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Evergrande Property Services Group Limited
恒大物業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6666)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

Financial Summary

- For the six months ended 30 June 2022, the Group had operating revenue of approximately RMB5,788.1 million, gross profit of approximately RMB1,283.7 million and net profit of approximately RMB570.9 million. Profit attributable to owners of the Company amounted to approximately RMB546.1 million and basic earnings per share amounted to approximately RMB0.05.
- As of 30 June 2022, the Group had a total contracted area of approximately 811 million square metres and an area under management of approximately 479 million square metres, maintaining its industry-leading management scale.
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022.
- The Group will endeavour to take reasonable measures to collect the various categories of receivables from the relevant parties in accordance with the relevant laws and applicable agreements, including, without limitation, receivable that have been provisioned for impairment, and receivable that have not yet been included in income because they do not meet the revenue recognition conditions. At the same time, the Group is in discussion with China Evergrande Group on the proposal to repay the funds involved in the deposit certificate pledge guarantees of approximately RMB13.4 billion, to actively safeguard the interests of the Group.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	<i>Notes</i>	Six months ended 30 June	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	5	5,788,059	7,873,439
Cost of sales		(4,504,398)	(4,934,913)
Gross profit		1,283,661	2,938,526
Other income	6	74,372	88,669
Other gains		1,170	1,311
Impairment losses on financial assets		(54,202)	(9,891)
Fair value gains on investment properties		347	–
Administrative expenses		(415,143)	(443,439)
Operating profit		890,205	2,575,176
Share of net profit of investments accounted for using the equity method		680	1,126
Finance costs		(17,674)	(24,957)
Profit before income tax		873,211	2,551,345
Income tax expenses	8	(302,343)	(616,880)
Profit for the period		570,868	1,934,465
Profit/(Loss) attributable to:			
– Owners of the Company		546,136	1,935,257
– Non-controlling interests		24,732	(792)
		570,868	1,934,465

	Six months ended 30 June	
<i>Note</i>	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Other comprehensive income/(loss)		
Items that maybe reclassified subsequently to profit or loss		
Exchange differences arising on translation of financial statements of foreign operations	<u>801</u>	<u>(220)</u>
Total comprehensive income for the period	<u>571,669</u>	<u>1,934,245</u>
Total comprehensive income/(loss) attributable to:		
– Owners of the Company	546,937	1,935,037
– Non-controlling interests	<u>24,732</u>	<u>(792)</u>
	<u>571,669</u>	<u>1,934,245</u>
Earnings per share for profit attributable to owners of the Company		
– Basic and diluted	<i>10</i> <u>RMB 0.05</u>	<u>RMB 0.18</u>

Condensed Consolidated Statement of Financial Position

		As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Assets			
Non-current assets			
Property and equipment		62,130	70,672
Right-of-use assets		99,626	188,423
Intangible assets		2,107,391	2,205,277
Investment properties		40,368	40,021
Investments accounted for using the equity method		31,920	29,240
Deferred income tax assets		132,201	147,966
		<u>2,473,636</u>	<u>2,681,599</u>
Current assets			
Trade and other receivables	11	2,898,803	2,713,914
Prepayments		21,188	34,376
Financial assets at fair value through profit or loss		3,180	5,489
Restricted cash		45,327	36,596
Cash and cash equivalents		814,066	1,130,154
		<u>3,782,564</u>	<u>3,920,529</u>
Total assets		<u><u>6,256,200</u></u>	<u><u>6,602,128</u></u>

		As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Equity			
Share capital	12	7,060	7,060
Reserves		(6,421,517)	(6,824,318)
Retained earnings		3,496,843	2,950,707
		<u>(2,917,614)</u>	<u>(3,866,551)</u>
Equity attributable to owners of the Company			
Non-controlling interests		<u>388,753</u>	<u>364,021</u>
Total deficiency in equity		<u><u>(2,528,861)</u></u>	<u><u>(3,502,530)</u></u>
Liabilities			
Non-current liabilities			
Borrowings		100,000	150,000
Lease liabilities		132,461	218,551
Other payables	13	28,076	54,018
Contingent consideration payables		58,310	58,310
Deferred income tax liabilities		227,449	253,081
		<u>546,296</u>	<u>733,960</u>

		As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Current liabilities			
Borrowings		149,700	150,000
Contract liabilities		2,500,078	3,080,149
Trade and other payables	<i>13</i>	5,210,577	5,536,520
Current income tax liabilities		227,773	501,011
Lease liabilities		150,637	103,018
		<u>8,238,765</u>	<u>9,370,698</u>
Total liabilities		<u>8,785,061</u>	<u>10,104,658</u>
Total equity and liabilities		<u><u>6,256,200</u></u>	<u><u>6,602,128</u></u>

Notes to the Condensed Consolidated Financial Statements

1. General information

Evergrande Property Services Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 13 March 2020 as an exempted company with limited liability under the Companies Law (Cap. 22. Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company’s ultimate holding company is China Evergrande Group, an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company is an investment holding company. The Company and its subsidiaries (the “**Group**”) are primarily engaged in the provision of property management services and related value-added services.

The condensed consolidated financial statements is presented in Renminbi (“**RMB**”) and rounded to nearest thousand yuan, unless otherwise stated.

These condensed consolidated financial statements has not been audited.

2. Basis of preparation

This interim condensed consolidated financial statements for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting”.

The interim condensed consolidated financial statements does not include all the notes of the type normally included in an annual financial report. Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2021, which have been prepared in accordance with Financial Reporting Standards (“**HKFRS**”).

Going concern assumption

As at 30 June 2022, the net current liabilities and the net liabilities of the Group amounted to RMB4,456,201,000 and RMB2,528,861,000 respectively. The above matters indicated that the Group will need to secure a substantial amount of funds in the foreseeable future to finance these financial obligations under various contractual and other arrangements.

In view of the above circumstances, the directors of the Company have reviewed the Group’s cash flow projections, which cover a period up to 30 June 2024. The directors are of the opinion that, taking into account the following actions during the six months ended 30 June 2022 and plans and measures to be taken, the Group will have sufficient working capital to meet its financial obligations up to 30 June 2024.

- The Group is currently in discussion with China Evergrande Group regarding a proposal to repay the funds involved in the deposit certificate pledge guarantees of approximately RMB13,400,000,000 in total to Group (the “**Case**”). The Case is a special case and certain measures in relation to the internal control system of the Group will be implemented. The Case will not have further significant impact on the Group’s future operating cash flows;

- The Group has reached agreements with certain creditors in respect of matters including trade payables, consideration payable for business combinations and related parties, agreeing to extend the repayment terms from one to four years. The directors of the Company consider that further extensions may be obtained if necessary; and
- The directors of the Company are currently exercising and will continue to exercise cost control in administrative and other expenses by further streamlining the Group’s operations to improve the operating and financial position of the Group.

On the basis that all these measures can be implemented successfully, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as they fall due and accordingly, the condensed consolidated financial statements for the six months ended 30 June 2022 has been prepared on a going concern basis.

Notwithstanding the above, given the volatility of the property sector in the People’s Republic of China (the “**PRC**”) and the uncertainties to obtain support from the Group’s creditors, material uncertainties exist as to whether or not the Group will be able to achieve its plans and measures as described above.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying amounts of the assets to their net recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2022.

3. Accounting policies

The condensed consolidated financial statements have been prepared on a historical cost basis, except for investment properties, financial assets at fair value through profit or loss and contingent consideration payables that are measured at fair values at the end of each reporting period.

The accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the Group’s audited consolidated financial statements for the year ended 31 December 2021. The adoption of the new and amendments to HKFRSs, that are relevant to the Group and effective from the current period, had no material impact on the results and financial position of the Group for the current and prior periods.

The Group has not early adopted the new/amendments to HKFRSs that have been issued but are not yet effective. The directors of the Company do not anticipate that the adoption of the new and amendments to HKFRSs in future periods will have any material impact on the Group’s interim condensed consolidated financial statements.

4. Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

During the six months ended 30 June 2022, the Group is principally engaged in the provision of property management services and related value-added services in the PRC.

For the six months ended 30 June 2022, majority of the segments are domiciled in the PRC and most of the revenue are derived in the PRC, and the segments are principally engaged in the provision of similar services to similar customers. All operating segments of the Group were aggregated into a single reportable segment.

The principal operating entities of the Group are domiciled in the PRC and majority of revenue is derived in the PRC during the six months ended 30 June 2022. As at 30 June 2022, majority of the non-current assets of the Group were located in the PRC.

5. Revenue

Revenue mainly comprises of proceeds from property management services and related value-added services. An analysis of the Group’s revenue by category for the six months ended 30 June 2022 and 2021 is as follows:

	Six months ended 30 June	
	2022	2021
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Property management services	4,676,572	4,757,289
Value-added services to non-property owners	32,838	1,977,526
Community value-added services	1,078,649	1,138,624
	<u>5,788,059</u>	<u>7,873,439</u>
Timing of revenue recognition		
– Over time	5,520,830	7,154,016
– At a point in time	267,229	719,423
	<u>5,788,059</u>	<u>7,873,439</u>

6. Other income

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Government grants (Note a)	62,293	46,650
Interest income	4,384	36,298
Income from overdue fine	1,763	4,422
Others	5,932	1,299
	<u>74,372</u>	<u>88,669</u>

- (a) Government grants which mainly consisted of additional input value-added tax deduction, tax refund for employment of retired soldiers and refund of paid unemployment insurance. There were no unfulfilled conditions or contingencies attached to the grants.

7. Expenses by nature

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Employee benefit expenses	2,749,021	2,730,000
Greening and cleaning expenses	791,204	1,242,831
Maintenance costs	331,281	545,287
Utilities	332,843	249,595
Services fee	122,852	139,385
Short-term and low value lease expenses	83,582	91,134
Depreciation and amortisation charges	206,279	76,722
Costs of security	37,226	67,068
Tax and other levies	28,469	59,593
Office expenses	61,095	48,640
Travelling and entertainment expenses	19,010	32,999
Cost of goods sold	73,069	17,169
Community activities expenses	21,519	15,156
Uniform costs	5,678	14,741
Bank charges	10,737	11,143
Professional fees	12,008	6,898
Penalty	6,312	–
Others	27,356	29,991
	<u>4,919,541</u>	<u>5,378,352</u>

8. Income tax expenses

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax	312,209	621,039
Deferred income tax	(9,866)	(4,159)
	<u>302,343</u>	<u>616,880</u>

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries in the British Virgin Islands ("BVI") were incorporated under the International Business Companies Act of the BVI and accordingly, are exempted from British Virgin Island income tax.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the current period in respect of operations in Hong Kong.

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the periods, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate is 25% for the six months ended 30 June 2022 and 30 June 2021. Certain subsidiaries and branches of the Group in the PRC are located in western cities, and they are subject to a preferential income tax rate of 15% during the six months ended 30 June 2022 and 30 June 2021. The subsidiary and branches of the Group located in Hainan Province are qualified to enjoy the preferential income tax rate of 15% since 1 January 2020.

9. Dividends

No dividend has been declared or paid by the Company during the six months ended 30 June 2022 (30 June 2021: nil).

10. Earning per share

Basic earning per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares during the six months ended 30 June 2022 and 2021.

The Company did not have any potential ordinary shares outstanding during the six months ended 30 June 2022 and 2021. Diluted earning per share is equal to basic earning per share.

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	546,136	1,935,257
Weighted average number of ordinary shares in issue (in thousands)	10,810,811	10,810,811
Basic and diluted earning per share	<u>RMB 0.05</u>	<u>RMB 0.18</u>

11. Trade and other receivables

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade receivables		
– Related parties (Note 14)	2,467,832	2,499,704
– Third parties	2,766,383	2,204,407
Notes receivables		
– Related parties (Note 14)	552	1,420
Gross trade receivables	<u>5,234,767</u>	<u>4,705,531</u>
Less: allowance for impairment of trade and notes receivables		
– Related parties (Note 14)	(2,454,613)	(2,440,150)
– Third parties	(311,178)	(265,682)
	<u>2,468,976</u>	<u>1,999,699</u>
Value added tax recoverable	18,695	51,412
Ultimate holding company		
– Financial guarantee and others	13,400,000	13,400,000
Less:		
– Enforcement of financial guarantee pledged	(13,400,000)	(13,400,000)
	<u>–</u>	<u>–</u>
Other related parties	18,989	9,134
Other receivables		
– Payments on behalf of property owners (Note c)	242,651	501,470
– Deposits	113,713	164,138
– Others	102,744	60,784
Gross other receivables	<u>478,097</u>	<u>735,526</u>
Less: allowance for impairment of other receivables charged to profit or loss		
– Third parties	(66,965)	(72,723)
	<u>411,132</u>	<u>662,803</u>
	<u>2,898,803</u>	<u>2,713,914</u>

- (a) Trade receivables mainly arise from property management services income under lump sum basis and value-added service. Property management service income is received in accordance with the terms of the relevant services agreements. Value-added service income is usually due for payment upon the issuance of document of settlement.
- (b) As at 30 June 2022 and 31 December 2021, the aging analysis of the trade and notes receivables based on date of revenue recognition were as follows:

	As at 30 June 2022	As at 31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
0 to 180 days	2,087,290	2,640,193
181 to 365 days	1,334,610	1,407,462
1 to 2 years	1,349,215	471,274
2 to 3 years	362,427	110,585
Over 3 years	101,225	76,017
	<u>5,234,767</u>	<u>4,705,531</u>

- (c) Payments on behalf of property owners mainly represented utilities costs of properties.
- (d) As at 30 June 2022 and 31 December 2021, trade and other receivables were denominated in RMB and the fair value of trade and other receivables approximate their carrying amounts.

12. Share capital

	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	Number of shares	Number of shares	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Issued and fully paid	<u>10,810,811,000</u>	<u>10,810,811,000</u>	<u>7,060</u>	<u>7,060</u>

13. Trade and other payables

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade payables (Note a)		
– Related parties (Note 14)	254,731	225,530
– Third parties	<u>1,940,255</u>	<u>1,913,508</u>
	<u>2,194,986</u>	<u>2,139,038</u>
Notes payables (Note a)		
– Related parties (Note 14)	–	1,168
– Third parties	<u>–</u>	<u>1,909</u>
	<u>–</u>	<u>3,077</u>
Other payables		
– Considerations payable for business combinations	603,692	839,278
– Amounts temporarily received from/on behalf of property owners or lessor (Note b)	488,424	723,767
– Deposits	323,979	345,249
– Other tax payables	120,253	419,829
– Others	<u>1,018,761</u>	<u>550,768</u>
	<u>2,555,109</u>	<u>2,878,891</u>
Accrued payroll	<u>488,558</u>	<u>569,532</u>
Less: non-current portion of other payables	<u>(28,076)</u>	<u>(54,018)</u>
Current portion	<u><u>5,210,577</u></u>	<u><u>5,536,520</u></u>

- (a) As at 30 June 2022 and 31 December 2021, the ageing analysis of the trade and notes payables based on goods and services received were are follows:

	As at	As at
	30 June 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Up to 1 year	1,991,188	2,070,749
1 to 2 years	189,207	57,149
2 to 3 years	9,556	7,726
More than 3 years	5,035	6,491
	<u>2,194,986</u>	<u>2,142,115</u>

- (b) The amounts mainly represented utilities expenses temporarily collected from the property owners to be paid to related service providers and rental income collected from lessees to be returned to the property owners.
- (c) As at 30 June 2022 and 31 December 2021, trade and other payables were denominated in RMB and the carrying amounts of trade and other payables approximate their fair values.

14. Related party transactions

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with related parties.

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from rendering of services		
– Controlled by the Group's ultimate holding company	38,465	2,491,462
– Joint ventures of the Group's ultimate holding company	28,061	79,418
	<u>66,526</u>	<u>2,570,880</u>
Purchase of goods and services		
– Controlled by the Group's ultimate holding company	<u>41,581</u>	<u>50,509</u>
Leasing car parking spaces		
– Controlled by the Group's ultimate holding company	<u>19,196</u>	<u>87,166</u>

The transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

Starting from September 2021, due to the China Evergrande Group's liquidity difficulties, the management of the Group expects the inflow of economic benefits from China Evergrande Group is not virtually certain. Since the property services customers involve all the property owners and various aspects of the community, which has integrality and indivisibility as a whole, it is impracticable to exclude China Evergrande Group from providing property management services to those vacant properties. Hence, no additional costs have been incurred and the Group continues to provide property management services to China Evergrande Group. The Group estimates that the amount for the six months ended 30 June 2022 is approximately RMB527,397,000. No revenue is recognised in respect of the transactions, while the Group will endeavour to take reasonable measures to collect the receivables from the relevant parties in accordance with the relevant laws and applicable agreements to actively safeguard the interests of the Group.

(b) Balances with related parties

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade receivables		
– Controlled by the Group's ultimate holding company	2,353,201	2,396,639
– Joint ventures of the Group's ultimate holding company	114,631	103,065
	<hr/> 2,467,832	<hr/> 2,499,704
Less: allowances for impairment of trade and other receivables (charged to profit or loss)	(2,454,613)	(2,440,150)
	<hr/> 13,219	<hr/> 59,554
Other receivables		
– Controlled by the Group's ultimate holding company	18,989	9,134
Notes receivables		
– Controlled by the Group's ultimate holding company	552	1,420
Prepayments		
– Controlled by the Group's ultimate holding company	1,751	3,688

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade payables		
– Controlled by the Group's ultimate holding company	254,553	225,481
– Joint ventures of the Group's ultimate holding company	178	49
	<u>254,731</u>	<u>225,530</u>
Notes payables		
– Controlled by the Group's ultimate holding company	–	1,168
Other payables		
– Controlled by the Group's ultimate holding company	144,589	179,016
– Joint ventures of the Group's ultimate holding company	171	540
	<u>144,760</u>	<u>179,556</u>

- (i) The above trade and notes receivables, prepayments and trade and notes payables are trading nature, interest-free and repayable according to terms in contracts.

(c) Key management compensation

Key management includes directors and senior management. Compensations for key management are set out below:

	For the period ended 30 June 2022 <i>RMB'000</i> (Unaudited)	For the period ended 30 June 2021 <i>RMB'000</i> (Unaudited)
Salaries, bonuses and other benefits	5,998	8,966
Contribution to pension scheme expenses	207	128
	<u>6,205</u>	<u>9,094</u>

Summary of Independent Review Report of Interim Financial Information

The following is a summary of the independent auditor's review report on the interim condensed consolidated financial statements of Evergrande Property Services Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") for the six months ended 30 June 2022 issued by its external auditor, Prism Hong Kong and Shanghai Limited ("**Prism**"):

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Material uncertainties relating to going concern

We draw your attention to note 2 to the interim condensed consolidated financial statements in respect of the going concern basis adopted in the preparation of the interim condensed consolidated financial statements. The Group recorded net current liabilities and net liabilities of approximately RMB4,456,201,000 and RMB2,528,861,000 respectively as at that date. These conditions, together with the other matters set out in note 2 to the interim condensed consolidated financial statements, indicate that there are significant uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. The Group is implementing various measures to improve its liquidity. The directors of the Company, having considered the measures taken by the Group, are of the opinion that the Group has the ability to continue as a going concern. In respect of this matter, our opinion has not been modified.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

CHAIRMAN’S STATEMENT

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of the Company, I am pleased to present the interim results of the Group for the six months ended 30 June 2022 (the “**Period**”).

Review for First half of 2022

As at 30 June 2022, the scale of the Group’s property management was stable, with a total contracted area under management of approximately 811 million square metres and an area under management of approximately 479 million square metres, of which approximately 141 million square metres of property management area were developed by third party developers, accounting for nearly 30% of the total area under management.

For the six months ended 30 June 2022, the Group generated total revenue of approximately RMB5,788.1 million and gross profit of approximately RMB1,283.7 million. Of which, revenue from property management services amounted to approximately RMB 4,676.6 million and revenue from community value-added services amounted to approximately RMB1,078.6 million, with the two types of revenue accounting for approximately 99.4% of the total revenue.

The Group had always been committed to long-termism and is closely focused on customer needs to continuously improve the customer experience. In the first half of 2022, we adhered to our original intention of service, by setting standards, grasping quality and setting benchmarks, strengthening lean operations and winning good reputation from customers with quality and efficient services. In respect of value-added services to non-property owners, the Group adhered to market-oriented principles and strategically contracted its related party business to effectively reduce corporate operating risks. In respect of community value-added services, the Company continued to focus on businesses of high frequency and immediate needs of property owners and vigorously developed community living service and achieved rapid growth, effectively contributing to the diversified development of the Company’s operations.

The Group actively practiced its corporate social responsibility, adhered to the leadership of party building and actively participated in social grassroots governance. In the first half of the year, based on the needs of property owners, the Group carried out community cultural activities such as the “Five-One Project (五個一工程)” quality improvement campaign, the “constant heart to home (恒心到家)” door-to-door visits to improve service quality in multiple dimensions. At the same time, the Group had taken the initiative to assume social responsibility and actively carried out a number of social welfare activities such as supporting the military and their families, caring for the elderly and providing convenient services to the public, which had won wide praise from the governments at all levels and the property owners.

Outlook for the second half of 2022

In recent years, the changing macro environment and the deep adjustment of the industry have brought more tests for the development of the property industry, but with the support of favourable national policies, property management companies have also ushered in a major opportunity to expand their service boundaries and transform into high-quality development. In the second half of 2022, the Group will continue to adhere to the “people-oriented” service principle, dig deeper into the business development potential, continuously optimize the service products and management and operation system to ensure the long-term sound operation of the Company, while rapidly enhancing the market-oriented expansion capability and building a solid foundation for quality development.

Insisting on high quality services as the basis for development. The Group has always regarded customer satisfaction as its primary goal, driven by customer demand to upgrade its services, and carried out a series of “engineering quality improvement” and “service quality improvement” actions around “comfortable environment, warm service and safe home”, and ensured implementation by strengthening the daily actions of frontline positions, selecting advanced models and empowering key positions. The Group also actively promotes the establishment of the property owners’ interest groups in various community projects, carries out community convenient services activities, party building and cultural activities, etc. to strengthen community building, governance and sharing in various ways, enhance property owners’ value and emotional recognition of their properties and strengthen brand influence.

Meeting the diverse needs of our customers for community living. The Group takes the property owner’s reputation as the starting point, and through service upgrading, product optimization and business model innovation, it has been able to improve and strengthen its businesses such as community group purchase, home decoration and home furnishing, insurance brokerage, etc. At the same time, it has taken housekeeping services as the entry point to create the “Jinbi to Home (金碧到家)” service, which integrates a full range of to-home services including “daily cleaning, appliance cleaning, laundry cleaning, furniture care and moving services” to enhance customer loyalty. The Group will continue to focus on the high-frequency needs of our customers and develop value-added services according to local conditions and time, so as to create more room for development and performance growth for the Company.

Accelerating the pace of market-based expansion. The Group will firmly pursue its market-oriented transformation strategy, give full play to its advantages in professional services, resource integration and regional synergy, continuously improve the quality of its outward expansion team, actively participate in market bidding, competitive negotiations or strategic cooperation, deeply cultivate the stock market and incremental market, achieve diversified development in residential properties, commercial buildings, public construction and city public services, etc., and make every effort to push the scale of market-oriented expansion to a new level, so as to achieve efficient and high-quality scale growth of the Company.

Finally, on behalf of the Board, I would like to thank all our staff and management team for their contribution to the development of the Company and I would also like to express my sincere gratitude to all our shareholders and stakeholders for their trust and support.

Duan Shengli

Chairman of the Board

Hong Kong, 5 June 2023

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue was mainly derived from three business segments: (i) property management services; (ii) community value-added services; and (iii) value-added services to non-property owners. For the six months ended 30 June 2022, the Group's total revenue was approximately RMB5,788.1 million.

	For the six months ended 30 June 2022		For the six months ended 30 June 2021		
	Revenue (RMB'000)	Percentage of total revenue (%)	Revenue (RMB'000)	Percentage of total revenue (%)	Growth rate (%)
Property management services	4,676,572	80.8	4,757,289	60.4	-1.7
Community value-added services	1,078,649	18.6	1,138,624	14.5	-5.3
Value-added services to non-property owners	32,838	0.6	1,977,526	25.1	-98.3
Total	<u>5,788,059</u>	<u>100</u>	<u>7,873,439</u>	<u>100</u>	<u>-26.5</u>

(i) Property management services

During the Period, revenue from property management services amounted to approximately RMB4,676.6 million, representing a year-on-year decrease of approximately 1.7%.

In the first half of 2022, due to the related party liquidity crisis, the Group excluded the portion of revenue from basic property services provided to related parties from the Group's property management services for the Period based on the principle of prudence.

(ii) Community value-added services

During the Period, revenue from community value-added services amounted to approximately RMB1,078.6 million, representing a year-on-year decrease of approximately 5.3%, mainly due to the delay in delivery as a result of the liquidity crisis of related parties and the significant decrease in business revenue from home decoration and home furnishing services, property rental and sale from newly delivered property management projects as compared with the corresponding period last year. The Group promptly adjusted its strategic deployment to focus on the businesses of high frequency and immediate needs of property owners and focused on community living services. During the Period, the Group vigorously launched community group purchase, housekeeping services and other service products around property owners, and the revenue from community living services for the six months ended 30 June 2022 increased by more than 41.4% as compared with the corresponding period in 2021.

(iii) Value-added services to non-property owners

During the Period, revenue from value-added services to non-property owners amounted to approximately RMB32.8 million, representing a year-on-year decrease of approximately 98.3%, mainly due to the impact of the liquidity crisis of the related party and the Group's strategic contraction of value-added services to non-property owners based on market-oriented principles, which proactively and significantly reduced the provision of display units services and maintenance and warranty services to related parties.

Costs

The Group's costs include staff costs, greening and cleaning costs, maintenance costs, utilities, security subcontracting costs, commission expenses, taxes and other levies, etc.

During the Period, the Group's cost of sales amounted to approximately RMB4,504.4 million, representing a decrease of approximately 8.7 % from approximately RMB4,934.9 million for the corresponding period in 2021.

The decrease in costs was mainly due to (i) the Company's initiative to significantly reduce the provision of value-added services to non-property owners to developers based on market-based principles; and (ii) the scaling down of low-quality businesses, increasing cost control and improving operational efficiency.

Gross profit and gross profit margin

The following table sets out the breakdown of gross profit and gross profit margin by the Group's business segments for the periods indicated:

	For the six months ended 30 June 2022		For the six months ended 30 June 2021	
	Gross Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)
Property management services	880,037	18.8	1,528,630	32.1
Community value-added services	400,644	37.1	681,308	59.8
Value-added services to non-property owners	2,980	9.1	728,588	36.8
Total	<u>1,283,661</u>	<u>22.2</u>	<u>2,938,526</u>	<u>37.3</u>

During the Period, the Group's overall gross profit was approximately RMB1,283.7 million with a gross profit margin of approximately 22.2 %.

- In respect of property management services, the Group's gross profit margin for property management services decreased by approximately 13.3 percentage points to approximately 18.8% for the Period from approximately 32.1% for the corresponding period in 2021. The decrease in gross profit margin was mainly due to the Group's adjustment of the revenue recognition pace for certain related party businesses with uncertainty of recovery of payment based on prudent considerations, resulting in some revenue not being recognized in the current Period.

2. In respect of community value-added services, the Group's gross profit margin for community value-added services decreased by approximately 22.7 percentage points to approximately 37.1% for the Period from approximately 59.8% for the corresponding period in 2021. The decrease in gross profit margin was mainly due to the impact of the liquidity crisis of related parties and the recurring pandemic, the Group suspended some of its value-added services business in a phased manner, while actively adjusting its strategic deployment to develop more service products that are relevant to the lives of its property owners.
3. In respect of value-added services to non-property owners, the Group's value-added services to non-property owners gross profit margin decreased by approximately 27.7 percentage points to approximately 9.1 % for the Period from approximately 36.8% for the corresponding period in 2021. The decrease in gross profit margin was mainly due to the impact of the related party liquidity crisis and the Group substantially reduced the value-added services to non-property owners provided to related parties based on its own initiative.

Administrative expenses

During the Period, administrative expenses were approximately RMB415.1 million, representing a decrease of approximately 6.4% as compared with approximately RMB443.4 million for the corresponding period in 2021, as the Group adjusted its organizational structure and optimized its staffing to save costs and expenses.

Other income

During the Period, other income was approximately RMB74.4 million, representing a decrease of approximately 16.1% as compared with approximately RMB88.7 million for the corresponding period in 2021, as the average balance of the Group's bank deposits was lower than that of the corresponding period last year, resulting in a decrease in interest income from the Group's deposits.

Other gains

During the Period, the Group's net other gains amounted to approximately RMB1.2 million as compared with net other gains of approximately RMB1.3 million for the corresponding period in 2021.

Income tax expenses

During the Period, income tax expenses were approximately RMB302.3 million, representing a decrease of approximately 51.0% from approximately RMB 616.9 million for the corresponding period in 2021.

The decrease in income tax expenses is mainly due to the decrease in profit before tax for the period and the corresponding decrease in tax liabilities.

Profit for the Period

During the Period, the Group's net profit was approximately RMB570.9 million, representing a decrease of approximately 70.5% as compared with approximately RMB1,934.5 million for the corresponding period in 2021, mainly due to the significant decrease in revenue from value-added services to non-property owners.

During the Period, profit attributable to owners of the Company amounted to approximately RMB546.1 million, representing a decrease of approximately 71.8% from approximately RMB1,935.3 million for the corresponding period in 2021.

Property and equipment

The Group's property and equipment mainly comprise buildings, machinery, vehicles, furniture, fixtures and equipment.

As at 30 June 2022, the net book value of the Group's property and equipment was approximately RMB62.1 million, representing a decrease of approximately 12.1 % from approximately RMB70.7 million as at 31 December 2021, mainly due to the decrease in net asset value as the newly acquired assets were less than the depreciation expenses accrued in accordance with the Period's accounting policies.

Right-of-use assets

The Group's right-of-use assets mainly comprise assets such as offices and staff quarters leased by the Group. As at 30 June 2022, the Group's leased assets amounted to approximately RMB99.6 million, representing a decrease of approximately RMB88.8 million as compared with approximately RMB188.4 million as at 31 December 2021, mainly due to the decrease in the remaining lease term of the operating shops.

Intangible assets

The Group's intangible assets include property contracts, customer relationships, software and goodwill.

As at 30 June 2022, the Group's intangible assets amounted to approximately RMB2,107.4 million, representing a decrease of approximately RMB97.9 million from approximately RMB2,205.3 million as at 31 December 2021, mainly due to the amortization amount of approximately RMB95.8 million arising from the customer relationship and property management contracts recognized by the acquired companies during the Period.

Trade and other receivables

As at 30 June 2022, the Group had trade receivables of approximately RMB2,469.0 million, representing an increase of approximately RMB469.3 million as compared with approximately RMB1,999.7 million as at 31 December 2021, mainly due to a slight decrease in the collection rate of property fees as a result of the pandemic. The Group will endeavour to take reasonable measures to collect the receivables from the relevant parties in accordance with the relevant laws and applicable agreements and actively safeguard the interests of the Group.

Other receivables decreased by approximately RMB284.4 million from approximately RMB714.2 million as at 31 December 2021 to approximately RMB429.8 million as at 30 June 2022, mainly due to the recovery of amounts such as the Group's deposit and the property owners' public energy consumption costs.

Trade and other payables

Trade and other payables include trade payables and other payables, of which other payables include provisional receipts, deposits payable, consideration payable for mergers and acquisitions, wages and benefits payable, dividends payable and taxes payable.

As at 30 June 2022, the Group had trade payables of approximately RMB2,195.0 million, representing an increase of approximately RMB52.9 million from the trade and notes payables of approximately RMB2,142.1 million as at 31 December 2021.

Other payables decreased by approximately RMB378.8 million from approximately RMB3,394.4 million as at 31 December 2021 to approximately RMB3,015.6 million as at 30 June 2022, mainly due to the payment of consideration payable for prior years' acquisition transactions.

Contract liabilities

As at 30 June 2022, the Group had contract liabilities of approximately RMB2,500.1 million, representing a decrease of approximately RMB580.0 million as compared with approximately RMB3,080.1 million as at 31 December 2021, mainly due to the decrease in prepayment of property service fees from customers as a result of the decrease in newly delivered area in the current Period as compared with that in 2021.

Liquidity and financial resources

As at 30 June 2022, the Group's total bank deposits and cash (including the Group's cash and cash equivalents and restricted cash) amounted to approximately RMB859.4 million, representing a decrease of approximately RMB307.4 million from approximately RMB1,166.8 million as at 31 December 2021. The decrease in bank deposits and cash was mainly due to the Group actively reducing the scale of liabilities, clearing historical stock of liabilities and paying for equity acquisitions during the Period.

Of the Group's total bank deposits and cash, restricted bank deposits of approximately RMB45.3 million mainly represented the restricted share capital of Evergrande Insurance Agency Co., Ltd. deposits for the provision of property management services as required by local government authorities and funds for litigation preservation of some subsidiaries.

As at 30 June 2022, the Group's net current liabilities amounted to approximately RMB4,456.2 million (31 December 2021: net current liabilities of approximately RMB5,450.2 million). The Group's current ratio (current assets/current liabilities) was approximately 0.46 times.

As at 30 June 2022, the Group had short-term borrowings of approximately RMB149.7 million and long-term borrowings of approximately RMB100.0 million. The Group recorded a deficiency in equity as at 30 June 2022 and therefore the gearing ratio (calculated as total borrowings less lease liabilities divided by total equity as at the date indicated) was not applicable.

Major Risks And Uncertainties

The major risks and uncertainties faced by the Group are set forth below. Such factors are not exhaustive and therefore other risks and uncertainties may also exist.

Industry risks

The operation of the Group may be affected by the regulatory landscape of the industry and related measures. The main reason is that the fees charged by property management companies for management services are strictly monitored and supervised by relevant regulatory authorities. The business performance of the Group depends on contract area, chargeable area under management and the number of projects under management, but the business growth are affected and will likely continue to be affected by the People's Republic China (the "PRC") government's regulations on the industry where the Group belongs.

Business risks

Whether the Group can maintain or improve its current profitability depends on whether it can effectively control operating costs. The Group's profit margin and operating results may be significantly and adversely affected by the increase in labor costs or other operating costs. The Group cannot guarantee that it will be able to secure new property service contracts according to its plan or pursuant to appropriate schedule and price. The Group may not be able to recover related income including property management fees from customers, resulting in possible impairment losses in receivables. In the event of termination of or failure to renew a substantial number of property service contracts, the business, financial conditions and operating results of the Group will be significantly and adversely affected.

Foreign exchange risks

The business of the Group is mainly located in China. Save for bank deposits denominated in foreign currencies, there is no major direct exchange rate fluctuation risk faced by the Group. During the Period, the Directors expected that the RMB exchange rate would not have a material adverse effect on the operations of the Group. Currently, the Group has not entered into contracts to hedge its exposure to foreign exchange risk, but the management will continue to monitor foreign exchange risks and adopt prudent measures to reduce potential exchange risks.

Risk of continuing as a going concern

As a result of the related party liquidity crisis and the “RMB13.4 billion deposit pledge” incident (“**these matters**”), the Group has incurred significant losses. The Group’s ability to continue as a going concern is dependent on having sufficient working capital to meet its financial obligations as they fall due over the next twelve months. As stated in note 2 to the consolidated financial statements of the Group, the Group has taken certain measures to address the uncertainty in continuing as a going concern, including discussing with the China Evergrande Group on the repayment of the amount involved in the pledge, streamlining the Group’s operating costs, negotiating with suppliers and acquired companies on the extension agreements of payables, and enhancing internal controls to ensure the continued sound operation of the Company. The above measures have effectively alleviated the Group’s operating cash flow pressure, but there is uncertainty as to whether these matters will have any further material impact on the Group’s future operations.

HUMAN RESOURCES

As at 30 June 2022, the Group had 75,846 employees. The employees were remunerated in accordance with the Group’s remuneration and welfare policies with reference to the positions of employees, performance, profitability of the Company, industry level and market environment.

The Group has to participate in social insurance contribution plans or other retirement plans organized by local governments, and make contributions to social insurance funds monthly on behalf of employees for the payment of pension funds, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident funds, or make contributions to mandatory provident fund for employees regularly.

Based on the three-level training mechanism of “headquarters-region-project”, the Group is committed to implement a 3-year campus recruitment programme for management trainees, trainings for new employees and key talent trainings. The Group organizes and conducts trainings on various professional skills, general aptitude, management ability and corporate culture in accordance with our business development needs and employee career planning, in order to improve the comprehensive quality and work capabilities of employees.

During the Period, all staff participated in training, with a total of over 676,000 hours of training and an average of 8.9 hours of training per person.

PLEDGE OF ASSETS

As at 30 June 2022, the Group pledged 80% of the equity interest of its subsidiary, Ningbo Yatai Hotel Property Services Co., Ltd., as the security of a bank loan.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had contingent liabilities of performance guarantee reward and profit sharing of both parties during the guarantee period agreed in the equity transfer agreement.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2022, the Group did not have any significant investment, material acquisition or disposal of subsidiaries, associates or joint ventures.

PROCEEDS FROM GLOBAL OFFERING

The shares of the Company were successfully listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 2 December 2020 and 810,811,000 new shares were allotted and issued pursuant to the Global Offering (as defined in the prospectus of the Company dated 23 November 2020 (the “**Prospectus**”)) with net proceeds of approximately RMB5,793.9 million from the Global Offering, excluding underwriting fees and commissions.

As of 30 June 2022, the Group used the proceeds of approximately RMB2,212.8 million for strategic acquisitions and investments, development of the Group's value-added services, upgrading of information systems and equipment, and recruitment and development of talents, and used the proceeds of approximately RMB457.2 million to support the Group's operations, in line with use of the proceeds as set out in the prospectus of the Company dated 23 November 2020. For the year ended 31 December 2021, approximately RMB3,123.9 million of the Group's deposits were as deposits for third party pledge guarantees, which were enforced by the relevant banks. As of 30 June 2022, the Company had no unutilized proceeds from the Global Offering.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2022.

SHARE OPTION SCHEME

The share option scheme was approved and adopted by the shareholders of the Company at the extraordinary general meeting of the Company held on 10 May 2021. No share options have been granted from the adoption of the share option scheme until 30 June 2022.

EVENTS AFTER THE REPORTING PERIOD

For details of events after the reporting period, please refer to the section headed "Events After the Reporting Period" in the Company's annual results announcement for the year ended 31 December 2021 published on the same date.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the Company's corporate governance code. For the six months ended 30 June 2022, the Company had complied with all the applicable code provisions of the CG Code.

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 set out in Appendix 10 of the Listing Rules as the Company’s code of conduct for securities transactions by the Directors. The Company has made specific enquiry of all the Directors and they have confirmed that they have complied with the requirements set out in the Model Code throughout the six months ended 30 June 2022.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022.

AUDIT COMMITTEE

In accordance with the requirements of the CG Code and the Listing Rules, the Company has established an audit committee (the “**Audit Committee**”) comprising three independent non-executive Directors, namely, Ms. Wen Yanhong (Chairman), Mr. Peng Liaoyuan and Mr. Guo Zhaohui. The Audit Committee and the management of the Company have considered and reviewed the accounting principles and practices adopted by the Group and have discussed matters relating to risk management, internal control and financial reporting, including the review of the unaudited consolidated financial statements of the Group for the six months ended 30 June 2022. The financial information, including the comparative figures, have been reviewed by the Audit Committee.

REVIEW OF UNAUDITED INTERIM RESULTS

The unaudited interim results of the Group for the six months ended 30 June 2022 have been reviewed by the Company’s independent auditor, Prism, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement has been published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<http://www.evergrandeservice.com>). The interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and will be made available for review on the same websites in due course.

CONTINUED SUSPENSION OF SECURITIES TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 21 March 2022. Trading in the shares of the Company will remain suspended until further notice.

Shareholders of the Company and potential investors are advised to exercise caution and consider seeking professional advice when dealing in the securities of the Company.

By order of the Board
Evergrande Property Services Group Limited
Duan Shengli
Chairman

Hong Kong, 5 June 2023

As at the date of this announcement, the Board comprises Mr. Duan Shengli, Mr. Hu Liang, Mr. Lu Peimei, Mr. Wang Zhen and Ms. Yu Fen as executive directors, and Mr. Peng Liaoyuan, Ms. Wen Yanhong and Mr. Guo Zhaohui as independent non-executive directors.