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)

KEY FINDINGS OF THE INTERNAL CONTROL REVIEW AND CONTINUED SUSPENSION OF TRADING

INTRODUCTION

This announcement is made by Ever Reach Group (Holdings) Company Limited (the "**Company**") pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to (i) the announcements of the Company dated 28 March 2024, 2 April 2024, 12 April 2024, 14 May 2024, 28 June 2024, 1 August 2025, 18 August 2025, 20 August 2025, 27 September 2024, 30 December 2024, 31 March 2025 and 1 July 2025 in relation to, among others, the delay in publication of the 2023 and 2024 Annual Results and the Resumption Guidance; (ii) the announcement dated 12 August 2024 in relation to resignation of auditor; (iii) the announcement dated 23 August 2024 in relation to, among others, delay in publication of 2024 interim results and delay in despatch of 2024 interim report; (iv) the announcement dated 25 September 2024 in relation to appointment of auditor; (v) the announcement dated 16 July 2025 in relation to the key findings of the independent investigation; and (vi) the announcements of the audited annual results of the Group for the years ended 31 December 2023 and 2024, respectively, and the unaudited interim results of the Group for the six months ended 30 June 2024, all dated 18 July 2025 (the "**Announcements**"). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

KEY FINDINGS OF THE INTERNAL CONTROL REVIEW

As disclosed in the Announcements, pursuant to the Resumption Guidance, the Company shall conduct an independent internal control review. On 30 October 2024, the Company has engaged Ranger Advisory Co. Limited (the "**Internal Control Consultant**") to conduct an independent internal control review, covering the following areas:

1. Investigation of Prepayments Issue related to bank loans;

2. Investigation regarding pre-sale proceeds in supervised accounts;

3. The board of directors' responsibilities in relation to matters 1 and 2 above and measures being taken by them;

4. Financial reporting and disclosure procedures;

5. Approval and record keeping of significant and unusual transactions;

6. Internal control findings mentioned in the independent investigation report; and

7. Evaluation of internal control findings on matters 1 to 6 above.

The key findings and remediation status of the internal control review report are summarized as follows:

Key findings	Measures/remedial steps taken by the Group	Remediation Status
1. Breach of terms under loan agreements • It is noted that the Group requested Supplier A to return development loan funds to the Group and subsequently, the Group kept them in its own bank account, which may constitute a breach of the relevant loan contract.	• The Group's Financing Department has established and appointed designated personnel to oversee the implementation of the terms under loan agreements for each of the Group's loans. • Additionally, the Group's Financing Department has implemented the "Loan Monitoring Policy" (《貸款監察制度》), which sets out the responsibilities and reporting mechanisms for supervising the Group's loans. Following the policy, the Company has appointed a loan compliance officer (貸款監察專員) and establish a monthly reporting mechanism requiring the preparation of the Loan Agreement Compliance Checklist (《貸款合約合規清單》) and Loan Compliance Report (《貸款合規報告》) every month.	Remediation completed

Key findings	Measures/remedial steps taken by the Group	Remediation Status
2. Discrepancy between construction progress submitted to banks and actual construction progress • The construction progress submitted to the banks when withdrawing loans was inconsistent with the actual construction progress. • Given that the loan withdrawals were not made in installments according to the actual construction progress, it may lead to breach of loan agreement.	• A "Loan Contract Compliance List" (《貸款合約合規清單》) has been compiled by a designated personnel, who is appointed by the Group's Financing Department and is responsible for supervising compliance with loan agreement terms. This list is used to monitor compliance with the terms of loan agreements, particularly to ensure that the construction progress submitted to the bank aligns with the actual construction progress. • Additionally, the designated personnel was tasked with compiling a "Loan Compliance Report" (《貸款合規報告》) on a monthly basis to report the loan agreement compliance status to the financial controller. If any violation of the loan contract is found, it should be reported to the Company's finance controller and the executive Directors immediately, and remedial measures should be taken. • The Group shall submit loan withdrawal applications in installments based on the actual progress of construction projects and shall cease submitting loan withdrawal applications to banks based on planned project progress.	Remediation completed
3. Change of loan usage • According to the relevant loan contract, the purpose of loan was for the construction of Project A. However, the Group used part of the loan for construction of other projects which may be regarded as a breach of loan agreement.	• The Group's Financing Department has appointed a designated person to monitor the implementation of the terms under loan agreement for the Group's loans and to compile a "Loan Contract Compliance List" (《貸款合約合規清單》), as well as to monitor the usage of loans. Written consent shall be obtained from the bank if the Group intends to change the purpose of the loan. • The designated personnel must prepare a "Loan Compliance Report" (《貸款合規報告》) on a monthly basis to provide updates on loan compliance to the financial controller. In the event of any violation of loan contract, it must be promptly reported to both the Company's finance controller and the executive Directors. Additionally, immediate remedial actions should be taken, in case of any breach of loan agreement.	Remediation completed

Key findings	Measures/remedial steps taken by the Group	Remediation Status
4. Lack of financial supervision measures • In relation to the prepayment made to Supplier A amounting to RMB100.9 million, it is noted that when the Group discovered that Supplier B was at risk of default, it did not terminate the relevant contract in a timely manner. Instead, the Group chose to negotiate with the relevant bank and switch the construction contractor of Project A from Supplier B to Supplier A. This decision resulted in the transfer of development loan funds in the amount of RMB100.9 million to Supplier A, creating a significant prepayment. As a result, the Group not only lost control over these funds, but also incurred interest expenses on the aforesaid development loan funds.	• The Group has established the "Prepayments Management Policy" (《預付款管理制度》) in December 2024 (Revised in April 2025) to regulate the process of prepayment application, approval and payment and accounts reconciliation to enhance collection with suppliers. For projects involving significant prepayments, a detailed fund return plan must be prepared, approved by the Group's management, and reported to the Directors along with relevant documents. The Group may use loans and internal funds for prepayments to suppliers but is prohibited from using pre-sale proceeds for this purpose. • The Group has updated its "Standards for Supplier Management Processes" (供應商管理流程標準) with a new chapter titled "Change of Suppliers", requiring prior approvals from relevant government departments (if applicable), banks (if applicable), and the Group's management before finalizing the decision to switch construction parties. • Since August 2023, the Group began the recovery of prepayments in the amount of RMB100.9 million from Supplier A. By March 2024, the Group had recovered the amount in full from Supplier A.	Remediation completed

Key findings	Measures/remedial steps taken by the Group	Remediation Status
	• The general manager of each project company is responsible for reconciling prepayment balances with suppliers or construction parties on a monthly basis. By the 10th of each month, the project company and the supplier/construction party must verify the project progress or the quantity of construction materials accepted in the previous month. Following this, the general manager shall prepare a Prepayment Settlement Statement (《預付款結算單》) to adjust the prepayment amount. Once the statement is signed and confirmed by both parties, it is submitted to Group's management for review and recorded by the Accounting Department. • The Prepayments Management Policy (《預付款管理制度》) prohibits additional prepayments to suppliers or construction parties that already hold an outstanding prepayment balance. If a prepayment remains unused for more than three months without the delivery of goods or services, the business and finance departments must initiate the collection process.	
5. Lack of supervision on the use of prepayments • The Group did not have clear terms for the use of prepayments in its agreement with contractors, and the Group lacked supervision over the use of prepayments, which may result in funds being used for unintended purposes.	• The Group has entered into supplementary agreements on the use of prepayment with all suppliers in 2024. • The Group has appointed an individual to communicate with the Group's suppliers on a monthly basis, monitor the use of prepayments, and report to the Group's Finance Department and management on how the suppliers are utilizing the prepayments, ensuring that the prepayments are used solely for the intended purposes.	Remediation completed

Key findings	Measures/remedial steps taken by the Group	Remediation Status
6. Lack of prepayments collection management system • The Group's prepayment collection procedures and processes are not formalized in written rules, which may result in inconsistencies in communication and execution during prepayment collection operations, unclear responsibilities within the collection management process, and a lack of consistency in the Group's collection practices.	• The Group issued the "Collection Management Policy" (《催收管理制度》) in September 2024 which was updated in April 2025, which set out (i) the responsibilities and duties of various departments and personnel, (ii) the collection process, which differs depending on duration of overdue payments and the amount in arrears, (iii) documentation and record-keeping requirements, as well as (iv) the internal approval and authorization procedures.	Remediation completed
7. Lack of contract management system for supervised account of pre-sale proceeds • The Sales Department of the Group has implemented appropriate supervised account opening process, pre-sale proceeds supervised agreement approval process, and filing procedures. However, these processes have not been formalized into written rules. The absence of written rules may impact the consistency of employees in executing these processes and procedures.	• In 2025, the Group updated the "Pre-sale Proceeds Supervised Account Management Policy" (《預售資金監管賬戶政策》), which sets forth regulations in relation to, among others, setting up of pre-sales proceeds supervised account, approval process of contracts of pre-sale funds supervision account and safekeeping of relevant documents of pre-sale proceeds supervised account, to ensure the alignment between the management of pre-sale proceeds supervision accounts and their actual implementation measures.	Remediation completed

Key findings	Measures/remedial steps taken by the Group	Remediation Status
8. Return of pre-sale proceeds to the Group's bank accounts and improper use of supervised funds • It is noted that, in 2023 and 2024, 13 and 11 pre-sale proceeds supervision accounts of the Group were involved in the return of pre-sale proceeds to the Group from suppliers, amounting to RMB932.3 million and RMB801.2 million, respectively. • It is noted that after supervised funds were returned to the Group, only a portion was used for designated projects, while the remaining was used to cover operational costs and expenses incurred by other projects.	• The Group has updated the "Pre-sale Proceeds supervised Account Management Policy" (《預售資金監管賬戶政策》) to prohibit contractors from returning pre-sale supervised funds. • By April 2025, the Group has stopped requesting contractors to return pre-sale supervised funds. • The Group has appointed the Internal Control Consultant as its internal control review team on 1 July 2025, to jointly monitor the usage of pre-sale proceeds alongside the Company. The team has been reporting to the Board on a monthly basis since its appointment. The team confirmed that no pre-sale proceeds have been returned to the Group from suppliers since 1 April 2025. • On 27 June 2025, the Group published the "Fee Settlement Policy in relation to Main Structure Construction" (《主體結構工程結算制度》) (revised on 11 July 2025). This policy regulates the payments of construction fees to contractors, so as to prevent duplicate payments, unnecessary overpayments, and violations of government regulations prohibiting the return of pre-sale proceeds to the Group from contractors.	Remediation Completed

Key findings	Measures/remedial steps taken by the Group	Remediation Status
9. Using non-compliant collateral as loan security • The Group improperly used properties that had already been sold as collateral for loans.	• The Group has taken actions to either (i) repay the relevant loans and release the properties from collateral, or (ii) replace the collateral for the relevant loans. • The relevant bank has been notified of the situation and has stated that it does not constitute a breach of the loan agreement. • The Group has updated the existing "Group Department Organizational Management Manual" (集團部門組織管理手冊), requiring the Financing Department to update the status of loan collaterals on a monthly basis. Before utilizing any property as collateral, the Group must ensure the compliance with the loan contract and relevant laws and regulations.	Remediation completed
10. The authority and responsibilities of various staff regarding the management of pre-sale proceeds are not documented in writing	• The Group has set out the management structure for works related to pre-sale proceeds supervised accounts and the responsibilities of various staff under "Pre-sale Proceeds Supervised Account Management System" (《預售資金監管賬戶政策》).	Remediation completed

Key findings	Measures/remedial steps taken by the Group	Remediation Status
11. Failure to publish the 2023 and 2024 annual results and the 2024 interim results in a timely manner • Pursuant to Rule 13.49(1) of the Listing Rules, an issuer is required to publish an announcement for annual results on a date not later than three months after the end of the financial year. Under Rule 13.46(2)(a) of the Listing Rules, an issuer is required to send a copy of the annual report and accounts or summary financial report to it shareholders within four months after its financial year end. • Pursuant to Rules 13.49(6) and 13.48(1) of the Listing Rules, an issuer is required to: (i) publish the interim results on a date not later than two months after the end of that period of six months; and (ii) send the interim report to its shareholders not later than three months after the end of that period of six months. • According to Rule 13.50 of the Listing Rules, the Stock Exchange will normally require suspension of trading in an issuer's securities if an issuer fails to publish periodic financial information in accordance with the Listing Rules. • Due to incomplete preparation of the Group's financial information, the Group was unable to release its annual results for 2023 and 2024 and interim results for 2024, annual reports for 2023 and 2024, interim report for 2024 as scheduled.	• The Group has established the procedures in respect of annual audit. • The Group has established an Audit Task Force (the "**Audit Task Force**") to oversee and facilitate the external audit process. The task force comprises the Company's executive Directors and senior financial officers and financial managers from the Company's subsidiaries. Typically, the Audit Task Force arranges regular meetings with the auditor after the end of each financial year and prior to the completion of the audit process. • In addition, the Group has appointed a new auditor and provided the financial data for 2023 and 2024 to facilitate auditor's work. The Group has designated the Company's executive Director(s), senior financial officer and financial manager of the Company's key subsidiaries to coordinate the information required for the audit and communicate with the audit team. • The Group has published the 2023 annual results, the 2024 interim results and 2024 annual results on 18 July 2025. The Group has published its 2024 interim report and 2023 and 2024 annual reports on 1 August 2025.	Remediation completed

Key findings	Measures/remedial steps taken by the Group	Remediation Status
12. Increased interest expenses • It is noted that the Group did not apply for loan withdrawals in batches or according to the actual progress of construction. Instead, the Group made a one-time withdrawal of a large sum, which was then transferred to the construction contractor by way of entrusted payments. This approach led to a loss of control over the funds and resulted in additional interest expenses.	• Since April 2025, no discrepancies have been found between the project progress submitted to bank for loan withdrawal and the actual progress of relevant construction project. • The Group's Financing Department has established and appointed designated personnel to oversee the implementation of the terms under loan agreements for each of the Group's loans and prepare a monthly report to financial controller of the Group. • A "Loan Contract Compliance List" (《貸款合約合規清單》) has been compiled by a designated personnel, who is appointed by the Group's Finance Department and is responsible for supervising compliance with loan agreement terms. This list is used to monitor compliance with the terms of loan agreements, particularly to ensure that the construction progress submitted to the bank aligns with the actual construction progress. • Additionally, the designated personnel was tasked with compiling a "Loan Compliance Report" (《貸款合規報告》) on a monthly basis to report the loan agreement compliance status to the financial controller. If any violation of the loan contract is found, it should be reported to the Company's finance controller and the executive Directors immediately, and remedial measures should be taken.	Remediation completed

Key findings	Measures/remedial steps taken by the Group	Remediation Status
13. Some contracts are undated	• In 2024, the Group posted a notice on its bulletin board, requiring that signing date be clearly stated on all contracts entered into by the Group.	Remediation completed
14. Increased interest expenses upon purchase of building materials • The loan agreements entered into by Songji Dadi and Yuzhou Hengda respectively did not specify any restrictions on the number of loan withdrawals. However, the Group has made a single large withdrawal, which may result in the Group incurring significant interest expenses, amounting to RMB1.5 million.	• The Group has updated the withdrawal application system of the "Loan Management Policy" (《貸款管理政策》), which stipulates that the general manager of each project company must apply for withdrawals from banks in installments according to actual procurement needs. • Songji Dadi and Yuzhou Hengda shall apply to the bank for loan withdrawal in installments according to actual purchasing needs.	Remediation completed
15. Inadequate qualification of supplier • Songji Dadi and Yuzhou Hengda only conducted a basic qualification on its supplier, resulting in the supplier's inability to deliver products on time.	• The Group has updated its supplier qualification review system in the "Procurement Policy" (《採購政策》), which requires procurement personnel at each project company of the Group to conduct a qualification review of new suppliers. This review ensures that suppliers possess the necessary qualifications and delivery capabilities before transactions are entered into, thereby mitigating the risk of financial losses due to a supplier's inability to fulfill the procurement plan.	Remediation completed

Key findings	Measures/remedial steps taken by the Group	Remediation Status
16. Defects in the authorization and approval system for building materials transactions • The borrowing threshold for subsidiaries requiring authorization is noted to be RMB40.0 million. For amounts below this threshold, it is not necessary to submit the corresponding loan application to the Group's management for approval. • However, even if subsidiaries' purchase and sales contract accounted for less than 5% of the Group's construction costs and capitalized expenditures, it still resulted in the Group losing control over these funds for up to 10 months, which highlights potential weaknesses in the Group's oversight of its subsidiaries and reflects a failure to effectively supervise and manage subsidiaries.	• The Group has updated the "Loan Approval Limit Policy" (《借貸審批額度政策》), and stipulate that the borrowing limits of subsidiaries was lowered from RMB40.0 million to RMB10.0 million, and that the borrowing limits should be reviewed and adjusted, if needed, by the management of the Group annually.	Remediation completed
17. Insufficient communication between members of the Group • In July 2023, Mr. Wang Zhenfeng, the Group's CEO, approved Yuzhou Hengda to purchase rebar on behalf of the Group's project companies, and that prepayments were to be made. The selection of suppliers was solely determined by Yuzhou Hengda. However, Yuzhou Hengda failed to promptly inform the Group's management that the H-steel procurement plan could not be implemented and that it had initiated the collection of repayments. This may highlight a lack of effective communication between members of the Group.	• The Group has updated its procurement system, requiring subsidiaries to obtain approval from their parent company for purchases from suppliers that exceed RMB10.0 million. • Procurement staff of subsidiaries should report the status of procurement to their parent company every month.	Remediation completed

VIEWS OF THE SPECIAL INVESTIGATION COMMITTEE AND THE BOARD

The Board and the Special Investigation Committee have reviewed and considered the internal control review report. After considering the internal control review report and the recommendations thereunder, the Board and the Special Investigation Committee consider that the measures recommended and the remedial measures implemented by the Group are adequate and sufficient to address all the key findings of the internal control review report as identified by the Internal Control Consultant. The Board and the Special Investigation Committee are of the view that the Group has in place adequate internal controls and procedures to meet its obligations under the Listing Rules.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 April 2024 and is currently expected to remain suspended until the Company fulfills the Resumption Guidance.

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

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

Hong Kong, 27 August 2025

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.