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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

RESULTS

The board (the "**Board**") of directors of Ever Reach Group (Holdings) Company Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2021, together with the unaudited comparative figures for the corresponding period in 2020 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June 2021 (unaudited) *RMB'000*	2020 (unaudited) *RMB'000*
Revenue	*4*	**742,536**	511,229
Cost of sales	*5*	**(482,640)**	(347,460)
Gross profit		**259,896**	163,769
Fair value losses on investment properties		**(350)**	(1,870)
Selling and marketing expenses	*5*	**(62,944)**	(32,069)
Administrative expenses	*5*	**(68,118)**	(53,900)
Net impairment losses on financial assets		**(4,571)**	(251)
Other income		**2,561**	–
Other losses – net	*6*	**(7,711)**	(4,840)
Operating profit		**118,763**	70,839
Finance income		**881**	636
Finance costs		**(640)**	(520)
Finance income – net	*7*	**241**	116
Share of results of investments accounted for using the equity method		**(684)**	–
Profit before income tax		**118,320**	70,955
Income tax expense	*8*	**(73,373)**	(39,069)
Profit for the period		**44,947**	31,886
Attributable to:			
Owners of the Company		**48,687**	32,846
Non-controlling interests		**(3,740)**	(960)
		44,947	31,886
Earnings per share attributable to the owners of the Company (expressed in RMB)			
– Basic and diluted earnings per share	*9*	**0.04**	0.03

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Profit for the period	**44,947**	31,886
Other comprehensive income for the period	**–**	–
Total comprehensive income for the period, net of tax	**44,947**	31,886
Attributable to:		
Owners of the Company	**48,687**	32,846
Non-controlling interests	**(3,740)**	(960)
	44,947	31,886

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	**As at 30 June 2021 (unaudited)** *RMB'000*	As at 31 December 2020 (audited) *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**44,778**	45,768
Right-of-use assets		**22,076**	22,852
Investment properties		**93,700**	94,050
Deferred tax assets		**150,429**	142,138
An investment accounted for using the equity method		**19,358**	20,042
Total non-current assets		**330,341**	324,850
Current assets			
Prepayments for leasehold land		**60,000**	192,758
Properties held or under development for sale		**8,102,076**	6,961,071
Trade and other receivables and prepayments	*11*	**851,061**	275,865
Prepaid income taxes		**100,562**	74,615
Contract assets		**7,133**	5,769
Financial assets at fair value through profit or loss		**121**	133
Restricted cash		**117,559**	119,002
Cash and cash equivalents		**238,931**	554,504
Total current assets		**9,477,443**	8,183,717
Total assets		**9,807,784**	8,508,567

	Notes	**As at 30 June 2021 (unaudited)** ***RMB'000***	As at 31 December 2020 (audited) *RMB'000*
EQUITY			
Share capital		**10,645**	10,645
Share premium		**299,188**	299,188
Retained earnings		**1,010,875**	1,022,188
Other reserves		**167,938**	167,938
Equity attributable to owners of the Company		**1,488,646**	1,499,959
Non-controlling interests		**26,773**	30,131
Total equity		**1,515,419**	1,530,090
LIABILITIES			
Non-current liabilities			
Bank borrowings		**96,200**	29,000
Other long-term borrowings		**303,340**	212,377
Deferred tax liabilities		**18,504**	16,699
Lease liabilities		**17,307**	18,336
Total non-current liabilities		**435,351**	276,412
Current liabilities			
Bank borrowings		**218,200**	110,000
Other current borrowings		**42,300**	64,640
Current portion of other long-term borrowings		**107,037**	136,000
Contract liabilities		**5,073,725**	3,877,453
Trade and other payables	*12*	**2,081,594**	2,081,117
Current income tax liabilities		**328,959**	426,729
Lease liabilities		**5,199**	6,126
Total current liabilities		**7,857,014**	6,702,065
Total liabilities		**8,292,365**	6,978,477
Total equity and liabilities		**9,807,784**	8,508,567

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Ever Reach Group (Holdings) Company Limited (Cayman Islands Company Number: 313570, the "**Company**") 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 (the "**Stock Exchange**") on 12 November 2018 (the "**Listing**").

The condensed consolidated financial statements are presented in thousands of Renminbi (RMB' 000), unless otherwise stated.

These condensed consolidated financial statements have not been audited or reviewed by the auditor of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these condensed consolidated financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

(i) This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34 – Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants. It was authorised for issue on 27 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 2.2.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information and disclosures in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

(ii) Historical cost convention

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the following:

- 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 this interim financial report 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the condensed consolidated financial statements were the same as those applied to the Group's annual financial statements for the year ended 31 December 2020.

2.2 Change in accounting policies and disclosures

(i) Amendments adopted by the Group in 2021

The following amendments of HKFRSs have been adopted by the Group for the first time for the financial year beginning 1 January 2021:

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	Regarding definition of a business	1 January 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021

The amendments did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

(ii) ***New standard and amendments not yet adopted***

The following new standard and amendments of HKFRSs have been published but are not mandatory for the Group's accounting periods beginning on 1 January 2021 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 16	Property, plant and equipment — proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts — cost of fulfilling a contract	1 January 2022
Amendments to HKFRS 3	Reference to the conceptual Framework	1 January 2022
Improvements to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 12	Income Taxes	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group will adopt the above new standard and amendments when they become effective but it is not expected that they will result in any significant impact to the Group's financial statements.

3 SEGMENT INFORMATION

The executive directors have been identified as the Chief Operating Decision Maker ("**CODM**"). Management has determined the operating segments based on the reports reviewed by the executive directors, which are used to allocate resources and assess performance.

The Group is principally engaged in property development in the PRC. The CODM reviews the operating results of the business as one segment to make decision about resources to be allocated. Revenue and profit after income tax are the measures reported to the executive directors for the purpose of resources allocation and performance assessment.

The major operating entities of the Group are domiciled in the PRC. All of the Group's revenue are derived in the PRC for the six months ended 30 June 2021 and 2020.

As at 30 June 2021 and 31 December 2020, all of non-current assets of the Group were located in the PRC.

There was no revenue derived from a single external customer that accounts for 10% or more of the Group's revenues for the six months ended 30 June 2021 and 2020.

4 REVENUE

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Sales of properties	**739,417**	509,172
Rental income	**3,119**	2,057
	742,536	511,229

5 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	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	**126,306**	92,603
– Construction costs and capitalised expenditures	**323,226**	178,540
– Net provision for decline in values of properties held for sale	**4,820**	34,430
– Interest capitalised	**23,989**	38,763
Staff costs	**52,044**	37,423
Advertising and publicity costs	**25,273**	16,507
Entertainment expenses	**11,615**	6,512
Office and meeting expenses	**11,168**	7,561
Sales agent commission	**9,947**	163
Professional fees	**8,346**	8,323
Depreciation of property, plant and equipment and amortisation of right-of-use assets	**6,738**	5,067
Stamp duty and other taxes	**5,573**	4,458
Tax and surcharges	**1,664**	1,413
Bank charges	**638**	161
Travelling expenses	**153**	53
Rental expenses	**23**	228
Other expenses	**2,179**	1,224
Total cost of sales, selling and marketing expenses and administrative expenses	**613,702**	433,429

6 OTHER LOSSES – NET

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Accrued loss of a contract (a)	**(7,000)**	–
Penalties, fines and compensations for late delivery of properties	**(598)**	–
Donations	**(204)**	(4,920)
Fair value losses on financial assets at fair value through profit or loss	**(12)**	(11)
Rewards from local government	**76**	300
Exchange gains	**2**	23
Others	**25**	(232)
	(7,711)	(4,840)

Note:

(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 2020 and 30 June 2021, the Group considered it might suffer a loss of about RMB13,000,000 and a further loss of about RMB7,000,000 respectively under this contract due to the higher expected future cost over the future benefits to be received, therefore accrual for potential loss was recorded.

7 FINANCE INCOME – NET

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Finance income		
– Interest income on bank deposits	**881**	636
Finance costs		
– Interest on bank borrowings, other long-term borrowings and other current borrowings	**(19,244)**	(28,616)
– Interest on pre-sale deposits received	**(4,413)**	(27,800)
– Interest and finance charges payable for lease liabilities	**(640)**	(520)
	(24,297)	(56,936)
Amount capitalised	**23,657**	56,416
Finance costs expensed	**(640)**	(520)
Finance income – net	**241**	116

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Current income tax		
– PRC land appreciation tax	**32,988**	21,986
– PRC corporate income tax	**39,871**	35,958
	72,859	57,944
Deferred income tax	**514**	(18,875)
Total income tax charged for the period	**73,373**	39,069

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 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.

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 condensed consolidated statements of profit or loss as income tax expense.

Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5%. No provision for Hong Kong profits tax was provided as the Group's Hong Kong companies did not have assessable income subject to Hong Kong profits tax for the six months ended 30 June 2021 and 2020.

Overseas corporate income tax

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the British Virgin Islands as they were not subject to any tax during the six months ended 30 June 2021 and 2020.

9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Group's profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
The Group's profit attributable to owners of the Company (RMB'000)	**48,687**	32,846
Weighted average number of ordinary shares in issue ('000)	**1,200,000**	1,200,000
Basic and diluted earnings per share (expressed in RMB)	**0.04**	0.03

For the six months ended 30 June 2021 and 2020, diluted earnings per share was equal to the basic earnings per share as there were no dilutive shares.

10 DIVIDENDS

On 25 March 2021, the directors of the Company recommended the payment of a final dividend of HK6.0 cents (equivalent to approximately RMB5.0 cents) per fully paid ordinary share in respect of the year ended 31 December 2020. Such proposed dividend was not recognised as a liability at 2020 year end. The dividend was approved at the annual general meeting of the Company held on 4 June 2021 and fully recognised as liability as at 30 June 2021.

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2021 (unaudited) *RMB'000*	As at 31 December 2020 (audited) *RMB'000*
Trade receivables	**94**	–
Prepayments of construction costs (a)	**145,478**	25,789
Prepayments of equity acquisition (b)	**83,722**	84,900
	229,200	110,689
Temporary funding receivables (c)	**481,792**	3,824
Costs relating to demolition and resettlement activities recoverable from government (d)	**82,639**	82,639
Receivable from project service (e)	**55,440**	55,440
Deposits paid for property development (f)	**35,124**	33,910
Prepaid tax and surcharges (g)	**24,293**	17,863
Value-added-tax recoverable	**1,311**	25,376
Others	**2,603**	2,986
	683,202	222,038
Total of trade and other receivables and prepayments	**912,496**	332,727
Less: Allowance for impairment of other receivables	**(61,435)**	(56,862)
	851,061	275,865

Notes:

(a) Prepayments of construction costs represent the prepaid construction costs, which will be transferred to properties under development for sale.

(b) The balances represent the prepayment for investment of equity interests in certain property project companies. The equity interests are in the process of transfer and registration.

(c) Included in temporary funding receivables, RMB421,792,000 are non-interest bearing and RMB60,000,000 are interest bearing receivables. Up to 27 August 2021, RMB110,000,000 out of the non-interest bearing receivables has been collected.

(d) The balances represent demolition and resettlement costs paid on behalf of and recoverable from the government.

(e) Receivable from project service represent the outstanding balance recoverable from customer for the construction costs and project management fees incurred. The Group manages the construction projects on behalf of certain customers, and earns a pre-determined service fee for the services provided. The balance has been fully impaired due to long-ageing.

(f) The balance mainly represents deposits for bidding of land use rights, project development and migrant wages.

(g) Prepaid tax and surcharges are levied when the Group receives advances from customers and the prepaid taxes are recorded as prepayments before the relevant revenue is recognised.

As at 30 June 2021, all trade receivables were not past due.

As at 30 June 2021 and 31 December 2020, the fair value of trade and other receivables and prepayments approximates their carrying amounts.

As at 30 June 2021 and 31 December 2020, the carrying amounts of trade and other receivables and prepayments are all denominated in RMB.

12 TRADE AND OTHER PAYABLES

	As at 30 June 2021 (unaudited) ***RMB'000***	As at 31 December 2020 (audited) *RMB'000*
Trade payables	**986,453**	1,026,796
Notes payable	**9,203**	–
	995,656	1,026,796
Deposits received from customers (a)	**399,977**	572,587
Value-added-tax and other taxes payable (b)	**244,435**	216,233
Amounts due to minority shareholders (c)	**147,306**	50,810
Construction deposits from suppliers	**82,824**	71,426
Dividends payable	**60,000**	–
Interest payable	**46,571**	50,500
Amounts due to related parties	**45,077**	2,912
Accrued provision (Note 6(a))	**20,000**	13,000
Construction deposits from related parties	**15,851**	20,403
Accrued payroll	**8,375**	26,527
Temporary funding payables (d)	**7,605**	24,681
Maintenance fees collected on behalf	**1,226**	832
Other payables due to a related party	**255**	599
Others	**6,436**	3,811
	2,081,594	2,081,117

Notes:

(a) The balance represents the advance payment received for purchase of properties under development, contract of which are yet to be entered. Such balance will be transferred into contract liabilities once the sales contracts have been signed with customers.

(b) The standard value-added-tax ("**VAT**") rate was 9% since 1 April 2019. Certain sales of properties and rental income of the Group are qualified for the simplified tax rate of 5% but the relevant input VAT is not deductible.

(c) Amounts due to minority shareholders arose from temporary funding from minority shareholders and are due on demand. The payables bear no interest. The payables are non-trade in nature.

(d) Temporary funding payables are non-interest bearing payables to independent third parties.

At 30 June 2021 and 31 December 2020, the ageing analysis of trade payables based on invoice date are as follows:

	As at 30 June 2021 (unaudited) *RMB'000*	As at 31 December 2020 (audited) *RMB'000*
Less than 1 year	**807,697**	822,560
Between 1 and 2 years	**151,920**	173,669
Between 2 and 3 years	**4,626**	11,917
Over 3 years	**22,210**	18,650
	986,453	1,026,796

As at 30 June 2021 and 31 December 2020, the fair value of trade and other payables approximates their carrying amounts.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

On 15 July 2021, the National Bureau of Statistics released the statistics on "Investment and Sales of Real Estate Development in the PRC from January to June 2021" and "Changes in the Sales Price of Commercial Housing in 70 Large and Medium-sized Cities in June 2021". According to such latest statistics, during the first half of 2021, the sales and investment of commercial housing development in the PRC recorded a significant growth rate, and the market development experienced a steady improvement. From January to June 2021, the saleable area of commercial housing was approximately 886 million sq.m., representing a year-on-year increase of approximately 27.7%. The sales volume of commercial housing was approximately RMB9,293,100 million, representing an increase of approximately 38.9%. The completed gross floor area ("**GFA**") of real estate properties was approximately 365 million sq.m., representing an increase of approximately 25.7%.

According to the Henan Provincial Bureau of Statistics, from January to June 2021, investment in real estate development in Henan Province amounted to approximately RMB372,977 million, representing a year-on-year increase of approximately 11.5%. Among them, investment in residential properties amounted to approximately RMB313,258 million, representing a year-on-year increase of 13.8%. The GFA of newly commenced projects was approximately 74.47 million sq.m., representing a year-on-year increase of approximately 7.3%. Among which, the GFA of newly commenced residential properties was 62.07 million sq.m., representing a year-on-year increase of approximately 10.6%. The completed GFA of real estate properties was approximately 25.12 million sq.m., representing a year-on-year increase of approximately 82.7%. Among which, the completed GFA of residential properties was approximately 19.77 million sq.m., representing a year-on-year increase of approximately 77.6%.

As per the information on the real estate sector of Henan Province, the real estate market in Henan Province showed steady growth in the first half of 2021. Pursuant to the results of the Seventh National Population Census of the PRC, the rate of urbanization in Henan Province has increased, yet its share of urban population is still considerably lower than the national average. One of Henan Province's potentials, then, is to develop new urban areas in the future. This will in turn become an internal force that promotes quality economic and social development in the province. Therefore, Henan Province has a huge potential and capacity for real estate market development.

BUSINESS OVERVIEW

To ensure that the Group is achieving our sustainable development goals, we have been steadily expanding our land reserves to acquire land parcels in prime locations in a timely manner. During the six months ended 30 June 2021, the Group acquired approximately 92,757 sq.m. of land in total by way of tender, auction and acquisition. Among which, (i) approximately 58,494 sq.m. of land was acquired in Xuchang City, Henan Province; and (ii) approximately 34,263 sq.m. of land was acquired in Luohe City, Henan Province. Meanwhile, in order to maintain stable business growth and to explore other business opportunities, the Group established the following new companies which are wholly-owned or majority-owned subsidiaries of the Group: (i) Xuchang Hengrong Real Estate Development Company Limited* (許昌市恒榮房地產開發有限公司); (ii) Yanling Wanhong Property Company Limited* (鄢陵縣萬弘置業有限公司); (iii) Yanling Zhengli Real Estate Development Company Limited* (鄢陵縣政裏房地產開發有限公司); and (iv) Chongqing Hengling Commerce Company Limited* (重慶恒翎商貿有限公司).

In the past six months, the Group continued to adhere to its business model of developing mixed residential and commercial properties, in order to increase the overall value of residential projects. In regard to market layout, we insisted on tapping the full business potential of Xuchang City and stimulating the business in surrounding areas. At the same time, we also insisted on further increasing our market share in other cities in Henan Province, which became our new goal in relation to the precise and in-depth exploration of the Henan market. By developing products based on innovative ideas, we enhanced our product quality. Such continuous improvements allowed us to maintain a competitive edge and provided us with confidence that the Company's overall strategic goals can be realized. In regard to operations, we made great efforts to implement a business model that provided us with a high turnover ratio, so as to control our debt exposures and to secure our cash flow. We also implemented branding strategies to create the "brand effect" on a sustainable basis, we comprehensively increased our service capabilities and constantly enhanced our service quality, and in return, achieved higher levels of customer satisfaction.

By upholding the principle of "Integrity Management, Fulfilling Every Promise", Ever Reach Group builds itself on a solid brand foundation and culture. We will continue to carry out intensive product research and implement a standardization system in our operations. We will also actively promote the construction of both upstream and downstream portions of the supply chain, comprehensively improve product and service capabilities, strengthen risk control, promote the sustainable and steady development of the Group, in order to create a win-win situation for the society, customers, suppliers, employees and investors.

Land reserves

As at 30 June 2021, the GFA of the Group's land reserves was approximately 3.8 million sq.m..

* *English name for identification purpose only*

Contracted sales

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

	Six months ended 30 June 2021	2020	% change +/-
Contracted sales attributable to:			
Residential units (RMB, million)	**1,579.8**	917.3	+72.2%
Commercial units (RMB, million)	**171.8**	127.5	+34.7%
Car parking spaces (RMB, million)	**45.8**	33.2	+38.0%
Others (RMB, million)	**12.2**	5.2	+134.6%
Total (RMB, million)	**1,809.6**	1,083.2	+67.1%
Contracted saleable GFA/lot attributable to:			
Saleable GFA (sq.m.)	**272,374**	165,432	+64.6%
Car parking space (lot)	**785**	493	+59.2%
Contracted ASP attributable to:			
Saleable GFA (RMB/sq.m.)	**6,643**	6,347	+4.7%
Car parking space (RMB/lot)	**58,344**	67,342	-13.4%

Our contracted ASP per sq.m. of saleable GFA increased by 4.7% to approximately RMB6,643 per sq.m. for the six months ended 30 June 2021 comparing to the same period of last year. The increase in the first half of 2021 was mainly due to the increase in market price of properties in Henan Province.

Our contracted ASP per lot for car parking space decreased by 13.4% to approximately RMB58,344 per lot for the six months ended 30 June 2021. The decrease for the six months ended 30 June 2021 was mainly due to the increase in the proportion of contracted sales of car parking spaces with a relatively low ASP.

FINANCIAL REVIEW

Results

During the six months ended 30 June 2021, the revenue of the Group reached approximately RMB742.5 million (six months ended 30 June 2020: RMB511.2 million), representing an increase of approximately 45.2% as compared to the same period of last year.

The Group recorded gross profit of approximately RMB259.9 million (six months ended 30 June 2020: RMB163.8 million), representing an increase of approximately RMB96.1 million, or approximately 58.7% as compared to the same period of last year.

Gross profit margin was approximately 35.0% for the six months ended 30 June 2021 (six months ended 30 June 2020: 32.0%), representing an increase of approximately 9.4% as compared with the same period of last year.

Profit for the period increased by approximately RMB13.1 million, or 41.0%, from approximately RMB31.9 million for the six months ended 30 June 2020 to approximately RMB44.9 million for the six months ended 30 June 2021.

Revenue

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

	Six months ended 30 June				
	2021		2020		% change
	RMB'000	**%**	*RMB'000*	%	+/-
Sales of properties	**739,417**	**99.6**	509,172	99.6	+45.2
Rental income	**3,119**	**0.4**	2,057	0.4	+51.6
	742,536	**100.0**	511,229	100.0	+45.2

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:

	Six months ended 30 June					
	2021			2020		
	Revenue	**GFA recognised**	**Recognised ASP per sq.m.**	Revenue	GFA recognised	Recognised ASP per sq.m.
	RMB'000	***sq.m.***	***RMB***	*RMB'000*	*sq.m.*	*RMB*
Residential	**569,150**	**89,775**	**6,340**	365,333	54,779	6,669
Commercial	**146,493**	**16,798**	**8,721**	102,719	12,841	7,999
Storage	**4,670**	**2,268**	**2,059**	2,895	1,017	2,847
	720,313	**108,841**	**6,618**	470,947	68,637	6,861

	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	**19,104**	**319**	**59,887**	38,225	385	99,286

Sales of properties, which accounted for approximately 99.6% (six months ended 30 June 2020: 99.6%) of our total revenue for the six months ended 30 June 2021, was primarily contributed from the sales of residential and commercial properties, storages and car parking spaces in the period.

Our revenue increased by approximately RMB231.3 million or 45.2% from approximately RMB511.2 million for the six months ended 30 June 2020 to approximately RMB742.5 million for the six months ended 30 June 2021, which was principally attributable to the result of approximately RMB247.6 million increase in the sales of our residential and commercial properties during the six months ended 30 June 2021.

Gross profit and gross profit margin

The table below sets out the revenue, gross profit and gross profit margin by types:

	Six months ended 30 June							
	2021				2020			
	Revenue *RMB'000*	**Cost of sales** *RMB'000*	**Gross profit** *RMB'000*	**Gross profit Margin** %	Revenue *RMB'000*	Cost of sales *RMB'000*	Gross profit *RMB'000*	Gross profit Margin %
Sales of properties								
— Residential	**569,150**	**382,982**	**186,168**	**32.7**	365,333	237,645	127,688	35.0
— Commercial	**146,493**	**79,287**	**67,206**	**45.9**	102,719	52,869	49,850	48.5
— Car parking spaces and storages	**23,774**	**20,371**	**3,403**	**14.3**	41,120	56,946	(15,826)	(38.5)
Subtotal	**739,417**	**482,640**	**256,777**	**34.7**	509,172	347,460	161,712	31.8
Rental	**3,119**	**—**	**3,119**	**100.0**	2,057	–	2,057	100.0
	742,536	**482,640**	**259,896**	**35.0**	511,229	347,460	163,769	32.0

Despite the fact that the gross profit margin of sales of residential and commercial properties decreased from approximately 35.0% and 48.5% for the six months ended 30 June 2020 to approximately 32.7% and 45.9% for the six months ended 30 June 2021, respectively, the gross profit margin from sales of properties increased from approximately 31.8% for the six months ended 30 June 2020 to approximately 34.7% for the six months ended 30 June 2021.

Profit for the six months ended 30 June 2021 was approximately RMB44.9 million (six months ended 30 June 2020: RMB31.9 million), representing an increase of approximately RMB13.0 million. It was mainly due to (i) the increase in our revenue from approximately RMB511.2 million for the six months ended 30 June 2020 to approximately RMB742.5 million for the six months ended 30 June 2021; and (ii) the improvement of our overall gross profit margin from approximately 32.0% for the six months ended 30 June 2020 to approximately 35.0% for the six months ended 30 June 2021, partially offset by approximately RMB14.2 million increase in administrative expenses and approximately RMB30.9 million increase in selling and marketing expenses for the six months ended 30 June 2021.

Fair value (losses)/gains on investment properties

The Group's investment properties were valued on 30 June 2021 by an independent 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 six months ended 30 June 2021, the Group's selling and marketing expenses amounted to approximately of RMB62.9 million (six months ended 30 June 2020: RMB32.1 million), representing an increase of approximately 96.0% as compared to the same period in 2020. During the six months ended 30 June 2021, the Group launched more promotion activities and campaign as compared with the same period of 2020.

Administrative expenses

The administrative expenses increased by approximately 26.3% from approximately RMB53.9 million for the six months ended 30 June 2020 to approximately RMB68.1 million for the six months ended 30 June 2021, the increase in administrative expenses was mainly due to the increase in entertainment expenses, staff costs and professional fees for the six months ended 30 June 2021.

Other losses — net

During the six months ended 30 June 2021, the Group's other losses amounted to approximately RMB7.7 million (six months ended 30 June 2020: RMB4.8 million). 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 30 June 2021, the Group considered it might have a further loss of about RMB7,000,000 under this contract due to the higher expected future cost over the future benefits to be received.

Finance income — net

Finance income-net primarily consisted of (i) interest expenses on bank and other borrowings; (ii) interest on pre-sale deposits received, and (iii) interest and finance charges payable for lease liabilities less interest expenses which were capitalised to the extent that such costs are directly attributable to property development projects. Our finance costs increased by approximately 20.0% from approximately RMB0.5 million for the six months ended 30 June 2020 to approximately RMB0.6 million for the six months ended 30 June 2021.

Income tax expense

Income tax expense mainly comprised of the PRC corporate income tax expense and land appreciation tax arising from our PRC subsidiaries. Income tax expenses increased by approximately 87.7% or RMB34.3 million from approximately RMB39.1 million for the six months ended 30 June 2020 to the approximately RMB73.4 million for the six months ended 30 June 2021, which was in line with the increase of our revenue for the six months ended 30 June 2021.

Liquidity, financial resources and capital resources

As at 30 June 2021, the cash and cash equivalents amounted to approximately RMB238.9 million (31 December 2020: RMB554.5 million), of which approximately RMB238.3 million (31 December 2020: RMB553.7 million) was denominated in RMB and approximately RMB0.6 million (31 December 2020: RMB0.8 million) was denominated in Hong Kong dollar.

As at 30 June 2021, the restricted cash amounted to approximately RMB117.6 million (31 December 2020: RMB119.0 million), all restricted cash was denominated in RMB.

The Group's total borrowings amounted to approximately RMB767.1 million as at 30 June 2021 (31 December 2020: RMB552.0 million), of which approximately RMB367.5 million was classified as current liabilities (31 December 2020: RMB310.6 million). Approximately 46.2% (31 December 2020: 51.7%) out of the Group's total borrowings was fixed interest rates.

As at 30 June 2021 and 31 December 2020, the Group's borrowings were repayable as follows:

	As at 30 June 2021			As at 31 December 2020		
	Within 1 year	**Between 1 to 2 years**	**Between 2 to 5 years**	Within 1 year	Between 1 to 2 years	Between 2 to 5 years
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	**218,200**	**96,200**	**—**	110,000	—	29,000
Other long-term borrowings	**107,037**	**103,840**	**199,500**	136,000	90,377	122,000
Other current borrowings	**42,300**	**—**	**—**	64,640	—	—
	367,537	**200,040**	**199,500**	310,640	90,377	151,000

Current, total and net assets

As at 30 June 2021, the Group had current assets of approximately RMB9,477.4 million (31 December 2020: RMB8,183.7 million) and current liabilities of approximately RMB7,857.0 million (31 December 2020: RMB6,702.1 million), there was an increase of net current assets value from approximately RMB1,481.6 million as at 31 December 2020 to approximately RMB1,620.4 million as at 30 June 2021.

As at 30 June 2021, the Group had total assets of approximately RMB9,807.8 million (31 December 2020: RMB8,508.6 million) and total liabilities of approximately RMB8,292.4 million (31 December 2020: RMB6,978.5 million), representing a decrease of net assets or total equity from approximately RMB1,530.1 million as at 31 December 2020 to approximately RMB1,515.4 million as at 30 June 2021.

Charge on assets

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

Contingent liabilities

(a) The Group has arranged bank financing for certain purchasers of the Group's properties and provided guarantees to secure obligations of these purchasers 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 30 June 2021, such shareholder loans of this Associate Company are approximately RMB198 million (31 December 2020: RMB218 million).

(c) The guarantees and pledges provided for the borrowings of third parties as at 30 June 2021 amounted to RMB20 million.

Key financial ratios

Key financial ratios:

	As at 30 June 2021	As at 31 December 2020
Liquidity ratio		
Current ratio	**1.2**	1.2
Capital adequacy ratios		
Gearing ratio *(note 1)*	**50.6%**	36.1%
Debt to equity ratio *(note 2)*	**34.9%**	N/A

Note 1: Gearing ratio is our total debts, including bank borrowings, other long-term borrowings and other current borrowings, as a percentage of total equity.

Note 2: Debt to equity ratio is our total debts, minus cash and cash equivalents, as a percentage of total equity.

KEY RISK FACTORS

All of our projects are located in Henan Province, the PRC. Our business continues to be heavily dependent on the performance of the property markets in Xuchang City and other cities in 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 the PRC 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.

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 30 June 2021, the gearing ratio of the Group was approximately 50.6%, representing an increase of approximately 14.5 percentage points as compared with approximately 36.1% as at 31 December 2020, which was mainly due to the new borrowings during the period.

INTERIM DIVIDEND

The Board takes into account the Group's overall results of operation, financial position and capital requirements, among other factors, in considering the declaration of dividends. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 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 at 30 June 2021, the Group had a total workforce of 764 employees (30 June 2020: 578). The remuneration policy is reviewed by the Board from time to time. Emoluments of the directors are determined by the Remuneration Committee 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.

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

FORWARD LOOKING

In the first half of 2021, the domestic economy continued to achieve steady growth and the sales of commercial housing rose steadily. The People's Bank of China made further improvements to the real estate financial control mechanism by building a long-term real estate financial control mechanism that focuses on stabilizing land prices, property prices and expectations. Policies promulgated by the Central Government further targeted the supply side and regulations in real estate financing continued to be more stringent. In the second half of 2021, the domestic economy is expected to continue to show a steady growth trend, and the real estate market is expected to adhere to the overarching principle of "residential properties are for living, not speculation". To this end, control measures shall be imposed to major market participants. With a multi-pronged approach, the government will further promote the steady and healthy development of the real estate market.

The Henan government continued to implement policies according to the relevant conditions in different cities. In April 2021, Zhengzhou City issued a development plan for the integration of transportation in the Zhengzhou metropolitan area. Such plan strengthened the influence of Zhengzhou City on neighbouring areas and connected the five cities of Zhengzhou, Kaifeng, Xinxiang, Jiaozuo and Xuchang. Thus, the plan provided strong support for the stable development of the real estate market of the entire Henan Province, while at the same time created potential and capacity for the development of Xuchang City.

In the second half of 2021, by taking advantage of the positive economic development trend in the PRC and the huge population base of Henan Province, the Group will continue to (1) make greater efforts in marketing and inventory clearance; (2) control development costs to maintain profitability; (3) improve product standardization to maintain product quality; and (4) implement product standardization management measures to increase brand awareness and informatization levels.

Looking ahead, the Group will stay true to its intentions and continue to serve the community by building a safe, comfortable, ecological and harmonious living environment. With products as the core and brand and culture as the foundation, we will focus on developing areas in Henan Province by precisely exploring Xuchang City and expanding our business into neighbouring cities. We will also improve the turnover ratio under our operating model, so as to promote the steady development of the Company.

OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this interim results announcement, no material events were undertaken by the Group subsequent to 30 June 2021.

CORPORATE GOVERNANCE

The Company recognises the importance of corporate transparency and accountability. The Company is committed to achieving a high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures. During the six months ended 30 June 2021, the Board is of the opinion that the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code contained 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**") as its own code of conduct regarding securities transactions by the directors of the Company. The Company has made a specific enquiry to all directors of the Company regarding any non-compliance with the Model Code and all directors confirmed that they have complied with the Model Code.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW BY AUDIT COMMITTEE

The unaudited condensed consolidated financial statements for the six months ended 30 June 2021 have been reviewed by the audit committee of the Board which comprises three independent non-executive directors namely, Mr. LEE Kwok Lun, Mr. FANG Cheng and Mr. WEI Jian.

AUDIT OR REVIEW OF THE FINANCIAL RESULTS

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 have not been audited or reviewed by the auditor of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.everreachgroup.com). The interim report will be despatched to the shareholders of the Company and published on both websites on or before 30 September 2021.

FORWARD-LOOKING STATEMENTS

This announcement includes certain forward-looking statements which involve the financial conditions, results and businesses of the Group. These forward-looking statements are the Group's expectation or beliefs for future events and they involve known and unknown risks and uncertainties, which may cause actual results, performance or development of the situation to differ materially from the situation expressed or implied by these statements.

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

Hong Kong, 27 August 2021

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