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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF 90% EQUITY INTEREST IN THE TARGET COMPANY

EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 24 June 2021 (after trading hours), following a public listing-for-sale conducted on Henan Property Rights Exchange Centre, Xuchang Hengda (as the buyer) entered into the Equity Transfer Agreement with Yuzhou Yuxiang (as the seller) in relation to the Acquisition, pursuant to which Xuchang Hengda has agreed to acquire the Sale Equity from Yuzhou Yuxiang at the total consideration of RMB111,114,200.

EQUITY PLEDGE AGREEMENT

To secure Xuchang Hengda's due payment of the Second Payment, on 24 June 2021, an Equity Pledge Agreement was entered into by Xuchang Hengda (as the pledgor) and Yuzhou Yuxiang (as the pledgee), pursuant to which Xuchang Hengda has agreed that the Sale Equity shall be pledged in favour of Yuzhou Yuxiang subsequent to the Completion in accordance with the terms and conditions of the Equity Pledge Agreement. The maximum amount secured by the Equity Pledge Agreement is RMB80 million.

IMPLICATIONS UNDER THE LISTING RULES

As one or more applicable percentage ratios in respect of the transactions contemplated under the Equity Transfer Agreement and the Equity Pledge Agreement are more than 5% but less than 25%, the entering into of the Equity Transfer Agreement and the Equity Pledge Agreement therefore constitute disclosable transactions for the Company under Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements.

INTRODUCTION

The Board is pleased to announce that on 24 June 2021 (after trading hours), following a public listing-for-sale conducted on Henan Property Rights Exchange Centre, Xuchang Hengda (as the buyer) entered into the Equity Transfer Agreement with Yuzhou Yuxiang (as the seller) in relation to the Acquisition, pursuant to which Xuchang Hengda has agreed to acquire the Sale Equity from Yuzhou Yuxiang at the total consideration of RMB111,114,200.

As at the date of this announcement, Yuzhou Yuxiang owns 100% of the equity interest in the Target Company. Upon Completion of the Acquisition, Xuchang Hengda and Yuzhou Yuxiang will own 90% and 10% of the equity interest in the Target Company, respectively, and the Target Company will constitute an indirect non-wholly owned subsidiary of the Company.

The principal terms of the Equity Transfer Agreement are summarised as follows:

EQUITY TRANSFER AGREEMENT

Date : 24 June 2021 (after trading hours)

Parties: (1) Xuchang Hengda (as the buyer); and
(2) Yuzhou Yuxiang (as the seller)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Yuzhou Yuxiang and its ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

Consideration

Pursuant to the terms and conditions of the Equity Transfer Agreement, the consideration shall be payable by Xuchang Hengda in the manner detailed below:

- (1) within five (5) Business Days of the execution of the Equity Transfer Agreement, a sum of not less than 30% of the total consideration shall be payable by Xuchang Hengda to Yuzhou Yuxiang (“**Initial Payment**”); and
- (2) within three (3) months of the execution of the Equity Transfer Agreement, Xuchang Hengda shall pay the outstanding balance of the consideration to Yuzhou Yuxiang (“**Second Payment**”).

The consideration payable by Xuchang Hengda in respect of the Sale Equity to Yuzhou Yuxiang was determined by taking into account, among other things, (i) the Target Company's net asset value and total assets; (ii) the valuation of the Target Company and the Sale Equity; (iii) the development prospect of the Target Land Parcel; and (v) the other factors set out in the section headed “— Reasons for and Benefits of the Acquisition” in this announcement.

The Group intends to pay for the consideration of the Acquisition through internal resources.

Completion

Completion under the Equity Transfer Agreement shall take place after settlement of the Initial Payment by Xuchang Hengda whereby a property right transaction certificate will be issued to Xuchang Hengda by Henan Property Right Exchange Centre.

Each of Xuchang Hengda and Yuzhou Yuxiang shall perform or assist in performing their respective obligations to the regulatory authority and use their respective best efforts to cooperate with any reasonable requests and inquiries from the regulatory authority in order to obtain the requisite approval for the transaction contemplated under the Equity Transfer Agreement.

Within 30 Business Days after obtaining the property right transaction certificate from Henan Property Right Exchange Centre, Xuchang Hengda shall proceed with the requisite registration of the Sale Equity at the relevant registration authority and Yuzhou Yuxiang shall provide the necessary assistance and cooperation.

EQUITY PLEDGE AGREEMENT

To secure Xuchang Hengda's due payment of the Second Payment, on 24 June 2021, an Equity Pledge Agreement was entered into by Xuchang Hengda (as the pledgor) and Yuzhou Yuxiang (as the pledgee), pursuant to which Xuchang Hengda has agreed that the Sale Equity shall be pledged in favour of Yuzhou Yuxiang subsequent to the Completion in accordance with the terms and conditions of the Equity Pledge Agreement. The maximum amount secured by the Equity Pledge Agreement is RMB80 million.

In the event that Xuchang Hengda is unable to fulfil its payment obligation under the Equity Transfer Agreement, Yuzhou Yuxiang is entitled to exercise its enforcement right under the Equity Pledge Agreement in accordance with the applicable rules and procedures in order to settle such principal amount, interest and fees outstanding under the Equity Transfer Agreement. The pledge of the Sale Equity under the Equity Pledge Agreement shall be released after Xuchang Hengda has fulfilled all payment obligations in accordance with the Equity Transfer Agreement. Yuzhou Yuxiang shall cooperate with the relevant release procedures in due course.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability and is principally engaging in the management, development and sales of real estate in Yuzhou City of Henan Province.

On 27 November 2020, through a public tender, Yuzhou Yuxiang acquired the Target Land Parcel for residential development purpose located in Yingbei New District of Yuzhou City for a total consideration of approximately RMB118 million. The Target Company is a project development company established for the purpose of holding the Target Land Parcel and its subsequent development. Details of the Target Land Parcel are set out as follows:

Category of land parcel	Real Property Ownership Certificate No.	Location	Usage	Expiry date	Area involved (sq. m.)	Interests held by the Group upon the Completion
State-Owned Construction Land Use Right	豫(2021)禹州市不動產權第0001763	West side of Provincial Road S103, Chuhe Town, Yuzhou City, Xuchang City, Henan Province	Urban Residential Land	30 Nov 2020 to 30 Nov 2090	35,691	90%

The area of Yingbei New District where the Target Land Parcel is located is one of the key development areas proposed by the local government and at a mature development phase. The area is planned to be a 1,100 mu central park of Yingshang Lake, which integrates ecological leisure, administrative, business, commercial and residential functions in one, and with close proximity to and convenient access of high-speed railway station.

Based on the management account of the Target Company, the net assets and total assets of the Target Company as at 31 December 2020 are set out as follows:

	As at 31 December 2020 RMB
Net assets	122,832,720
Total assets	122,832,720

Pursuant to the Equity Transfer Agreement, the net assets of the Target Company was evaluated at RMB123,460,200 by an independent valuer in the PRC.

The Target Company, being a newly established project company in late 2020, had not generated any net profit for the year ended 31 December 2020 and as of the date the Equity Transfer Agreement was signed.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company is the legal and beneficial owner of the Target Land Parcel, which is going to be developed into residential and commercial projects. The total planned construction area of the Target Land Parcel is approximately 129,700 square meters and the total planned saleable area is approximately 101,200 square meters. The Group is principally engaged in the property development and property investment businesses in the PRC. The Group adhered to the business model of developing mixed residential and commercial properties, to increase the overall value of residential projects while serving the interests of the Group's customers. When developing commercial and residential projects, the Group always opt for prime locations in urban areas that allow tenants to enjoy the benefits of having a convenient transport network and quality infrastructure nearby. The Acquisition and its subsequent development is an opportunity for the Group to develop the Target Land Parcel into residential and commercial development projects adopting the Group's development approach and philosophy, and it will enhance the Group's investment portfolio and strengthen its participation in the residential and commercial property markets of Henan Province. Meanwhile, as the Target Land Parcel is located in Yuzhou City of Henan Province, the Directors consider that the Acquisition and its subsequent development will generate promising sale revenue for the Group, thereby maintaining the Group's competitiveness in the residential and commercial property sector in Henan Province.

Further, the Directors are of the view that the payment mechanism under the Equity Transfer Agreement and the Equity Pledge Agreement is favourable to the Group as (1) the Group will be able to secure the corresponding development projects with relatively low initial funding thus to commence construction work on the site sooner; and (2) it will reduce the Group's working capital requirements in the short term whereby working capitals could be efficiently deployed in other revenue generating projects of the Group in late project development phase.

After taking into account the above, the Directors consider that the terms and conditions of the Equity Transfer Agreement and the Equity Pledge Agreement are fair and reasonable and on normal commercial terms and the Acquisition is in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES OF THE EQUITY TRANSFER AGREEMENT AND THE EQUITY PLEDGE AGREEMENT

The Group is principally engaged in the property development and property investment businesses in the PRC.

Xuchang Hengda is principally engaged in the real estate development and house renting in the PRC and is a wholly-owned subsidiary of the Group.

Yuzhou Yuxiang is a company incorporated in the PRC with limited liability which principally engages in the real estate development business in the PRC. Yuzhou Yuxiang is an indirect wholly-owned subsidiary of Yuzhou Investment Corporation* (禹州市投資總公司) and a local state-owned enterprise in Yuzhou City. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Yuzhou Yuxiang and its ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

IMPLICATIONS UNDER THE LISTING RULES

As one or more applicable percentage ratios in respect of the transactions contemplated under the Equity Transfer Agreement and the Equity Pledge Agreement are more than 5% but less than 25%, the entering into of the Equity Transfer Agreement and the Equity Pledge Agreement therefore constitute disclosable transactions for the Company under Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements.

DEFINITIONS

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

“Acquisition”	acquisition of Sale Equity from Yuzhou Yuxiang by Xuchang Hengda pursuant to the terms and conditions of the Equity Transfer Agreement
“Board”	the board of Directors of the Company
“Business Day(s)”	day(s) on which commercial banks are open for business in the PRC (excluding Saturdays, Sundays and public holidays)

“Completion”	the completion of the Acquisition pursuant to the terms and conditions of the Equity Transfer Agreement whereby the registration of the legal title and ownership of the Sale Equity shall be transferred to Xuchang Hengda in accordance with the applicable laws and regulations of the PRC subsequent to the Initial Payment
“Company”	Ever Reach Group (Holdings) Company Limited, an exempted company incorporated under the laws of the Cayman Islands with limited liability, whose Shares are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Equity Pledge Agreement”	the equity pledge agreement dated 24 June 2021 entered into between Xuchang Hengda (as the pledgor) and Yuzhou Yuxiang (as the pledgee), pursuant to which Xuchang Hengda has agreed that the Sale Equity shall be pledged in favour of Yuzhou Yuxiang subsequent to the Completion in accordance with the terms and conditions of the Equity Pledge Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 24 June 2021 entered into between Xuchang Hengda (as the buyer) and Yuzhou Yuxiang (as the seller) in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Henan Property Rights Exchange Centre”	the 河南省產權交易中心, where the public listing-for-sale of the Sale Equity was conducted
“HK\$”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	persons independent of the Group and the connected persons (has the meaning ascribed to it under the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macao Special Administrative Region of the PRC and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	90% of the equity interest in the Target Company owned by Yuzhou Yuxiang as at the date of this announcement
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	Ordinary shares with a nominal value of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	禹州市泰禹房地產開發有限公司 (Yuzhou Taiyu Real Estate Development Company Limited*), a company incorporated in the PRC with limited liability, and, as at the date of this announcement, held 100% by Yuzhou Yuxiang
“Target Land Parcel”	land Parcel located in Yuzhou City, Henan Province, details of which are set out in the paragraph headed “Information of the Target Company” of this announcement
“Xuchang Hengda”	許昌恒達房地產集團有限公司 (Xuchang Hengda Property Group Company Limited*), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Yuzhou Yuxiang”	禹州市禹翔房地產開發有限公司 (Yuzhou Yuxiang Real Estate Development Company Limited*), a limited liability company established in the PRC
“%”	per cent

* *English name for identification purpose only*

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

Hong Kong, 28 June 2021

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