**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 2023

## 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 2023, together with the unaudited comparative figures for the corresponding period in 2022 as follows:

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2023*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2023** | 2022 |
| | | **(unaudited)** | (unaudited) |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| Revenue | *4* | **1,488,151** | 473,261 |
| Cost of sales | *5* | **(1,228,924)** | (364,293) |
| **Gross profit** | | **259,227** | 108,968 |
| Fair value losses on investment properties | | **(1,480)** | (1,070) |
| Selling and marketing expenses | *5* | **(70,706)** | (44,064) |
| Administrative expenses | *5* | **(56,193)** | (58,591) |
| Net impairment losses on financial assets | *5* | **(2,874)** | (719) |
| Other income | | **4,095** | 2,839 |
| Other losses – net | *6* | **(296)** | (7,431) |
| **Operating profit/(loss)** | | **131,773** | (68) |
| Finance income | | **591** | 650 |
| Finance costs | | **(490)** | (604) |
| **Finance income – net** | *7* | **101** | 46 |
| Share of results of investments accounted for using the equity method | | **–** | – |
| **Profit/(loss) before income tax** | | **131,874** | (22) |
| Income tax expense | *8* | **(62,698)** | (22,421) |
| **Profit/(loss) for the period** | | **69,176** | (22,443) |
| **Attributable to:** | | | |
| Owners of the Company | | **60,763** | (18,686) |
| Non-controlling interests | | **8,413** | (3,757) |
| | | **69,176** | (22,443) |
| **Earnings per share attributable to the owners of the Company (expressed in RMB)** | | | |
| – Basic and diluted earnings per share | *9* | **0.05** | (0.02) |

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2023*

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **(unaudited)** | (unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Profit/(loss) for the period | **69,176** | (22,443) |
| **Other comprehensive income for the period** | **–** | – |
| **Total comprehensive income for the period, net of tax** | **69,176** | (22,443) |
| **Attributable to:** | | |
| Owners of the Company | **60,763** | (18,686) |
| Non-controlling interests | **8,413** | (3,757) |
| | **69,176** | (22,443) |

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2023*

| | *Notes* | **As at 30 June 2023 (unaudited)** *RMB'000* | As at 31 December 2022 (audited) *RMB'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **35,744** | 37,017 |
| Right-of-use assets | | **14,820** | 17,047 |
| Investment properties | | **121,040** | 122,520 |
| Intangible assets | | **13,462** | 13,825 |
| Deferred tax assets | | **186,375** | 175,793 |
| Total non-current assets | | **371,441** | 366,202 |
| **Current assets** | | | |
| Prepayments for leasehold land | | **88,150** | 232,990 |
| Properties held or under development for sale | | **8,605,315** | 8,485,272 |
| Trade and other receivables and prepayments | *11* | **618,671** | 423,473 |
| Prepaid income taxes | | **72,950** | 113,271 |
| Contract assets | | **5,708** | 6,451 |
| Restricted cash | | **303,497** | 180,778 |
| Cash and cash equivalents | | **160,730** | 221,059 |
| Total current assets | | **9,855,021** | 9,663,294 |
| **Total assets** | | **10,226,462** | 10,029,496 |

| | Notes | As at 30 June 2023 (unaudited) *RMB'000* | As at 31 December 2022 (audited) *RMB'000* |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | | **10,645** | 10,645 |
| Share premium | | **299,188** | 299,188 |
| Retained earnings | | **1,333,648** | 1,272,885 |
| Other reserves | | **188,715** | 188,715 |
| Equity attributable to owners of the Company | | **1,832,196** | 1,771,433 |
| Non-controlling interests | | **134,447** | 102,034 |
| **Total equity** | | **1,966,643** | 1,873,467 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Bank borrowings | | **243,924** | 130,500 |
| Other long-term borrowings | | **337,739** | 147,005 |
| Deferred tax liabilities | | **14,619** | 15,900 |
| Lease liabilities | | **10,949** | 13,441 |
| Total non-current liabilities | | **607,231** | 306,846 |
| **Current liabilities** | | | |
| Bank borrowings | | **221,596** | 193,000 |
| Other current borrowings | | **3,000** | 3,500 |
| Current portion of other long-term borrowings | | **192,840** | 198,840 |
| Contract liabilities | | **4,958,381** | 4,854,156 |
| Trade and other payables | *12* | **1,971,576** | 2,272,588 |
| Current income tax liabilities | | **299,026** | 319,890 |
| Lease liabilities | | **6,169** | 7,209 |
| Total current liabilities | | **7,652,588** | 7,849,183 |
| **Total liabilities** | | **8,259,819** | 8,156,029 |
| **Total equity and liabilities** | | **10,226,462** | 10,029,496 |

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

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

## 2 ACCOUNTING POLICIES

### 2.1 Basis of preparation

*(i)* This interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, 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 24 August 2023.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 2.2.

This 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 2022 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

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

The 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 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 interim financial statements were the same as those applied to the Group's annual financial statements for the year ended 31 December 2022.

*(iii)* ***Going concern***

As at 30 June 2023, the cash and cash equivalents of the Group was RMB160.7 million. The Group has been experiencing certain slowing down of the local property market 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 and settle the land appreciation tax upon clearance;

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

(iv) The Group will 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 considering the basis of Group's cash flow forecast and continuous measures described above, believe that the Group will be able to generate sufficient funds to finance its operations and to meet its financial obligations when they fall due within the next 12 months from 30 June 2023. Accordingly, the directors are satisfied that it is appropriate to prepare the interim financial statements on a going concern basis.

### 2.2 Change in accounting policies and disclosures

#### *(i) New standard and amendments adopted by the Group in 2023*

The following standard and amendments of HKFRSs have been adopted by the Group for the first time for the financial year beginning 1 January 2023:

| | | **Effective for annual periods beginning on or after** |
|---|---|---|
| HKFRS 17 | Insurance contracts | 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 |

The standard and amendments listed above did not have material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards and amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 3 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 2023 and 2022.

As at 30 June 2023 and 31 December 2022, 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 2023 and 2022.

## 4 REVENUE

| | **Six months ended 30 June** | |
|---|---|---|
| | **2023** | 2022 |
| | **(unaudited)** | (unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Sales of properties – recognised at a point in time | **1,481,189** | 468,002 |
| Rental income | **5,597** | 3,797 |
| Service income | **1,365** | 1,462 |
| | **1,488,151** | 473,261 |

## 5 EXPENSES BY NATURE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **(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 | **360,183** | 97,069 |
| – Construction costs and capitalised expenditures | **790,257** | 235,855 |
| – Net provision for decline in values of properties held or under development for sale | **12,583** | 8,220 |
| – Interest capitalised | **51,214** | 18,499 |
| Staff costs | **47,268** | 48,194 |
| Sales agent commission | **20,773** | 6,351 |
| Office and meeting expenses | **17,559** | 10,547 |
| Advertising and publicity costs | **15,942** | 12,955 |
| Professional fees | **11,413** | 5,174 |
| Entertainment expenses | **8,830** | 8,191 |
| Tax and surcharges | **6,682** | 1,558 |
| Depreciation and amortisation expenses | **6,464** | 7,215 |
| Stamp duty and other taxes | **5,007** | 4,702 |
| Net impairment losses on financial assets | **2,874** | 719 |
| Bank charges | **248** | 538 |
| Travelling expenses | **202** | 37 |
| Rental expenses | **8** | 256 |
| Other expenses | **1,190** | 1,587 |
| Total cost of sales, selling and marketing expenses, administrative expenses and net impairment loss on financial assets | **1,358,697** | 467,667 |

## 6 OTHER LOSSES – NET

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **(unaudited)** | (unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Penalties, fines and compensations | **(179)** | (4,466) |
| Donations | **(100)** | (3,104) |
| Fair value losses on financial assets at fair value through profit or loss | **–** | (155) |
| Exchange (loss)/gains | **(5)** | 32 |
| Others | **(12)** | 262 |
| | **(296)** | (7,431) |

## 7 FINANCE INCOME – NET

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **(unaudited)** | (unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Finance income | | |
| – Interest income on bank deposits | **591** | 650 |
| Finance costs | | |
| – Interest on bank borrowings, other long-term borrowings and other current borrowings | **(32,556)** | (34,604) |
| – Interest on pre-sale deposits received | **–** | (286) |
| – Interest and finance charges payable for lease liabilities | **(490)** | (604) |
| | **(33,046)** | (35,494) |
| Amount capitalised | **32,556** | 34,890 |
| Finance costs expensed | **(490)** | (604) |
| Finance income – net | **101** | 46 |

## 8 INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **(unaudited)** | (unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Current income tax | | |
| – PRC land appreciation tax | **23,858** | 9,138 |
| – PRC corporate income tax | **50,703** | 38,762 |
| | **74,561** | 47,900 |
| Deferred income tax | **(11,863)** | (25,479) |
| Total income tax charged for the period | **62,698** | 22,421 |

**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 2023 and 2022.

**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 2023 and 2022.

## 9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Group's profit/(loss) 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 | |
|---|---|---|
| | **2023** | 2022 |
| | **(unaudited)** | (unaudited) |
| The Group's profit/(loss) attributable to owners of the Company (RMB'000) | **60,763** | (18,686) |
| Weighted average number of ordinary shares in issue ('000) | **1,200,000** | 1,200,000 |
| Basic and diluted earnings per share (expressed in RMB) | **0.05** | (0.02) |

For the six months ended 30 June 2023 and 2022, diluted earnings per share was equal to the basic earnings per share as there were no dilutive shares.

## 10 DIVIDENDS

No interim dividend was declared or proposed by the Company for the six months ended 30 June 2023 and 2022.

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

## 11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | **As at 30 June 2023 (unaudited)** *RMB'000* | As at 31 December 2022 (audited) *RMB'000* |
|---|---|---|
| Trade receivables | **–** | – |
| Prepayments of construction costs (a) | **268,678** | 142,557 |
| Temporary funding receivables (b) | **47,237** | 5,007 |
| Costs relating to demolition and resettlement activities recoverable from government (c) | **71,712** | 41,712 |
| Receivable from project service (d) | **53,140** | 54,140 |
| Amount due from a related party | **40,482** | 40,060 |
| Tender deposit and other deposits (e) | **160,330** | 157,027 |
| Prepaid tax and surcharges (f) | **21,550** | 23,296 |
| Value-added-tax recoverable | **9,538** | 12,873 |
| Others | **6,422** | 4,345 |
| | **410,411** | 338,460 |
| Total of trade and other receivables and prepayments | **679,089** | 481,017 |
| Less: Allowance for impairment of other receivables | **(60,418)** | (57,544) |
| | **618,671** | 423,473 |

*Notes:*

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

(b) As at 30 June 2023, included in temporary funding receivables, RMB27,237,000 are non-interest bearing receivables and RMB20,000,000 are interest-bearing receivables at an annual interest rate of 10% due from a third party.

(c) The balances represent demolition and resettlement costs paid on behalf of and recoverable from the local 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 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 2023 and 31 December 2022, the fair value of trade and other receivables and prepayments approximates their carrying amounts.

As at 30 June 2023 and 31 December 2022, the carrying amounts of trade and other receivables and prepayments are all denominated in RMB.

## 12 TRADE AND OTHER PAYABLES

| | **As at 30 June 2023 (unaudited)** | As at 31 December 2022 (audited) |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables | **1,408,173** | 1,627,408 |
| Value-added-tax and other taxes payable (a) | **231,082** | 261,825 |
| Amounts due to non-controlling interests (b) | **112,434** | 151,360 |
| Interest payable | **55,856** | 48,806 |
| Amounts received from local government related to a construction contract project | **53,596** | — |
| Deposits received from customers (c) | **48,749** | 50,971 |
| Temporary funding payables (b) | **18,675** | 62,375 |
| Amounts due to related parties | **12,995** | 14,296 |
| Accrued payroll | **8,366** | 26,528 |
| Other payables due to a related party | **3,921** | 1,040 |
| Maintenance fees collected on behalf | **1,763** | 1,189 |
| Others | **15,966** | 26,790 |
| | **1,971,576** | 2,272,588 |

*Notes:*

(a) 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.

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

(c) 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.

At 30 June 2023 and 31 December 2022, the ageing analysis of trade payables based on invoice date are as follows:

| | **As at 30 June 2023 (unaudited)** ***RMB'000*** | As at 31 December 2022 (audited) *RMB'000* |
|---|---|---|
| Less than 1 year | **1,056,249** | 1,192,950 |
| Between 1 and 2 years | **261,020** | 272,770 |
| Between 2 and 3 years | **63,662** | 105,935 |
| Over 3 years | **27,242** | 55,753 |
| | **1,408,173** | 1,627,408 |

As at 30 June 2023 and 31 December 2022, the fair value of trade and other payables approximates their carrying amounts.

As at 30 June 2023 and 31 December 2022, the carrying amounts of trade and other payables were all denominated in RMB.

## MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY REVIEW

According to Investment in Real Estate Development for the First Half Year of 2023, published by the National Bureau of Statistics of China on 17 July 2023, between January and June 2023, investment in real estate development in China was RMB5,855,000 million, representing a decrease of approximately 7.9% over the corresponding period in the previous year, of which new construction of buildings was approximately 498.80 million sq.m., representing a decrease of approximately 24.3% over the corresponding period in the previous year. Approximately 595.15 million sq.m. of commodity housing was sold, representing a decrease of approximately 5.3% over the corresponding period in the previous year. Sales of commodity housing amounted to approximately RMB6,309,200 million, representing an increase of approximately 1.1% over the corresponding period in the previous year, of which sales of residential properties increased by approximately 3.7%.

Data from statistics bureaus at various levels show that in the first half of 2023, the real estate industry of China declined to various extents, whether in terms of investment, area under construction or area sold, reflecting the prolonged recovery of the real estate market even after the relaxation of pandemic control policies. Government departments at various levels have been implementing a wide range of policies in response to the current state of the real estate industry, in order to stimulate consumer confidence in property ownership. Examples include (1) the Notice on Synergistic Cooperation to Provide "Transfer of Mortgage" Facilitative Services, jointly promulgated by the Ministry of Natural Resources of China and the China Banking and Insurance Regulatory Commission on 30 March 2023, a policy which could spur demand from move-up buyers and sales volume of new developments, in turn encouraging a virtuous cycle in the real estate market; (2) the Notice on Matters Concerning the Withdrawal of Housing Provident Fund For Down Payment of New Pre-sale Commodity Housing Development Purchases (Trial), jointly promulgated by the Zhengzhou Housing Security and Real Estate Management Bureau and the Housing Provident Fund and implemented on a trial basis from 18 May 2023, a policy which could provide funding relief for working families when making down payments for purchases of new commodity housing developments and further stimulate home buyer demand; and (3) under the authorisation of the People's Bank of China, the National Interbank Funding Center announced new Loan Prime Rates (LPR) on 20 June 2023, with both one-year LPR and over-five-year LPR lowered by 10 basis points, which would lower purchase costs for first time buyers and reduce their expenditure, and in turn improve market expectations and facilitate market transactions.

## BUSINESS OVERVIEW

Sales remained the Group's priority in the first half of 2023. With the gradual relaxation of real estate regulatory policies and monetary policies and changes in pandemic control measures, the Group's real estate business experienced a short rebound. However, since the second quarter of 2023, the pace of recovery in the real estate industry and the general market economy slowed significantly. The Group's sales experienced a decline, but still outpaced local industry competitors nonetheless.

The Group has secured sufficient land reserves in preparation for the future recovery of the real estate market, so as to meet its sustainable development goals. In May 2023, the Group made a successful bid for approximately 51,051 sq.m. of mixed commercial and residential land in Yuzhou, Henan Province. For the first half of 2023, contracted sales amounted to approximately RMB1,578.4 million, of which sales of residential properties accounted for approximately RMB1,313.2 million and sales of commercial properties accounted for approximately RMB214.4 million. The Group continued to adjust marketing strategies from time to time. Sales bonuses were increased and performance assessments were conducted, with every part of the sales process scrutinised, in order to encourage teams to take initiative and ensure that sales targets would be achieved.

Over the past half year, China's real estate market remained under pressure as market recovery fell short of expectations. The Group continued expansion of development region coverage, optimisation of corporate management structure, standardisation of work flow, enhancement of product quality, and strengthening of brand influence, as it strived to gain recognition and support from various levels of government and across the general public. The Group will continue its endeavours and build a stronger brand image with high quality works and services.

"Integrity Management, Fulfilling Every Promise" is the Group's business motto. Having maintained a robust business strategy over the years, the Group possesses strong operations, excellent quality and ability to deliver on its properties, leading to its recognition as a "Top 20 Real Estate Enterprises of Henan Province in 1H2023".

### Land reserves

As at 30 June 2023, the GFA of the Group's land reserves was approximately 3.8 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 **2023** | 2022 | % change +/- |
|---|---|---|---|
| Contracted sales attributable to: | | | |
| Residential units *(RMB, million)* | **1,313.2** | 782.6 | +67.8 |
| Commercial units *(RMB, million)* | **214.4** | 81.6 | +162.7 |
| Car parking spaces *(RMB, million)* | **40.9** | 21.1 | +93.8 |
| Others *(RMB, million)* | **9.9** | 5.4 | +83.3 |
| Total *(RMB, million)* | **1,578.4** | 890.7 | +77.2 |
| Contracted saleable GFA/lot attributable to: | | | |
| Saleable GFA *(sq.m.)* | **257,655** | 141,840 | +81.7 |
| Car parking space *(lot)* | **852** | 358 | +140.8 |
| Contracted ASP attributable to: | | | |
| Saleable GFA *(RMB/sq.m.)* | **5,968** | 6,131 | -2.7 |
| Car parking space *(RMB/lot)* | **47,442** | 58,939 | -19.5 |

Our contracted ASP per sq.m. of saleable GFA decreased by 2.7% to approximately RMB5,968 per sq.m. for the six months ended 30 June 2023 comparing to the same period of last year. The decrease in the first half of 2023 was mainly due to the decrease in market price of properties in Henan Province.

Our contracted ASP per lot for car parking space decreased by 19.5% to approximately RMB47,442 per lot for the six months ended 30 June 2023.

## FINANCIAL REVIEW

### Results

During the six months ended 30 June 2023, the revenue of the Group was approximately RMB1,488.2 million (six months ended 30 June 2022: RMB473.3 million), representing an increase of approximately 214.4% as compared to the same period of last year.

The Group recorded gross profit of approximately RMB259.2 million (six months ended 30 June 2022: RMB109.0 million), representing an increase of approximately RMB150.2 million, or approximately 137.8% as compared to the same period of last year.

Gross profit margin was approximately 17.4% for the six months ended 30 June 2023 (six months ended 30 June 2022: 23.0%), representing a decrease of approximately 24.3% as compared with the same period of last year.

Net results for the period increased by approximately RMB91.6 million from net loss of approximately RMB22.4 million for the six months ended 30 June 2022 to approximately net profit of RMB69.2 million for the six months ended 30 June 2023.

### 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** | | | | |
|---|---|---|---|---|---|
| | **2023** | | 2022 | | % change |
| | ***RMB'000*** | **%** | *RMB'000* | % | +/- |
| Sales of properties | **1,481,189** | **99.5** | 468,002 | 98.9 | +216.5 |
| Rental income | **5,597** | **0.4** | 3,797 | 0.8 | +47.4 |
| Service income | **1,365** | **0.1** | 1,462 | 0.3 | -6.6 |
| | **1,488,151** | **100.0** | 473,261 | 100.0 | +214.4 |

The tables below set out the revenue from the sales of properties, the total GFA/units of properties recognised and the overall recognised ASP of our properties by property types:

| | Six months ended 30 June | | | | | |
|---|---|---|---|---|---|---|
| | **2023** | | | 2022 | | |
| | **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 | **1,282,830** | **223,965** | **5,728** | 344,171 | 48,197 | 7,141 |
| Commercial | **159,592** | **21,956** | **7,269** | 102,546 | 10,540 | 9,729 |
| Storage | **7,731** | **3,401** | **2,273** | 3,396 | 1,765 | 1,924 |
| | **1,450,153** | **249,322** | **5,816** | 450,113 | 60,502 | 7,440 |

| | **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 | **31,036** | **601** | **51,641** | 17,889 | 252 | 70,988 |

Sales of properties, which accounted for approximately 99.5% (six months ended 30 June 2022: 98.9%) of our total revenue for the six months ended 30 June 2023, was primarily contributed from the sales of residential and commercial properties in the period.

Our revenue increased by approximately RMB1,014.9 million or 214.4% from approximately RMB473.3 million for the six months ended 30 June 2022 to approximately RMB1,488.2 million for the six months ended 30 June 2023, which was principally attributable to the result of approximately RMB938.7 million growth in the sales of our residential properties during the six months ended 30 June 2023.

**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** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2023** | | | | 2022 | | | |
| | **Revenue** *RMB'000* | **Cost of sales** *RMB'000* | **Gross profit/(loss)** *RMB'000* | **Gross profit/(loss) Margin** % | Revenue *RMB'000* | Cost of sales *RMB'000* | Gross profit/(loss) *RMB'000* | Gross profit/(loss) Margin % |
| Sales of properties | | | | | | | | |
| — Residential | **1,282,830** | **1,046,361** | **236,469** | **18.4** | 344,171 | 271,119 | 73,052 | 21.2 |
| — Commercial | **159,592** | **133,917** | **25,675** | **16.1** | 102,546 | 67,678 | 34,868 | 34.0 |
| — Car parking spaces and storages | **38,767** | **45,691** | **(6,924)** | **(17.9)** | 21,285 | 22,068 | (783) | (3.7) |
| Subtotal | **1,481,189** | **1,225,969** | **255,220** | **17.2** | 468,002 | 360,865 | 107,137 | 22.9 |
| Rental income | **5,597** | **—** | **5,597** | **100.0** | 3,797 | — | 3,797 | 100.0 |
| Service income | **1,365** | **2,955** | **(1,590)** | **(116.5)** | 1,462 | 3,428 | (1,966) | (134.5) |
| | **1,488,151** | **1,228,924** | **259,227** | **17.4** | 473,261 | 364,293 | 108,968 | 23.0 |

The gross profit margin of sales of residential and commercial properties decreased from approximately 21.2% and 34.0% for the six months ended 30 June 2022 to approximately 18.4% and 16.1% for the six months ended 30 June 2023, respectively, due to the decrease of ASP arising from change of product mix and increasing costs of those properties delivered during the six months ended 30 June 2023 comparing with those of the six months ended 30 June 2022. The gross profit margin from sales of properties decreased from approximately 22.9% for the six months ended 30 June 2022 to approximately 17.2% for the six months ended 30 June 2023.

Profit for the six months ended 30 June 2023 was approximately RMB69.2 million (six months ended 30 June 2022: loss of RMB22.4 million), representing an increase of approximately RMB91.6 million. It was mainly due to the increase in our revenue from approximately RMB473.3 million for the six months ended 30 June 2022 to approximately RMB1,488.2 million for the six months ended 30 June 2023 despite being partially offset by the decrease in gross profit margin from 23.0% for the six months ended 30 June 2022 to 17.4% for the six months ended 30 June 2023.

**Fair value losses on investment properties**

The Group's investment properties were valued on 30 June 2023 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 2023, the Group's selling and marketing expenses amounted to approximately of RMB70.7 million (six months ended 30 June 2022: RMB44.1 million), representing an increase of approximately 60.5% as compared to the same period in 2022. The increase was mainly attributable to the increase of advertising and publicity costs and sales agent commission.

**Administrative expenses**

The administrative expenses decreased by approximately 4.1% from approximately RMB58.6 million for the six months ended 30 June 2022 to approximately RMB56.2 million for the six months ended 30 June 2023.

**Other losses – net**

During the six months ended 30 June 2023, the Group's other losses – net amounted to approximately RMB0.3 million (six months ended 30 June 2022: RMB7.4 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 increased by approximately 119.6% from approximately RMB46 thousand for the six months ended 30 June 2022 to approximately RMB101 thousand for the six months ended 30 June 2023.

**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 179.6% or RMB40.3 million from approximately RMB22.4 million for the six months ended 30 June 2022 to the approximately RMB62.7 million for the six months ended 30 June 2023, which was in line with the increase of our gross profit for the six months ended 30 June 2023.

**Liquidity, financial resources and capital resources**

As at 30 June 2023, the cash and cash equivalents amounted to approximately RMB160.7 million (31 December 2022: RMB221.1 million), of which approximately RMB160.4 million (31 December 2022: RMB220.4 million) was denominated in RMB and approximately RMB0.3 million (31 December 2022: RMB0.7 million) was denominated in Hong Kong dollar.

As at 30 June 2023, the restricted cash amounted to approximately RMB303.5 million (31 December 2022: RMB180.8 million), all restricted cash was denominated in RMB.

The Group's total borrowings amounted to approximately RMB999.1 million as at 30 June 2023 (31 December 2022: RMB672.8 million), of which approximately RMB417.4 million was classified as current liabilities (31 December 2022: RMB395.3 million). Approximately 69.2% (31 December 2022: 61.1%) out of the Group's total borrowings was fixed interest rates.

As at 30 June 2023 and 31 December 2022, the Group's borrowings were repayable as follows:

| | **As at 30 June 2023** | | | As at 31 December 2022 | | |
|---|---|---|---|---|---|---|
| | **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 | **221,596** | **193,924** | **50,000** | 193,000 | 64,000 | 66,500 |
| Other long-term borrowings | **192,840** | **210,932** | **126,807** | 198,840 | 134,468 | 12,537 |
| Other current borrowings | **3,000** | **–** | **–** | 3,500 | – | – |
| | **417,436** | **404,856** | **176,807** | 395,340 | 198,468 | 79,037 |

## Current, total and net assets

As at 30 June 2023, the Group had current assets of approximately RMB9,855.0 million (31 December 2022: RMB9,663.3 million) and current liabilities of approximately RMB7,652.6 million (31 December 2022: RMB7,849.2 million), there was an increase of net current assets value from approximately RMB1,814.1 million as at 31 December 2022 to approximately RMB2,202.4 million as at 30 June 2023.

As at 30 June 2023, the Group had total assets of approximately RMB10,226.5 million (31 December 2022: RMB10,029.5 million) and total liabilities of approximately RMB8,259.8 million (31 December 2022: RMB8,156.0 million), representing an increase of net assets or total equity from approximately RMB1,873.5 million as at 31 December 2022 to approximately RMB1,966.6 million as at 30 June 2023.

## 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 2023, such shareholder loans of this Associate Company are approximately RMB181.0 million (31 December 2022: RMB184.0 million).

(c) The guarantees and pledges provided for the borrowings of third parties as at 30 June 2023 amounted to RMB104.5 million (31 December 2022: RMB110.5 million).

**Key financial ratios**

Key financial ratios:

| | **As at 30 June 2023** | As at 31 December 2022 |
|---|---|---|
| **Liquidity ratio** | | |
| Current ratio | **1.3** | 1.2 |
| **Capital adequacy ratios** | | |
| Gearing ratio *(note 1)* | **50.8%** | 35.9% |
| Debt to equity ratio *(note 2)* | **42.6%** | 24.1% |

*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 degrees of damage 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 risks.

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 2023, the gearing ratio of the Group was approximately 50.8%, representing an increase of approximately 14.9 percentage points as compared with approximately 35.9% as at 31 December 2022, 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 2023.

## 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 2023, the Group had a total workforce of 658 employees (30 June 2022: 775). 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 an incentive since November 2018.

## FORWARD LOOKING

For the first half of 2023, there was significantly increased activity in China's real estate market during the first quarter, but as previous pent-up demand was satisfied, there was a subsequent lack of consumer confidence in property ownership. Consequently, China's real estate market could not maintain its growth momentum in the second quarter. Nonetheless, the real estate industry remains a pillar of the economy over the long term. China's central government has repeatedly emphasised the principle of "Homes not for speculating but for living" and called for the implementation of varying policies based on the conditions of different cities to support inelastic demand for homes and demand for improved housing, and to secure the delivery of homes, protect livelihoods and ensure stability. With further policies to stabilise the economy to be implemented in the second half of 2023, it is expected that the domestic economy will recover steadily and the real estate market will gradually return to normal.

For the second half of 2023, the Group will: (1) leverage the Group's capital management to boost cash flow and utilisation, ensure appropriate allocation of capital, and generate sustainable cash flow to support the Group's robust development; (2) strengthen its capabilities in product design, business development, quality control and customer service, in order to develop its core competitiveness with features of a local property developer; (3) continue to optimise the Group's key functions of controls and services, improve work efficiency and enhance integration of internal controls, in order to develop systematic and efficient work flow and achieve risk prevention; and (4) adjust marketing strategies from time to time with higher sales bonuses and performance assessments to ensure that annual sales targets would be achieved.

Looking ahead, the Group will remain customer-focused and ensure that it delivers properties of high quality and satisfaction through maintaining product quality and service standards. As the Group grows together with China's cities, it will maintain a beginner's mind and reflect on its every move, in order to maintain a strong brand reputation and create long-term value and returns for its investors.

## 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 2023.

## 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 2023, 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 2023, 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 2023 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 2023 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 2023.

## 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, 24 August 2023

*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.*