be funded in cash and by internal resources of the Group.

Xuchang Hengda is obliged to pay up all the additional registered capital of Xuchang Hengrun in the amount of RMB40 million pursuant to the Capital Injection Agreement before 31 December 2023.

The proceeds of the Capital Injection shall be utilised by Xuchang Hengrun in real estate development projects and for general working capital purpose.

FINANCIAL ASSISTANCE WITH REGARD TO XUCHANG HENGRUN

Reference is made to the interim report of the Company for the six months ended 30 June 2023. As disclosed therein, as at 30 June 2023, the Company and its subsidiaries were exposed to long-term unsecured borrowings with non-financial institutions (including Xuchang Shitou) in the amount of approximately RMB278 million. An overview of the principal terms of the Shareholders' Loans repayable by Xuchang Hengrun to Xuchang Shitou is as follows:

Shareholders' Loan I

Date: 13 September 2022

Parties: Xuchang Shitou (as the lender)
Xuchang Hengrun (as the borrower)

Principal sum: RMB43,792,000.00

Purpose of the loan: Settlement of sum payable in relation to acquisition of land

Term: 27 months from the date of receipt of the loan

Repayment date: Before 15 December 2024

Interest rate: 9% per annum

Shareholders' Loan II

Date: 28 February 2023

Parties: Xuchang Shitou (as the lender)
Xuchang Hengrun (as the borrower)

Principal sum: RMB68,464,000.00

Purpose of the loan: Settlement of sum payable in relation to acquisition of land

Term: 22 months from the date of receipt of the loan

Repayment date: Before 28 December 2024

Interest rate: 9% per annum

Pursuant to the terms of the Capital Injection Agreement, Xuchang Hengrun shall, within one year after signing the Capital Injection Agreement (i.e. before 27 November 2024), repay in total (1) the entire principal amount of the Shareholders' Loan I and the interest accrued and (2) RMB9,418,000 (approximately 13.8% of the principal sum of the Shareholders' Loan II) and the interest accrued to Xuchang Shitou. The remainder principal sum and interest accrued in respect of the Shareholders' Loan II shall remain repayable before 28 December 2024.

As security for the repayment of the Shareholders' Loans, Xuchang Hengda shall conditionally enter into the Equity Pledge Agreement and provide the Equity Pledge in favour of Xuchang Shitou upon (1) Xuchang Hengda having paid up all the additional registered capital of Xuchang Hengrun pursuant to the Capital Injection before 31 December 2023, and (2) within 20 business days upon completing the industrial and commercial registration regarding the Capital Injection. Upon entering into the Equity Pledge Agreement, the Shareholders' Loans, which were fully exempted continuing connected transactions due to having entered into on normal commercial terms or better and not secured by any assets of the Group, shall become secured with the Equity Pledge.

The Equity Pledge shall cover an amount equivalent to the Shareholders' Loans payable by Xuchang Hengrun to Xuchang Shitou, as well as any potential liquidated damages and reasonable expenses for realising the rights of Xuchang Shitou.

Pursuant to the terms of the Capital Injection Agreement, Xuchang Hengda shall be responsible for completing the industrial and commercial registration applicable to the Equity Pledge Agreement. In the event that Xuchang Hengda fails to complete the industrial and commercial registration in respect of the Equity Pledge Agreement, the Shareholders' Loans shall become repayable on demand and shall be repaid to Xuchang Shitou within 30 business days after completing the industrial and commercial registration regarding the Capital Injection.

Furthermore, in the event that Xuchang Hengrun fails to repay the Shareholders' Loans by the respective repayment dates, Xuchang Shitou shall have the right to require Xuchang Hengrun, being the defaulting party, to pay liquidated damages at the rate of 0.05% of the unpaid amount per day.

Shareholding structure of Xuchang Hengrun

The following table is the summary of the changes in the registered capital and shareholding structure of Xuchang Hengrun immediately before and after the completion of Capital Injection:

| | Before completion of the Capital Injection | | After completion of the Capital Injection | |
|----------------|--|---------------------|--|---------------------|
| | Amount of registered capital of Xuchang Hengrun (in RMB) ('000) | Percentage % | Amount of registered capital of Xuchang Hengrun (in RMB) ('000) | Percentage % |
| Xuchang Hengda | 40,000 | 66.67 | 80,000 <i>(Note 1)</i> | 80.00 |
| Xuchang Shitou | 20,000 | 33.33 | 20,000 | 20.00 |
| Total: | 60,000 | 100.00 | 100,000 | 100.00 |

Note 1: Upon entering into the Equity Pledge Agreement and the completion of the industrial and commercial registration in respect of the Equity Pledge Agreement, the equity interest in the amount of registered capital RMB20 million shall be pledged in favour of Xuchang Shitou.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Xuchang Hengrun is a joint venture formed by Xuchang Hengda and Xuchang Shitou through a cooperative development agreement in July 2022 to engage in real estate development projects in Xuchang city. By entering into the Capital Injection Agreement, an additional registered capital in the amount of RMB40 million shall be injected into Xuchang Hengrun, which shall improve the liquidity of Xuchang Hengrun and offer additional funding source to finance real estate development projects undertaken and/or to be undertaken by Xuchang Hengrun.

Xuchang Shitou, which is ultimately controlled by Xuchang City Finance Bureau* (許昌市財政局), has been offering various unsecured shareholder loans at competitive interest rate and commercial terms to Xuchang Hengrun since the establishment of Xuchang Hengrun in July 2022. The Equity Pledge shall secure the continual financial support from Xuchang Shitou and its ultimate beneficial owner, Xuchang City Finance Bureau* (許昌市財政局),

in the real estate development projects undertaken and/or to be undertaken by Xuchang Hengrun and shall also help strengthening the positive and constructive business relationship between the Group and Xuchang Shitou and Xuchang City Finance Bureau* (許昌市財政局).

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Injection Agreement and the Equity Pledge Agreement and the transactions contemplated thereunder are and shall be on normal commercial terms or better and in the ordinary and usual course of business of the Group and are and shall be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE GROUP, XUCHANG SHITOU AND XUCHANG HENGRUN

The Group is principally engaged in property development business in the PRC. Xuchang Hengda is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company. Xuchang Hengda is principally engaged in real estate development and house renting in the PRC.

Xuchang Shitou is a limited liability company established in the PRC. Xuchang Shitou is principally engaged in real estate development and urban infrastructure construction and investment in the PRC. The ultimate beneficial owner of Xuchang Shitou is Xuchang Finance Bureau* (許昌市財政局).

Xuchang Hengrun is a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company, which was established by Xuchang Hengda and Xuchang Shitou as a joint venture in July 2022 pursuant to a cooperative development agreement. Xuchang Hengrun is principally engaged in real estate development and house renting in the PRC.

The following table sets out the unaudited financial information of Xuchang Hengrun since its establishment and up to the ten months ended 31 October 2023:

| | For the ten months ended 31 October 2023 | For the year ended 31 December 2022 |
|---------------------|---|--|
| | <i>(in RMB'000)</i> | <i>(in RMB'000)</i> |
| | (unaudited) | (unaudited) |
| Net loss before tax | 5,784 | 3,887 |
| Net loss after tax | 5,784 | 3,887 |

The unaudited net liability value of Xuchang Hengrun as at 31 December 2022 was RMB3,886,883. The unaudited net asset value of Xuchang Hengrun as at 31 October 2023 was RMB50,328,332.

LISTING RULES IMPLICATIONS

In respect of the Capital Injection Agreement

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Capital Injection are more than 5% but less than 25%, the Capital Injection constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, which is subject to reporting and announcement requirements but exempt from the shareholders' approval requirement under the Listing Rules.

In respect of the Shareholders' Loans and the Equity Pledge Agreement

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Equity Pledge are more than 5% but less than 25%, the Equity Pledge shall constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, which is subject to reporting and announcement requirements but exempt from the shareholders' approval requirement under the Listing Rules.

Further, as at the date of this announcement, Xuchang Shitou is a substantial shareholder of Xuchang Hengrun. Xuchang Shitou is thus a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Equity Pledge, which shall provide financial assistance to Xuchang Shitou, shall constitute a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. Upon entering into the Equity Pledge Agreement, the Shareholders' Loans, which were fully exempted continuing connected transactions due to having entered into on normal commercial terms or better and not secured by any assets of the Group, shall become secured with the Equity Pledge and shall become a discloseable and continuing connected transaction.

As (i) Xuchang Shitou is a connected person of the Company at subsidiary level; (ii) the Board has approved the Equity Pledge and the transactions contemplated thereunder, including the change in the terms of the Shareholders' Loans; and (iii) the independent non-executive Directors have confirmed that (1) the terms of the transactions are fair and reasonable, (2) the transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group and (3) in the interests of the Company and the Shareholders as a whole, the Equity Pledge and the transactions contemplated thereunder, including the change in the terms of the Shareholders' Loans, are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

None of the Directors had material interests in the transactions or was required to abstain from voting on the relevant resolutions of the board of Directors.

DEFINITIONS

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

| | |
|-------------------------------|--|
| “Capital Injection” | the injection of capital in the amount of RMB40 million into Xuchang Hengrun by Xuchang Hengda in accordance with the terms and conditions of the Capital Injection Agreement |
| “Capital Injection Agreement” | the capital injection agreement dated 28 November 2023 entered into amongst Xuchang Hengda, Xuchang Shitou and Xuchang Hengrun in relation to, amongst others, the Capital Injection |
| “Company” | Ever Reach Group (Holdings) Company Limited, an exempted company incorporated under the laws of the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange |
| “Director(s)” | the director(s) of the Company |
| “Equity Pledge” | The pledge by Xuchang Hengda of 20% of the equity interest in Xuchang Hengrun in favour of Xuchang Shitou, in the amount of registered capital of RMB20 million |

| | |
|---------------------------|--|
| “Equity Pledge Agreement” | the equity pledge agreement to be entered into between Xuchang Hengda and Xuchang Shitou pursuant to the terms of the Capital Injection Agreement |
| “Group” | the Company and its subsidiaries |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macao Special Administrative Region of the PRC and Taiwan |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shareholders” | shareholder(s) of the Company |
| “Shareholders’ Loans” | comprising Shareholders’ Loan I and Shareholders’ Loan II |
| “Shareholders’ Loan I” | an unsecured term loans provided by Xuchang Shitou to Xuchang Hengrun in September 2022 in the principal amount of RMB43,792,000, at an interest rate of 9% per annum, which shall fall due in December 2024 |
| “Shareholders’ Loan II” | an unsecured term loans provided by Xuchang Shitou to Xuchang Hengrun in February 2023 in the principal amount of RMB68,464,000, at an interest rate of 9% per annum, which shall fall due in December 2024 |
| “Share(s)” | ordinary shares with a nominal value of HK\$0.01 each in the share capital of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong 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 a wholly-owned subsidiary of the Company |

| | |
|-------------------|--|
| “Xuchang Hengrun” | Xuchang Hengrun Real Estate Company Limited (許昌市恒潤置業有限公司), a limited liability company established in the PRC and a non-wholly owned subsidiary of the Company |
| “Xuchang Shitou” | Xuchang Shitou Urban Development Group Company Limited* (許昌市市投城市發展集團有限公司), a limited liability company established in the PRC on 16 June 2015. The ultimate beneficial owner of Xuchang Shitou is Xuchang Finance Bureau* (許昌市財政局) |
| “%” | per cent. |

* *English name for identification purpose only*

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

Hong Kong, 28 November 2023

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