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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2022, together with the unaudited comparative figures for the corresponding period in 2021 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
		(unaudited)	(unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**473,261**	742,536
Cost of sales	*5*	**(364,293)**	(482,640)
Gross profit		**108,968**	259,896
Fair value losses on investment properties		**(1,070)**	(350)
Selling and marketing expenses	*5*	**(44,064)**	(62,944)
Administrative expenses	*5*	**(58,591)**	(68,118)
Net impairment losses on financial assets		**(719)**	(4,571)
Other income		**2,839**	2,561
Other losses – net	*6*	**(7,431)**	(7,711)
Operating (loss)/profit		**(68)**	118,763
Finance income		**650**	881
Finance costs		**(604)**	(640)
Finance income – net	*7*	**46**	241
Share of results of investments accounted for using the equity method		**–**	(684)
(Loss)/profit before income tax		**(22)**	118,320
Income tax expense	*8*	**(22,421)**	(73,373)
(Loss)/profit for the period		**(22,443)**	44,947
Attributable to:			
Owners of the Company		**(18,686)**	48,687
Non-controlling interests		**(3,757)**	(3,740)
		(22,443)	44,947
Earnings per share attributable to the owners of the Company (expressed in RMB)			
– Basic and diluted earnings per share	*9*	**(0.02)**	0.04

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
(Loss)/profit for the period	**(22,443)**	44,947
Other comprehensive income for the period	**–**	–
Total comprehensive income for the period, net of tax	**(22,443)**	44,947
Attributable to:		
Owners of the Company	**(18,686)**	48,687
Non-controlling interests	**(3,757)**	(3,740)
	(22,443)	44,947

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	**As at 30 June 2022 (unaudited)** *RMB'000*	As at 31 December 2021 (audited) *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**37,859**	41,978
Right-of-use assets		**18,952**	19,721
Investment properties		**123,610**	124,680
Intangible assets		**14,189**	14,553
Deferred tax assets		**183,713**	158,248
Total non-current assets		**378,323**	359,180
Current assets			
Prepayments for leasehold land		**61,820**	80,490
Properties held or under development for sale		**9,366,426**	8,915,148
Trade and other receivables and prepayments	*11*	**565,313**	399,757
Prepaid income taxes		**110,066**	104,697
Contract assets		**6,138**	6,234
Financial assets at fair value through profit or loss		**–**	6,155
Restricted cash		**121,523**	146,836
Cash and cash equivalents		**229,635**	281,489
Total current assets		**10,460,921**	9,940,806
Total assets		**10,839,244**	10,299,986

	Notes	As at 30 June 2022 (unaudited) RMB'000	As at 31 December 2021 (audited) RMB'000
EQUITY			
Share capital		**10,645**	10,645
Share premium		**299,188**	299,188
Retained earnings		**1,175,483**	1,252,647
Other reserves		**184,483**	184,392
Equity attributable to owners of the Company		**1,669,799**	1,746,872
Non-controlling interests		**110,240**	98,588
Total equity		**1,780,039**	1,845,460
LIABILITIES			
Non-current liabilities			
Bank borrowings		**198,500**	156,200
Other long-term borrowings		**91,500**	248,000
Deferred tax liabilities		**18,862**	18,877
Lease liabilities		**14,739**	16,191
Total non-current liabilities		**323,601**	439,268
Current liabilities			
Bank borrowings		**189,200**	107,800
Other current borrowings		**40,080**	56,580
Current portion of other long-term borrowings		**234,377**	124,377
Contract liabilities		**5,882,723**	5,212,558
Trade and other payables	*12*	**2,060,506**	2,064,502
Current income tax liabilities		**322,402**	444,724
Lease liabilities		**6,316**	4,717
Total current liabilities		**8,735,604**	8,015,258
Total liabilities		**9,059,205**	8,454,526
Total equity and liabilities		**10,839,244**	10,299,986

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

These condensed consolidated interim 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 interim financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

(i) This condensed consolidated interim financial statements for the six months ended 30 June 2022 have 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 26 August 2022.

The condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in Note 2.2.

This condensed consolidated interim financial statements contain 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 2021 annual financial statements. The condensed consolidated interim 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 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

(ii) ***Historical cost convention***

The condensed consolidated interim 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 the condensed consolidated interim financial statements 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 interim financial statements were the same as those applied to the Group's annual financial statements for the year ended 31 December 2021.

(iii) ***Going concern***

Cash and cash equivalents balance of the Group reduced from RMB281.5 million at 31 December 2021 to RMB229.6 million at 30 June 2022. The Group has been experiencing certain slowing down of the local property market since the second half of 2021 in general which could further reduce pre-sales volume and collection of pre-sale proceeds. Above situations might impose liquidity pressure on the Group.

In view of such circumstances, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial sources to continue as a going concern, and continue to take the following measures to maintain sufficient cash to meet its operation needs and commitments in respect of property projects:

(i) The Group will continue to actively adjust sales and pre-sale activities to better respond to market needs, make efforts to achieve the latest budgeted sales and pre-sales volumes and amounts, and timely monitor the collection of sales and pre-sales proceeds;

(ii) The Group will maintain continuous communication and agree with major constructors and suppliers to arrange payments to these vendors and complete the construction progress as scheduled;

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

(iv) The Group will monitor the timely collection of the temporary funding receivables from third parties, and in the meantime, continuously cooperate with the related parties and non-controlling shareholders of the project companies to provide funding support to ensure the development and sales of all existing projects as budgeted without material interruptions.

The directors, after making due enquiries and continuous measures described above, believe that the Group will be able to generate sufficient funds to finance its operations and to meet its financial obligations when they fall due within the next 12 months from 30 June 2022. Accordingly, the directors are satisfied that it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

2.2 Change in accounting policies and disclosures

(i) Amendments adopted by the Group in 2022

The following standards and amendments of HKFRSs have been adopted by the Group for the first time for the financial year beginning 1 January 2022:

		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 HKFRS 3	Reference to the conceptual framework	1 January 2022
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
Improvements to HKFRS 9, HKFRS 16, HKFRS 1, HKAS 41	Annual improvements to HKFRS Standards 2018–2020	1 January 2022
Amendments to AG 5	Merger accounting for common control combinations	1 January 2022

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 issued but are not mandatory for the Group's accounting periods beginning on 1 January 2022 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	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 2022 and 2021.

As at 30 June 2022 and 31 December 2021, majority 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 2022 and 2021.

4 REVENUE

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Sales of properties – recognised at a point in time	**468,002**	739,417
Rental income	**3,797**	3,119
Service income – recognised at a point in time	**1,462**	–
	473,261	742,536

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	
	2022	2021
	(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	**97,069**	126,306
– Construction costs and capitalised expenditures	**235,855**	323,226
– Net provision for decline in values of properties held or under development for sale	**8,220**	4,820
– Interest capitalised	**18,499**	23,989
Staff costs	**48,194**	52,044
Advertising and publicity costs	**12,955**	25,273
Office and meeting expenses	**10,547**	11,168
Entertainment expenses	**8,191**	11,615
Depreciation and amortisation expenses	**7,215**	6,738
Sales agent commission	**6,351**	9,947
Professional fees	**5,174**	8,346
Stamp duty and other taxes	**4,702**	5,573
Tax and surcharges	**1,558**	1,664
Bank charges	**538**	638
Rental expenses	**256**	23
Travelling expenses	**37**	153
Other expenses	**1,587**	2,179
Total cost of sales, selling and marketing expenses and administrative expenses	**466,948**	613,702

6 OTHER LOSSES – NET

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Accrued loss of a contract	**–**	(7,000)
Penalties, fines and compensations	**(4,466)**	(598)
Donations	**(3,104)**	(204)
Fair value losses on financial assets at fair value through profit or loss	**(155)**	(12)
Exchange gains	**32**	2
Others	**262**	101
	(7,431)	(7,711)

7 FINANCE INCOME – NET

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Finance income		
– Interest income on bank deposits	**650**	881
Finance costs		
– Interest on bank borrowings, other long-term borrowings and other current borrowings	**(34,604)**	(19,244)
– Interest on pre-sale deposits received	**(286)**	(4,413)
– Interest and finance charges payable for lease liabilities	**(604)**	(640)
	(35,494)	(24,297)
Amount capitalised	**34,890**	23,657
Finance costs expensed	**(604)**	(640)
Finance income – net	**46**	241

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Current income tax		
– PRC land appreciation tax	**9,138**	32,988
– PRC corporate income tax	**38,762**	39,871
	47,900	72,859
Deferred income tax	**(25,479)**	514
Total income tax charged for the period	**22,421**	73,373

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 2022 and 2021.

Overseas corporate income tax

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the British Virgin Islands as they were not subject to any tax during the six months ended 30 June 2022 and 2021.

9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Group's (loss)/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	
	2022	2021
	(unaudited)	(unaudited)
The Group's (loss)/profit attributable to owners of the Company (RMB'000)	**(18,686)**	48,687
Weighted average number of ordinary shares in issue ('000)	**1,200,000**	1,200,000
Basic and diluted earnings per share (expressed in RMB)	**(0.02)**	0.04

For the six months ended 30 June 2022 and 2021, diluted earnings per share was equal to the basic earnings per share as there were no dilutive shares.

10 DIVIDENDS

On 30 March 2022, the directors of the Company recommended the payment of a final dividend of HKD6.0 cents (equivalent to approximately RMB5.0 cents) per fully paid ordinary share in respect of the year ended 31 December 2021. Such proposed dividend was not recognised as a liability at 2021 year end. The dividend was approved at the annual general meeting of the Company held on 9 June 2022 and fully paid off by 13 July 2022.

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2022 (unaudited) *RMB'000*	As at 31 December 2021 (audited) *RMB'000*
Trade receivables	**–**	–
Prepayments of construction costs (a)	**200,140**	74,675
	200,140	74,675
Temporary funding receivables (b)	**258,287**	203,507
Costs relating to demolition and resettlement activities recoverable from government (c)	**41,789**	52,639
Receivable from project service (d)	**54,140**	55,440
Tender deposit (e)	**32,204**	37,169
Deposits paid for property development	**1,681**	2,421
Prepaid tax and surcharges (f)	**28,889**	24,970
Value-added-tax recoverable	**3,201**	4,370
Others	**3,656**	2,521
	423,847	383,037
Total of trade and other receivables and prepayments	**623,987**	457,712
Less: Allowance for impairment of other receivables	**(58,674)**	(57,955)
	565,313	399,757

Notes:

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

(b) Temporary funding receivables as at 30 June 2022 are non-interest bearing receivables from certain third parties. Up to 26 August 2022, RMB82,200,000 out of the receivables has been collected.

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

(d) Receivable from project service represents 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.

(e) The balance mainly represents deposits for bidding of land use rights, project development and migrant wages and housing maintenance fund for properties held for sale of the Group.

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

As at 30 June 2022 and 31 December 2021, the fair value of trade and other receivables and prepayments approximates their carrying amounts.

As at 30 June 2022 and 31 December 2021, the carrying amounts of trade and other receivables and prepayments are all denominated in RMB.

12 TRADE AND OTHER PAYABLES

	As at 30 June 2022 (unaudited) ***RMB'000***	As at 31 December 2021 (audited) *RMB'000*
Trade payables	**1,241,912**	1,240,833
Notes payable	**–**	9,203
	1,241,912	1,250,036
Deposits received from customers (a)	**67,779**	84,378
Value-added-tax and other taxes payable (b)	**315,747**	272,994
Amounts due to non-controlling interests (c)	**221,673**	218,812
Dividends payable *(Note 10)*	**58,478**	–
Interest payable	**49,836**	47,628
Amounts due to related parties	**25,512**	18,738
Accrued payroll	**7,624**	28,911
Temporary funding payables (c)	**61,975**	121,625
Maintenance fees collected on behalf	**1,362**	1,337
Other payables due to a related party	**355**	5,374
Others	**8,253**	14,669
	2,060,506	2,064,502

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) Temporary funding payables and amounts due to non-controlling interests are non-interest bearing.

At 30 June 2022 and 31 December 2021, the ageing analysis of trade payables based on invoice date are as follows:

	As at 30 June 2022 (unaudited)	As at 31 December 2021 (audited)
	RMB'000	*RMB'000*
Less than 1 year	**1,023,930**	1,006,923
Between 1 and 2 years	**127,336**	173,604
Between 2 and 3 years	**63,572**	23,545
Over 3 years	**27,074**	36,761
	1,241,912	1,240,833

As at 30 June 2022 and 31 December 2021, the fair value of trade and other payables approximates their carrying amounts.

As at 30 June 2022 and 31 December 2021, the carrying amounts of trade and other payables were all denominated in RMB.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

On 15 July 2022, the National Bureau of Statistics issued a report on the "Development, Investment and Sales of Real Estate in the PRC from January to June 2022". According to the statistics therein, investment in real estate development in the PRC from January to June 2022 amounted to approximately RMB6,831,400 million, representing a decrease of approximately 5.4% as compared to the corresponding period last year; the total construction area of new properties was 664,230,000 sq.m., representing a decrease of approximately 34.4% as compared to the corresponding period last year; the total sales area of commodity properties was 689,230,000 sq.m., representing a decrease of approximately 22.2% as compared to the corresponding period last year; sales of commodity properties amounted to approximately RMB6,607,200 million, representing a decrease of approximately 28.9% as compared to the corresponding period last year, of which residential sales decreased by approximately 31.8%.

According to the "Development and Sales of Real Estate in Henan from January to June 2022" from the Henan Provincial Bureau of Statistics, statistics show that from January to June 2022, real estate development and investment in Henan amounted to approximately RMB371,336 million, representing a decrease of approximately 0.4% as compared to the corresponding period last year; the total construction area of new properties was approximately 57,256,900 sq.m., representing a decrease of approximately 23.1% as compared to the corresponding period last year; the total construction area of completed residential projects was approximately 17,403,300 sq.m., representing a decrease of approximately 30.7% as compared to the corresponding period last year; the total sales area of commodity properties was approximately 56,706,500 sq.m., representing a decrease of approximately 8.9% as compared to the corresponding period last year; sales of commodity properties amounted to approximately RMB348,471 million, representing a decrease of approximately 17.3% as compared to the corresponding period last year, of which residential sales decreased by approximately 18.6%.

As shown by the data from national and provincial statistics bureaus, in the first half of 2022, the real estate industry declined to various extents from investment size to construction area and completed construction area. The statistics also reflect the immense downwards pressure on the real estate industry as buyers demonstrate a lack of confidence. However, national and provincial governments have implemented policy adjustments in relation to the real estate industry. For example, on 21 February 2022, the four major banks in the PRC (BOC, ABC, ICBC, CCB) lowered home loan interest rates in the Guangzhou area. Meanwhile, Beijing, Shanghai and Shenzhen have also lowered home loan interest rates. On 28 May 2022, Xi'an issued the "Notice on Policy Adjustments in Relation to Commodity Housing", which sets out policy optimisation in relation to regulation of the housing market in four major aspects, including specific measures such as relaxing purchase limits, reducing sale restriction periods, lowering the Housing Provident Fund loan to downpayment ratio, and raising the maximum limit for Housing Provident Fund loan. On 20 June 2022, the Zhengzhou municipal government issued the "Provisional Implementation Measures for Resettlement of Squatter Areas in Zhengzhou with Housing Vouchers", which provides for resettlement of squatter areas in central Zhengzhou by implementing housing vouchers. Displaced residents who elect to receive housing vouchers for resettlement will be given a resettlement bonus as compensation, and purchase of commodity housing made with housing vouchers would be excluded from calculation of purchase limits of housing units on each family, in addition to a reduction on deed tax. Such measures could help to boost consumer confidence, although it may take a longer period for market conditions to return to normal.

BUSINESS OVERVIEW

The Group experienced severe difficulties in the first half of 2022. Various targets were not met. However, thanks to the devoted efforts of our employees in maintaining operations as far as possible during the pandemic, the Group managed to achieve outstanding results in sales among local real estate enterprises.

To ensure that the Group meet sustainable development targets, sufficient land reserves remain necessary, so as to be ready for the future real estate market. In March 2022, the Group made a successful bid for a residential land parcel of approximately 44,500 sq.m. in Xuchang, Henan province. In the first half of 2022, contracted sales amounted to approximately RMB890.7 million. The Group's top priority is sales, and meeting annual sales targets is our goal. The Group continues to focus resources and efforts to ensure sales targets are met and cash flow is properly maintained.

The past half year has been extremely trying for the real estate industry. The Group continued to maintain its "residential properties first, commercial properties second" business model to improve the convenience and comprehensive value of its residential projects. In face of the overall pressure within the real estate industry, the Group properly reduced its profitability targets in terms of market layout, worked to maintain our market share in the local Xuchang market and radiating to surrounding areas, and expanded our market share in other Henan cities in a timely manner.

The Group continues to adhere to the principle of "Integrity Management, Fulfilling Every Promise", further developing the Group's presence in the upstream and downstream industry chain, raising work efficiency and risk control capability, and maintain robust enterprise growth even under the downwards pressure on the real estate industry.

Land reserves

As at 30 June 2022, the GFA of the Group's land reserves was approximately 4.3 million sq.m..

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		% change
	2022	2021	+/-
Contracted sales attributable to:			
Residential units (RMB, million)	**782.6**	1,579.8	-50.5%
Commercial units (RMB, million)	**81.6**	171.8	-52.5%
Car parking spaces (RMB, million)	**21.1**	45.8	-53.9%
Others (RMB, million)	**5.4**	12.2	-55.7%
Total (RMB, million)	**890.7**	1,809.6	-50.8%
Contracted saleable GFA/lot attributable to:			
Saleable GFA (sq.m.)	**141,840**	272,374	-47.9%
Car parking space (lot)	**358**	785	-54.4%
Contracted ASP attributable to:			
Saleable GFA (RMB/sq.m.)	**6,131**	6,643	-7.7%
Car parking space (RMB/lot)	**58,939**	58,344	+1.0%

Our contracted ASP per sq.m. of saleable GFA decreased by 7.7% to approximately RMB6,131 per sq.m. for the six months ended 30 June 2022 comparing to the same period of last year. The decrease in the first half of 2022 was mainly due to the decrease in market price of properties in Henan Province.

Our contracted ASP per lot for car parking space slightly increased by 1.0% to approximately RMB58,939 per lot for the six months ended 30 June 2022.

FINANCIAL REVIEW

Results

During the six months ended 30 June 2022, the revenue of the Group was approximately RMB473.3 million (six months ended 30 June 2021: RMB742.5 million), representing a decrease of approximately 36.3% as compared to the same period of last year.

The Group recorded gross profit of approximately RMB109.0 million (six months ended 30 June 2021: RMB259.9 million), representing a decrease of approximately RMB150.9 million, or approximately 58.1% as compared to the same period of last year.

Gross profit margin was approximately 23.0% for the six months ended 30 June 2022 (six months ended 30 June 2021: 35.0%), representing a decrease of approximately 34.3% as compared with the same period of last year.

Net results for the period decreased by approximately RMB67.4 million from net profit of approximately RMB44.9 million for the six months ended 30 June 2021 to approximately net loss of RMB22.4 million for the six months ended 30 June 2022.

Revenue

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

	Six months ended 30 June				
	2022		2021		% change
	RMB'000	*%*	*RMB'000*	*%*	+/-
Sales of properties	**468,002**	**98.9**	739,417	99.6	-36.7%
Rental income	**3,797**	**0.8**	3,119	0.4	21.7%
Service income	**1,462**	**0.3**	–	–	N/A
	473,261	**100.0**	742,536	100.0	-36.3%

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					
	2022			2021		
	Revenue	**GFA recognised**	**Recognised ASP per sq.m.**	Revenue	GFA recognised	Recognised ASP per sq.m.
	RMB'000	***sq.m.***	***RMB***	*RMB'000*	*sq.m.*	*RMB*
Residential	**344,171**	**48,197**	**7,141**	569,150	89,775	6,340
Commercial	**102,546**	**10,540**	**9,729**	146,493	16,798	8,721
Storage	**3,396**	**1,765**	**1,924**	4,670	2,268	2,059
	450,113	**60,502**	**7,440**	720,313	108,841	6,618

	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	**17,889**	**252**	**70,988**	19,104	319	59,887

Sales of properties, which accounted for approximately 98.9% (six months ended 30 June 2021: 99.6%) of our total revenue for the six months ended 30 June 2022, was primarily contributed from the sales of residential and commercial properties, storages and car parking spaces in the period.

Our revenue decreased by approximately RMB269.3 million or 36.3% from approximately RMB742.5 million for the six months ended 30 June 2021 to approximately RMB473.3 million for the six months ended 30 June 2022, which was principally attributable to the result of approximately RMB268.9 million decrease in the sales of our residential and commercial properties during the six months ended 30 June 2022.

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							
	2022				2021			
	Revenue	**Cost of sales**	**Gross profit**	**Gross profit Margin**	Revenue	Cost of sales	Gross profit	Gross profit Margin
	RMB'000	***RMB'000***	***RMB'000***	**%**	*RMB'000*	*RMB'000*	*RMB'000*	%
Sales of properties								
– Residential	**344,171**	**271,119**	**73,052**	**21.2**	569,150	382,982	186,168	32.7
– Commercial	**102,546**	**67,678**	**34,868**	**34.0**	146,493	79,287	67,206	45.9
– Car parking spaces and storages	**21,285**	**22,068**	**(783)**	**(3.7)**	23,774	20,371	3,403	14.3
Subtotal	**468,002**	**360,865**	**107,137**	**22.9**	739,417	482,640	256,777	34.7
Rental income	**3,797**	**–**	**3,797**	**100.0**	3,119	–	3,119	100.0
Service income	**1,462**	**3,428**	**(1,966)**	**(134.5)**	–	–	–	–
	473,261	**364,293**	**108,968**	**23.0**	742,536	482,640	259,896	35.0

The gross profit margin of sales of residential and commercial properties decreased from approximately 32.7% and 45.9% for the six months ended 30 June 2021 to approximately 21.2% and 34.0% for the six months ended 30 June 2022, respectively. The gross profit margin from sales of properties decreased from approximately 34.7% for the six months ended 30 June 2021 to approximately 22.9% for the six months ended 30 June 2022.

Loss for the six months ended 30 June 2022 was approximately RMB22.4 million (six months ended 30 June 2021: profit of RMB44.9 million), representing an decrease of approximately RMB67.4 million. It was mainly due to (i) the decrease in our revenue from approximately RMB742.5 million for the six months ended 30 June 2021 to approximately RMB473.3 million for the six months ended 30 June 2022; and (ii) the deterioration of our overall gross profit margin from approximately 35.0% for the six months ended 30 June 2021 to approximately 23.0% for the six months ended 30 June 2022, partially offset by approximately RMB51.0 million decrease in income tax expense.

Fair value losses on investment properties

The Group's investment properties were valued on 30 June 2022 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 2022, the Group's selling and marketing expenses amounted to approximately of RMB44.1 million (six months ended 30 June 2021: RMB62.9 million), representing a decrease of approximately 30.0% as compared to the same period in 2021.

Administrative expenses

The administrative expenses decreased by approximately 14.0% from approximately RMB68.1 million for the six months ended 30 June 2021 to approximately RMB58.6 million for the six months ended 30 June 2022, the decrease in administrative expenses was mainly due to the decrease in entertainment expenses, staff costs and professional fees for the six months ended 30 June 2022.

Other losses – net

During the six months ended 30 June 2022, the Group's other losses – net amounted to approximately RMB7.4 million (six months ended 30 June 2021: RMB7.7 million).

Finance income – net

Finance income – net primarily consisted of (i) interest income on bank deposits; (ii) interest expenses on borrowings; (iii) interest expenses on pre-sale deposits received, and (iv) 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 income – net decreased by approximately 80.9% from approximately RMB241 thousand for the six months ended 30 June 2021 to approximately RMB46 thousand for the six months ended 30 June 2022.

Income tax expense

Income tax expense mainly comprised of the PRC corporate income tax expense and land appreciation tax arising from our PRC subsidiaries. Income tax expenses decreased by approximately 69.4% or RMB51.0 million from approximately RMB73.4 million for the six months ended 30 June 2021 to the approximately RMB22.4 million for the six months ended 30 June 2022, which was in line with the decrease of our gross profit for the six months ended 30 June 2022.

Liquidity, financial resources and capital resources

As at 30 June 2022, the cash and cash equivalents amounted to approximately RMB229.6 million (31 December 2021: RMB281.5 million), of which approximately RMB228.1 million (31 December 2021: RMB279.8 million) was denominated in RMB and approximately RMB1.5 million (31 December 2021: RMB1.7 million) was denominated in Hong Kong dollar.

As at 30 June 2022, the restricted cash amounted to approximately RMB121.5 million (31 December 2021: RMB146.8 million), all restricted cash was denominated in RMB.

The Group's total borrowings amounted to approximately RMB753.7 million as at 30 June 2022 (31 December 2021: RMB693.0 million), of which approximately RMB463.7 million was classified as current liabilities (31 December 2021: RMB288.8 million). Approximately 52.5% (31 December 2021: 55.4%) out of the Group's total borrowings was fixed interest rates.

As at 30 June 2022 and 31 December 2021, the Group's borrowings were repayable as follows:

	As at 30 June 2022			As at 31 December 2021		
	Within 1 year	**Between 1 to 2 years**	**Between 2 to 5 years**	Within 1 year	Between 1 to 2 years	Between 2 to 5 years
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	**189,200**	**60,000**	**138,500**	107,800	156,200	–
Other long-term borrowings	**234,377**	**61,000**	**30,500**	124,377	97,000	151,000
Other current borrowings	**40,080**	**–**	**–**	56,580	–	–
	463,657	**121,000**	**169,000**	288,757	253,200	151,000

Current, total and net assets

As at 30 June 2022, the Group had current assets of approximately RMB10,460.9 million (31 December 2021: RMB9,940.8 million) and current liabilities of approximately RMB8,735.6 million (31 December 2021: RMB8,015.3 million), there was a decrease of net current assets value from approximately RMB1,925.5 million as at 31 December 2021 to approximately RMB1,725.3 million as at 30 June 2022.

As at 30 June 2022, the Group had total assets of approximately RMB10,839.2 million (31 December 2021: RMB10,300.0 million) and total liabilities of approximately RMB9,059.2 million (31 December 2021: RMB8,454.5 million), representing a decrease of net assets or total equity from approximately RMB1,845.5 million as at 31 December 2021 to approximately RMB1,780.0 million as at 30 June 2022.

Charge on assets

Part of the Group's borrowings are secured by property, plant and equipment, investment properties, shares of subsidiaries 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 of the Company 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 2022, such shareholder loans of this Associate Company are approximately RMB184.0 million (31 December 2021: RMB185.0 million).

(c) The guarantees and pledges provided for the borrowings of third parties as at 30 June 2022 amounted to RMB184.4 million (31 December 2021: RMB160.3 million).

Key financial ratios

Key financial ratios:

	As at 30 June 2022	As at 31 December 2021
Liquidity ratio		
Current ratio	**1.2**	1.2
Capital adequacy ratios		
Gearing ratio *(note 1)*	**42.3%**	37.5%
Debt to equity ratio *(note 2)*	**29.4%**	22.3%

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

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

KEY RISK FACTORS

All of our projects are located in Henan Province, the PRC. Our business continues to be heavily dependent on the performance of the property markets in Xuchang City and 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 2022, the gearing ratio of the Group was approximately 42.3%, representing an increase of approximately 4.8 percentage points as compared with approximately 37.5% as at 31 December 2021, 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 2022.

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 2022, the Group had a total workforce of 775 employees (30 June 2021: 764). The remuneration policy is reviewed by the Board from time to time. Emoluments of the directors of the Company 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 2022, the pandemic was resurgent in China. Downwards pressure on China's economy continued to increase, the real estate market demonstrated an overall trend of decline, the supply-demand relationship has changed and it is expected that there would be market downturn. However, the real estate industry remains an integral component of the national economy and occupies a vital position and role in both the national and regional economy. Hence, from the perspective of policy impact, as certain local governments relax purchase limits and under the guidance of favourable policies such as central bank's relaxation of restrictions on loans and lowering of interest rates, the decline of China's real estate market will slow down. In the first half of 2022, Guangzhou, Henan and Shanxi have implemented policies in relation to real estate, including in particular, lowering home loan interest rates, lowering the downpayment percentage, and raising the maximum limit of Housing Provident Fund loans, which have provided positive signals for the real estate industry.

As national and provincial governments make policy adjustments in relation to the real estate industry and relax relevant monetary policy, in the second half of the year, the Group will set specific focus missions and targets to serve as strategic guidance. (1) Given the stable annualised rate of return generated from our internal resources, we will maximise project profitability and turnover efficiency of our internal resources; (2) maintain in-depth and precise cultivation of our presence in Xuchang and grasp the opportunity presented by the current retreat of top national real estate enterprises from Xuchang to expand our market share in Xuchang; (3) consolidate planning to build a competitive edge through enhancing our core value as a real estate brand; (4) build on our product line and continue to deepen research and development of products with external competitiveness, increase selling rate, and raise project competitiveness.

Looking ahead, given the continued relaxation of real estate policy, the Group will maintain its positioning as a robust real estate enterprise and grasp the emerging opportunities. Our entire staff will unite together, strengthen responsibility and accountability, breaking through difficulties, maintaining quality and on-time delivery of our projects to property owners, enhancing and strengthening the Group's local brand value.

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 2022.

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 2022, 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 2022, 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 interim financial statements for the six months ended 30 June 2022 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 interim consolidated financial statements of the Group for the six months ended 30 June 2022 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 2022.

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, 26 August 2022

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.