恒大物業
EVERGRANDE PROPERTY SERVICES

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 2023

Financial Summary

For the six months ended 30 June 2023:

- The Group had operating revenue of approximately RMB6,145.1 million, representing a period-on-period increase of approximately 6.2%.
- The Group had gross profit of approximately RMB1,499.2 million and gross profit margin of approximately 24.4%, representing a period-on-period increase of approximately 2.2 percentage points.
- The Group had net profit of approximately RMB790.3 million and net profit margin of approximately 12.9%, representing a period-on-period increase of approximately 3.0 percentage points.
- Profit attributable to owners of the Company was approximately RMB781.3 million and basic earnings per share was approximately RMB0.07.

As at 30 June 2023, the Group had a total contracted area of approximately 812 million sq.m., with approximately 509 million sq.m. under management; the Group's newly expanded contracted area during the Period was approximately 15.14 million sq.m., of which the contracted area from third parties accounted for approximately 93.3%.

The Board does not recommend the payment of any interim dividend for the six months ending 30 June 2023.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**6,145,117**	5,788,059
Cost of sales		**(4,645,953)**	(4,504,398)
Gross profit		**1,499,164**	1,283,661
Other income	*6*	**79,228**	74,372
Other (losses)/gains		**(64,087)**	1,170
Impairment losses on financial assets		**(78,622)**	(54,202)
Fair value (losses)/gains on investment properties		**(2,304)**	347
Administrative expenses		**(390,270)**	(415,143)
Operating profit		**1,043,109**	890,205
Share of net profit of investments accounted for using equity method		**6,901**	680
Finance costs		**(25,618)**	(17,674)
Profit before income tax		**1,024,392**	873,211
Income tax expenses	*8*	**(234,059)**	(302,343)
Profit for the period		**790,333**	570,868
Profit attributable to:			
– Owners of the Company		**781,309**	546,136
– Non-controlling interests		**9,024**	24,732
		790,333	570,868

		Six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Other comprehensive income			
Item that may be reclassified to profit or loss			
Exchange difference arising on translation of financial statements of foreign operations		**1,635**	801
Total comprehensive income for the period		**791,968**	571,669
Total comprehensive income attributable to:			
– Owners of the Company		**782,944**	546,937
– Non-controlling interests		**9,024**	24,732
		791,968	571,669
Earning per share for profit attributable to owners of the company			
– Basic and diluted	*10*	**RMB 0.07**	RMB 0.05

Condensed Consolidated Statement of Financial Position

	Notes	**As at 30 June 2023**	As at 31 December 2022
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Assets			
Non-current assets			
Property, plant and equipment		**56,683**	57,680
Right-of-use assets		**49,957**	69,255
Intangible assets		**1,826,091**	1,986,971
Investment properties		**5,349**	40,253
Investments accounted for using equity method		**38,509**	32,532
Deferred income tax assets		**127,330**	65,836
		2,103,919	2,252,527
Current assets			
Trade and other receivables	*11*	**3,788,262**	3,199,307
Prepayments		**45,033**	36,734
Financial assets at fair value through profit or loss		**3,180**	3,180
Restricted cash		**62,508**	88,044
Cash and cash equivalents		**1,610,003**	1,567,979
		5,508,986	4,895,244
Total assets		**7,612,905**	7,147,771

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Equity			
Share capital	*12*	**7,060**	7,060
Reserves		**(6,304,790)**	(6,305,377)
Retain Earnings		**5,071,382**	4,290,073
Equity attributable to owners of the Company		**(1,226,348)**	(2,008,244)
Non-controlling interests		**477,358**	495,479
Total deficiency in equity		**(748,990)**	(1,512,765)
Liabilities			
Non-current liabilities			
Borrowings		**–**	66,667
Lease liabilities		**98,967**	124,784
Contingent consideration payables		**51,208**	51,208
Deferred income tax liabilities		**176,802**	201,276
		326,977	443,935
Current liabilities			
Borrowings		**183,033**	183,033
Lease liabilities		**145,226**	142,201
Trade and other payables	*13*	**4,709,793**	4,925,270
Contract liabilities		**2,496,825**	2,688,029
Current income tax liabilities		**500,041**	278,068
		8,034,918	8,216,601
Total liabilities		**8,361,895**	8,660,536
Total equity and liabilities		**7,612,905**	7,147,771

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 interim condensed consolidated financial statements are presented in Renminbi ("**RMB**") and rounded to nearest RMB'000, unless otherwise stated. These interim condensed consolidated financial statements are unaudited.

2. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do 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 2022, which have been prepared in accordance with Financial Reporting Standards ("**HKFRS**").

Going concern assumption

As at 30 June 2023, net current liabilities and net liabilities of the Group amounted to RMB2,525,932,000 and RMB748,990,000 respectively (as at 31 December 2022: approximately RMB3,321,357,000 and RMB1,512,765,000 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 Company have reviewed the Group's cash flow projections, which cover a period up to 30 June 2024. Taking into account the following actions during the six months ended 30 June 2023 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 has reached agreements with certain creditors (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 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 interim condensed consolidated financial statements for the six months ended 30 June 2023 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 2023.

3. Accounting policies

The interim 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 the methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the Group's audited consolidated financial statements for the year ended 31 December 2022. The adoption of the new and amendments to HKFRSs that are relevant to the Group and effective from the current period had no significant effects 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 2023, 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 2023, 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 2023. As at 30 June 2023, 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 categories for the six months ended 30 June 2023 and 2022 is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Property management services	**5,024,605**	4,676,572
Value-added services to non-property owners	**41,854**	32,838
Community value-added services	**1,078,658**	1,078,649
	6,145,117	5,788,059
Time of revenue recognition		
– Over time	**5,778,175**	5,520,830
– At a point in time	**366,942**	267,229
	6,145,117	5,788,059

6. Other income

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Government grants (Note a)	**37,982**	62,293
Income from compensation of non-fulfilment of performance guarantee (Note b)	**29,216**	–
Interest income	**7,701**	4,384
Income from overdue fine	**1,649**	1,763
Others	**2,680**	5,932
	79,228	74,372

Notes:

(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.

(b) As some of the acquired target companies failed to complete the performance guarantee, the consideration payment of RMB29,216,000 should be deducted in accordance with the terms of the Equity Transfer Agreement and recognised as other income in current period.

7. Expenses by nature

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee benefit expenses	**2,785,702**	2,749,021
Greening and cleaning expenses	**819,458**	791,204
Maintenance costs	**336,959**	331,281
Utilities	**326,851**	332,843
Services fee	**96,776**	122,852
Short-term and low value lease expenses	**67,113**	83,582
Depreciation and amortisation charges	**144,204**	206,279
Cost of security	**34,520**	37,226
Tax and other levies	**34,796**	28,469
Office expenses	**57,651**	61,095
Travelling and entertainment expenses	**26,166**	19,010
Cost of goods sold	**192,382**	73,069
Community activities expenses	**43,659**	21,519
Uniform costs	**7,638**	5,678
Bank charges	**11,475**	10,737
Professional fees	**22,116**	12,008
Others	**28,757**	33,668
	5,036,223	4,919,541

8. Income tax expenses

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax	**320,027**	312,209
Deferred income tax	**(85,968)**	(9,866)
	234,059	302,343

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 BVI 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 2023 and 30 June 2022. 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 2023 and 30 June 2022. 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 2023 (30 June 2022: 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 2023 and 2022.

The Company did not have any potential ordinary shares outstanding during the six months ended 30 June 2023 and 2022. Diluted earning per share is equal to basic earning per share.

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	**781,309**	546,136
Weighted average number of ordinary shares in issue (in thousands)	**10,810,811**	10,810,811
Basic and diluted earning per share	**RMB 0.07**	RMB0.05

11. Trade receivables

	As at 30 June 2023	As at 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables		
– Related parties	**2,356,242**	2,464,090
– Third parties	**3,734,282**	3,084,954
Gross trade receivables	**6,090,524**	5,549,044
Less: allowance for impairment of trade receivables		
– Related parties	**(2,344,772)**	(2,455,691)
– Third parties	**(501,586)**	(354,333)
	3,244,166	2,739,020

(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 2023 and 31 December 2022, the aging analysis of the trade receivables based on date of revenue recognition were as follows:

	As at 30 June 2023 *RMB'000* (Unaudited)	As at 31 December 2022 *RMB'000* (Audited)
0 to 180 days	**2,114,989**	3,002,519
181 to 365 days	**1,378,991**	729,450
1 to 2 years	**1,470,484**	1,343,503
2 to 3 years	**933,210**	375,846
Over 3 years	**192,850**	97,726
	6,090,524	5,549,044

(c) As at 30 June 2023 and 31 December 2022, trade receivables were denominated in RMB and the fair value of trade receivables approximate their carrying amounts.

12. Share capital

	30 June 2023 Number of shares (Unaudited)	31 December 2022 Number of shares (Audited)	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Issued and fully paid	**10,810,811,000**	10,810,811,000	**7,060**	7,060

13. Trade payables

	As at 30 June 2023 *RMB'000* **(Unaudited)**	As at 31 December 2022 *RMB'000* (Audited)
Trade payables (Note a)		
– Related parties	**320,820**	267,345
– Third parties	**1,526,732**	1,646,059
	1,847,552	1,913,404

Notes:

(a) The following is an ageing analysis of trade payables presented based on invoice date at the end of reporting period:

	As at 30 June 2023 *RMB'000* **(Unaudited)**	As at 31 December 2022 *RMB'000* (Audited)
Up to 1 year	**1,556,211**	1,661,300
1 to 2 years	**174,035**	209,330
2 to 3 years	**99,562**	35,599
More than 3 years	**17,744**	7,175
	1,847,552	1,913,404

(b) As at 30 June 2023 and 31 December 2022, trade payables were denominated in RMB and their fair values approximate their carrying amounts.

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 ("**Evergrande Property Services**" or the "**Company**", together with its subsidiaries, the "**Group**") for the six months ended 30 June 2023 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 HKICPA. A review of interim condensed consolidated financial statements consists of making inquiries, 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 UNCERTAINTY RELATED 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 RMB2,525,932,000 and RMB748,990,000 respectively as at that date (as at 31 December 2022: approximately RMB3,321,357,000 and RMB1,512,765,000 respectively). 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 are not prepared, in all material respects, in accordance with HKAS 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 2023 (the "**Period**").

In 2023, the Group is at a new development stage. Facing capital retreat in the property management industry, the slowdown in IPO market and the deceleration of the "business competition and enclosure system (跑馬圈地)", we have seriously reconsidered the nature of the property management industry, and we will no longer blindly pursue the rapid expansion of scale, bid farewell to the extensive growth strategy, and instead pursue a more sustainable development with emphasis on high standard, high quality and good effectiveness. The Group will continue to persistently hold the original aspiration on servicing, stay focused on the delivered service quality, and uphold "consolidating fundamentals, improving efficiency, stabilizing growth and seeking breakthroughs" as guidance, the Group will continue to create the ultimate service experience, push forward lean operations, and continue to innovate its service initiatives, so as to make a comprehensive shift from "fast" scale growth to "good" business development and to consolidate the foundation of its development; and the Group will enhance the market-oriented expansion capability for embarking on a new journey of high quality and independent development progressively.

With the concerted efforts of all staff, the Group's performance in the first half of the year was robust. As at 30 June 2023, the Group had a total contracted area of approximately 812 million sq.m., with approximately 509 million sq.m. under management; the Group's newly expanded contracted area during the Period was approximately 15.14 million sq.m., of which the contracted area from third parties accounted for approximately 93.3%. For the six months ended 30 June 2023, the Group achieved operating revenue of approximately RMB6,145.1 million, representing a period-on-period increase of approximately 6.2%. Among them, revenue from basic property management services and community value-added services amounted to approximately RMB6,103.3 million in total, accounting for approximately 99.3% of the Group's total revenue. The Group is committed to catering the diversified and multi-servicing level living needs of its customers, effectively enhancing the value of its services and contributing to a steady increase in the Group's performance. Profit showed a resilient growth. For the six months ended 30 June 2023, the Group's profit improved significantly as compared with the corresponding period in 2022, of which, gross profit was approximately RMB1,499.2 million, gross profit margin was approximately 24.4%, representing a period-on-period increase of approximately 2.2 percentage points; net profit was approximately RMB790.3 million, net profit margin was approximately 12.9%, representing a period-on-period increase of approximately 3.0 percentage points. Profit attributable to owners of the Company was approximately RMB781.3 million and basic earnings per share was approximately RMB0.07.

In retrospect, the Group suffered significant losses due to the liquidity crisis of related parties and the “RMB13.4 billion deposit pledge” incident. The Group has responded positively and took certain measures to ensure the continued steady operation of the Company. After unremitting efforts, the Company has successfully resumed trading in its shares on 3 August 2023. We firmly believe that short-term headwinds will not hinder the long-term growth trend of the Company, and the Group will be maintaining its strategic focus, developing innovative ideas, seeking progress amidst stability, and solidifying stability amidst progress. These can transform Evergrande Property Services towards a new mode focusing on high quality and independent development.

The Group will focus on strengthening its foundation in terms of quality, striving for excellence in polishing its standardized service system and consolidating its basic services in a comprehensive manner. The Group will continue to focus on customers, take the fineness of service and standardisation as a key, gain deep insight into customer needs, analyze the various elements of customer expectations, constantly refine the granularity of services, and continue to push forward the refinement of service standards and daily refinement of services by setting standards, grasping the quality and setting up benchmarks, so as to comprehensively consolidate the essence of property services. At the same time, we capture the high-frequency service touchpoints of the property owners, carefully design service contents, carry out personalized customized services, and improve service targeting. Through the development of service scene integration and innovation, driving the operation system to keep in pace with the times, creating project management features and service brands, the Group is able to meet the diversified and quality needs of different groups.

The Group will endeavor to innovate and create efficiencies, deepen value-added services with intensive cultivation and promote service upgrading in a diversified manner. Under the current policy of “promoting consumption and expanding domestic demand”, the Group has been continuing to cultivate the “property services + life services” model, taking serving property owners as the fundamental starting point, exploring residents’ needs for diversified community value-added services, and focusing on the growth cycle of the community and the various scenarios deriving from the life of the community. The Group has been continuously exploring value-added services that are in-depth compatible with the needs of the property owners, to enhance the penetration rate, the conversion rate and the re-purchase rate of the customers in the community and its vicinity through various measures, in order to enhance the loyalty of the customers; Meanwhile, through multi-dimensional cooperation in securing quality supply chain resources in the market, the Group has continued to consolidate its advantageous businesses, optimizing its profit model, improving and strengthening its value-added businesses, and facilitating the rapid development of its property services in the direction of full chain, full range and full cycle.

The Group will focus on market-oriented development and steadily increase the third-party management area to achieve scale expansion with high quality. The Group will continue to focus on the diversified brand development strategy of " Jinbi+ (金碧+)", and with its professional service level, full chain service system and fully entrusted operation mode, it will carry out in-depth city cultivation based on its nationwide layout, focusing on both the stock and incremental markets, and exploring high-value targets, and at the same time, leveraging on the experience and technology of the merged and acquired companies, it will lay out a wide range of non-residential businesses to optimize the structure of diversified businesses, make up for the shortcomings in regional competition, enhance the density of project management, optimize the strategic layout in multiple dimensions, so as to continuously enhance its influence in the industry and competitiveness in the market, grow in scale with high quality, and continue to maintain its leading position in the industry.

The Group will endeavor to build up its team and create a "frontline" culture to facilitate the growth of corporate resilience. The Group has always regarded the construction of the talent team as a top priority for corporate development, actively absorbed and cultivated professional talents, introduced high-quality talents through multiple channels, and continue to deepen its management capabilities in industry subdivision and specialized fields through systematic, scientific and practical empowerment and training, so as to build an elite team that is "daring to commit, pioneering, business-savvy, and highly professional (敢於承擔、開拓進取、懂業務、強專業)", which will provide the driving force for the development of the enterprise. At the same time, we insist on "asking for advice from the grassroots (問計於基層)" and attach importance to sorting out problems, replicating and sharing experiences. We firmly believe that "sitting in the office is all about problems, but going deep into the grassroots is all about solutions (坐在辦公室碰到的都是問題,深入基層看到的全是辦法)". We require management staff at all levels to continue to go to the front line of the project to find deficiencies, collate highlights, listen to the real voice of the front line and rationalized suggestions, strengthen the service consciousness of management staff at all levels to the front line, enhance the management level of the Group, ensure the continuous output of high-quality services to the property owners, and help the Company to achieve sustainable and steady operation.

The Group will steadfastly pursue the path of "quality development", prudently operate on the work mindset of "seeking progress amidst stability", with strategic determination and innovative thinking, consolidate service quality, enhance operational capabilities, refine internal management, ensure steady operation and promote the Group to achieve higher quality and more sustainable development with working on key issues and concentrated efforts.

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, 24 August 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Quality service to strengthen the foundation

The Group has always adhered to the service philosophy of "to customers, to the frontline", and has continued to refine its property services and enhance customer experience. During the Period, the Group implemented measures for projects with different attributes and at different stages, deepened the design of service products based on customers' needs and key service touchpoints, and effectively enhanced the quality of customer services through the implementation of the "daily actions must be carried out by frontline positions (一線崗位每日必行)" and the "golden butler passing on the helping hands (金管家傳幫帶)" talent cultivation models, so as to continuously polish the high quality of its service force. Meanwhile, the Group launched thematic activities such as "safety production month", "100 days actions of environmental enhancement", "Friends and Neighbours Festival in Warm Winter (暖冬友鄰節)" and "Joyful Friends and Neighbours Festival (悅動友鄰節)" to mobilize the participation of all elements of the community, forming a community action of communion and sharing, and enhancing the property owners' sense of experience and gain.

In-depth development of value-added services

The Group continues to deepen its services through value-added services while consolidating its service fundamentals. By combining in-depth exploration of property scenarios, refining customers' consumption needs, expanding the types of services in a targeted manner, and deeply coupling service products with customers' needs, the Group develops value-added businesses with characteristics such as high frequency, high adhesion and high repurchase rate.

Strengthen the advantageous business. Focusing on the core demand of property owners of "products to home + services to home" and taking word-of-mouth as the starting point, the Group focused on key capabilities such as customer research capability, product development, supply chain integration and implementation, to create a four-good model of "good products + good services + good teams + good platforms", and strengthened high-frequency and just-demanding businesses such as community group purchase and services to home. During the Period, the Group made efforts in the community group purchase business, further strengthened supply chain integration, optimized product selection and distribution capabilities, built a three-dimensional marketing network, utilized diversified sales scenarios such as offline promotion, online shopping malls, live streaming of goods, community group, shop sales, etc., to effectively enhance service penetration and repurchase rate of property owners, with revenue of the Period increasing by approximately 230.8% as compared with the corresponding period in 2022; the Group continued to build the "Jinbi to Home (金碧到家)" living services brand, and promoted the quality and expansion of services to home through the introduction of professional talents and the strengthening of resource integration capabilities, with revenue for the Period increasing by approximately 96.9% as compared with the corresponding period in 2022.

Optimization of business model. The Group optimized the asset operation, home decoration and home furnishing and other businesses, by strengthening the internal resource inventory, deepening the construction of supplier channels and continuing to optimize the business processes and standards of space and asset operation. During the Period, the Group actively laid out the housing rental and sales business, driven by the dual-wheel drive of self-operated mode and cooperative operation mode, and established "Property Rental and Sales Centres" in key cities, achieving faster growth through professional and standardized operation, with revenue for the Period increasing by approximately 66.7% as compared with the corresponding period in 2022.

Exploring potential businesses. The Group explored the core needs of the residents under the "silver-haired economy" and "tourism economy", and with the goal of "do one, get one (做一個成一個)", and formed a specialized business " Flying Tigers Team" to join hands with high-quality partners in various industries to do a good job in emerging businesses such as community recreation and community tourism. During the Period, the Group actively cooperated with head service providers of community tourism and community recreation to launch a number of speciality products, which were well received by users, further enriching the categories of community living services and building a convenient service circle with perfect functions and quality services.

Optimizing the development of the business structure

The Group has always regarded market-oriented expansion as the main growth method to enhance the scale and efficiency of management. In the first half of the year, the Group focused on the diversified brand development strategy of Jinbi+", took into account multiple factors of the underlying projects, and while consolidating the basic base of residential scale, increased the expansion of quality inventory projects and non-residential businesses, and made new breakthroughs in intra-group synergies and cooperation with state-owned companies, thus realizing an orderly shift from "scaling up" to "efficiency and scaling up". As at 30 June 2023, the Group's newly expanded contracted area was approximately 15.14 million sq.m., of which contracted area from third parties accounted for approximately 93.3%.

The Group continued to lay out its non-residential business, linking its three independent brand companies (Yatai, Futian and JBL) to promote the layout of the entire region and the entire business by strengthening the linkage of resources from various parties, enhancing the synergy of the radiation of resources of the projects under its management, deepening the construction of the quality of service of the business, and creating a clear and replicable product system. During the Period, the Group expanded a total of 167 external projects with an annual saturation revenue exceeding RMB400 million, and successfully expanded a large number of landmark projects involving a wide range of businesses such as public buildings, railways, hospitals and industrial parks.

Talent empowered enterprise development

The Group attaches great importance to the training of talents, and has implemented the "Golden General Plan (金將計劃)", which focuses on the operational standards and professional skills of frontline services, strengthened the construction of the faculty and improved the curriculum system. Meanwhile, the Group has changed the original mode of single assessment by business and implemented comprehensive assessment and incentives of operating budgets with the smallest unit of projects to improve the motivation of the team and help frontline management to promptly change their thinking, concepts and roles from "managers" to "operators", so as to realize the bidirectional enhancement of the Group's management services and operation level.

FUTURE DEVELOPMENT AND PLANNING

Preserve the upright and innovate, adherence to quality service, focus on satisfaction enhancement

With customer satisfaction as the core goal, the Group will continue to optimize its service standards and enhance its professionalism towards customers by focusing on frontline high-frequency service scenarios. At the same time, the Group will actively implement benchmarking and upgrading actions to improve service effectiveness through organizational adjustments, resource tilting, process re-engineering and professional empowerment, so as to effectively guarantee high-quality services. The Group will fully take into account the diversified and differentiated needs of its customers and carry out a series of customer relationship enhancement activities for different customer groups to highlight its differentiated service advantages. Meanwhile, the Group will strengthen cross-border cooperation with local public welfare and charitable organizations, continue to polish its product and service strengths in various fields, polish its "Jinbi+" service brand, and perform the "quality, category and brand" combination punch to help upgrade and refresh its brand.

Demand-orientated, focusing on capability breakthroughs to create a better "Jinbi Home"

The Group will focus on the "property services + living services" model, continue to strengthen the resource synergy between basic property services and community value-added services, and build the "Jinbi Home" good living services system around the diversified and multi-level living needs of customers, in order to deepen the competitiveness of value-added products. In the second half of the year, the Group will focus on breakthroughs in professional capabilities, systematically improve the quality of services, continue to optimize the operation modes of housing rental and sale, housekeeping services, home decoration and home furnishings, plough into the businesses of community group purchase and services to home, innovate a new mode of "community operation" services, build a three-dimensional service network of "mall + community + shop", fully integrate the high-quality resources of online and offline channels, and meticulously build an integrated "online + offline" convenient consumption environment to continuously improve service penetration, repurchase rate and conversion rate to unleash the potential of profitability.

The Group will take serving the property owners as the fundamental starting point, focus on the community venue resources, realize the fine coordination of the national resources through information technology, promote the inventory and data analysis of the national resources, broaden the investment promotion channels, enhance the operating income of the community, and continue to use it to improve the community support facilities and co-create with the property owners to build a comfortable community with well equipped facilities, standardized order, beautiful ambience and cultural enrichment, so as to jointly enhance the convenience of living and the satisfaction of the property owners' life.

Adjustment of strategy to carry out value-added services to non-property owners based on the market-oriented principle

The Group will adjust its development strategy for value-added services to non-property owners, carry out related party services in accordance with market-oriented principles, and seek to provide value empower to a wide range of property developers with better service quality, and through this, gain more opportunities to broaden its property management projects.

Go steady and make progress, and increase market expansion efforts to promote steady growth in scale and efficiency

The Group will continue to focus on the diversified brand development strategy of "Jinbi+", vigorously open up new information channels, improve the expand data analysis model, and review the project expansion and operation mode in multiple dimensions to strengthen the ability of project outreach and service premium. The Group will uphold the concept of quality and precision cultivation, ploughing into key regions and industries, screening and acquiring high-quality targets that are in line with the development direction of the Group and have close synergy value, so as to achieve efficient and precise project expansion, comprehensively enhance the Company's market-oriented growth momentum, and lead the long-term development of the enterprise.

Improve talent training, to achieve the same frequency resonance between the enterprise and employee growth

The Group focuses on building a talent highland for property enterprises, adheres to the principle of "appoint people according to their merits (任人唯賢)", conduct regular talent inventory and organizational structure combing, deepen the multi-dimensional talent evaluation system oriented to capability, contribution and innovation value, establish an appropriately forward-looking hiring mechanism and a fault-tolerance mechanism, and fully stimulate the innovation and vitality of various types of talents. By creating a three-dimensional training map of hierarchical classification, we give our employees sufficient space for growth and professional ability training in various businesses, so as to continuously cultivate high-level, leading and professional composite talents for the enterprise, and to provide sustainable power for the sustainable development of the enterprise.

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 2023, the Group's total revenue was approximately RMB6,145.1 million, representing a period-on-period increase of approximately 6.2%.

The table below sets out a breakdown of revenue by business segment of the Group for the periods indicated:

	For the six months ended 30 June 2023		For the six months ended 30 June 2022		
	Revenue	**Percentage of total revenue**	Revenue	Percentage of total revenue	Growth rate
	(RMB'000)	***(%)***	*(RMB'000)*	*(%)*	*(%)*
Property management services	**5,024,605**	**81.8**	4,676,572	80.8	7.4
Community value-added services	**1,078,658**	**17.5**	1,078,649	18.6	0.0
Value-added services to non-property owners	**41,854**	**0.7**	32,838	0.6	27.5
Total	**6,145,117**	**100.0**	5,788,059	100.0	6.2

(i) Property management services

During the Period, revenue from property management services amounted to approximately RMB5,024.6 million, representing a period-on-period increase of approximately 7.4%, which was mainly attributable to the increase in the area under management of the Group.

As of 30 June 2023, the Group had a total area under management of approximately 509 million sq.m., representing an increase of approximately 30 million sq.m. as compared with the total area under management of approximately 479 million sq.m. as at 30 June 2022.

During the Period, due to the liquidity crisis of related parties, the Group excluded the portion of revenue from property management services provided to related parties of approximately RMB214.0 million from its property management services revenue during the Period. In the event that this portion of revenue was not excluded, the property management services revenue was approximately RMB5,238.6 million.

(ii) Community value-added services

During the Period, community value-added services revenue amounted to approximately RMB1,078.7 million, which remained about the same as the corresponding period in 2022, but the overall structure was healthier and the quality of services provided was higher: (i) the Group focused on the development of community group purchasing and housekeeping services, which are closer to the life of the property owners, and the revenue from the community living services for the six months ended 30 June 2023 was higher than that for the corresponding period in 2022 by approximately 98.5%, and such business has become a new growth engine for the Group's performance; (ii) revenue from traditional community resources such as venue leasing and car parking space leasing decreased as compared with the corresponding period in 2022.

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

During the Period, revenue from value-added services to non-property owners amounted to approximately RMB41.9 million.

The table below sets out a breakdown of revenue by source of the Group's revenue for the periods indicated:

	For the six months ended 30 June 2023		For the six months ended 30 June 2022		
	Revenue	**Percentage of total revenue**	Revenue	Percentage of total revenue	Growth rate
Sources of revenue	***(RMB'000)***	***(%)***	*(RMB'000)*	*(%)*	*(%)*
Related parties	**65,347**	**1.1**	66,526	1.1	-1.8
Third party	**6,079,770**	**98.9**	5,721,533	98.9	6.3
Total	**6,145,117**	**100.0**	5,788,059	100.0	6.2

Note: Related parties refer to subsidiaries, joint ventures and associates of China Evergrande Group

During the Period, the Group's revenue from related parties amounted to approximately RMB65.3 million, which only accounted for approximately 1.1% of the total revenue, and the Group has basically detached from its reliance on the business of related parties. The Group is committed to continuously providing diversified services to its property owners, strengthening market-oriented development and enhancing the competitiveness of the Company.

Costs

The Group's costs include staff costs, greening and cleaning costs, facilities and equipment repair and maintenance costs, energy costs, taxes and other levies.

During the Period, due to the continuous expansion of the Group's fee-charging management area and the diversification of the Group's business, the corresponding increase in various types of costs, the Group's costs increased by approximately 3.1% to approximately RMB4,646.0 million during the Period from approximately RMB4,504.4 million for the corresponding period in 2022.

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 2023		For the six months ended 30 June 2022	
	Gross profit *(RMB'000)*	**Gross profit margin** *(%)*	Gross profit *(RMB'000)*	Gross profit margin *(%)*
Property management services	**1,060,150**	**21.1**	880,037	18.8
Community value-added services	**435,119**	**40.3**	400,644	37.1
Value-added services to non-property owners	**3,895**	**9.3**	2,980	9.1
Total	**1,499,164**	**24.4**	1,283,661	22.2

During the Period, the Group's overall gross profit was approximately RMB1,499.2 million, gross profit margin was approximately 24.4%, representing a period-on-period increase of approximately 2.2 percentage points.

1. In respect of property management services, the gross profit margin of the Group's property management services increased by approximately 2.3 percentage points from approximately 18.8% for the corresponding period in 2022 to approximately 21.1% for the Period. The increase in gross profit margin was mainly attributable to the Group's focus on quality scale expansion and proactive exit from projects with poor operating efficiency, as well as the increase in the cost control and enhancement of operational efficiency.

2. In respect of community value-added services, the gross profit margin of the Group's community value-added services increased by approximately 3.2 percentage points from approximately 37.1% for the corresponding period in 2022 to approximately 40.3% for the Period. The increase in gross profit margin was mainly attributable to (i) the Group's continuous optimization of its profitability model, combined with information technology to effectively reduce operating costs; and (ii) the effective reduction of marketing and promotional costs as the reputation of the business and the professionalism of the team improved.

3. In respect of value-added services to non-property owners, the gross profit margin of the Group's value-added services to non-property owners was 9.3 per cent, basically unchanged from the corresponding period in 2022.

Administrative expenses

In order to further enhance the management effectiveness, the Group has filled some of its management personnel to the frontline to build up a more convenient and efficient management mode; meanwhile, the Group has deepened the application of technology and tightened the control of administrative and office expenses. During the Period, the administrative expenses of the Group decreased by approximately 6.0% from approximately RMB415.1 million for the corresponding period in 2022 to approximately RMB390.3 million for the Period.

Other income

During the Period, other income was approximately RMB79.2 million, representing an increase of approximately 6.5% as compared with approximately RMB74.4 million for the corresponding period in 2022. This was mainly due to (i) the consideration payment for the non-fulfilment of performance guarantee by some of the acquired subsidiaries, which should have been deducted in accordance with the terms of the Equity Transfer Agreement and was recognised as other income in current period; (ii) the increase in interest income due to the higher average balance of the Group's bank deposits as compared with the corresponding period in 2022; and (iii) the decrease in government subsidies in respect of the COVID-19 pandemic, value-added tax and other tax concession policy as compared with the corresponding period in 2022.

Income tax expenses

During the Period, the Group's income tax expense was approximately RMB234.1 million, representing a decrease of approximately RMB68.2 million as compared with approximately RMB302.3 million for the corresponding period in 2022, which was mainly due to the increase in deductible deferred tax for the Period as compared with the corresponding period in 2022.

Profit for the Period

During the Period, the Group recorded a net profit of approximately RMB790.3 million and a net profit margin of 12.9%, representing an increase of approximately 3.0 percentage points as compared with the corresponding period in 2022, which was mainly attributable to the fact that the Group adhered to the principle of market-oriented development, continued to operate in a prudent manner, reduced costs and increased efficiency, and achieved good results.

During the Period, profit attributable to owners of the Company was approximately RMB781.3 million, representing an increase of approximately 43.1% as compared with approximately RMB546.1 million for the corresponding period in 2022.

Property, plant and equipment

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

As at 30 June 2023, the net book value of the Group's property, plant and equipment was approximately RMB56.7 million, representing a decrease of approximately 1.7% as compared with approximately RMB57.7 million as at 31 December 2022, which was mainly attributable to the depreciation expenses of the assets provided in accordance with the accounting policy during the Period.

Right-of-use assets

The Group's right-of-use assets mainly comprise assets such as offices, staff quarters and operating shops leased by the Group. As at 30 June 2023, the Group's right-of-use assets amounted to approximately RMB50.0 million, representing a decrease of approximately RMB19.3 million as compared with approximately RMB69.3 million as at 31 December 2022, which was mainly attributable to the decrease in the remaining lease term of the operating lease assets.

Intangible assets

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

As at 30 June 2023, the Group's intangible assets amounted to approximately RMB1,826.1 million, representing a decrease of approximately RMB160.9 million as compared with approximately RMB1,987.0 million as at 31 December 2022, which was mainly attributable to the impairment and amortization of approximately RMB160.0 million arising from goodwill, the customer relationship and property management contracts recognized by the acquired companies during the Period.

Trade and other receivables

As at 30 June 2023, the Group's trade receivables amounted to approximately RMB3,244.2 million, representing an increase of approximately RMB505.2 million as compared with approximately RMB2,739.0 million as at 31 December 2022, which was mainly attributable to the growth in the Group's total revenue and the increase in trade receivables arising from the new expansion of business during the Period.

Other receivables other than trade receivables increased by approximately RMB83.8 million from approximately RMB460.3 million as at 31 December 2022 to approximately RMB544.1 million as at 30 June 2023, which was mainly attributable to the increase in the balances of deposits and advances on behalf of property owners as a result of the Group's business expansion.

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 2023, the Group's trade payables amounted to approximately RMB1,847.6 million, representing a decrease of approximately RMB65.8 million (approximately 3.4%) as compared with approximately RMB1,913.4 million as at 31 December 2022, which was mainly attributable to the Group's increased efforts in clearing its stock of liabilities.

Other payables decreased by approximately RMB149.7 million (approximately 5.0%) from approximately RMB3,011.9 million as at 31 December 2022 to approximately RMB2,862.2 million as at 30 June 2023, which was mainly due to the payment of consideration payable by the Group in respect of the acquisition transactions in prior years.

Contract liabilities

As at 30 June 2023, the Group's contract liabilities were approximately RMB2,496.8 million, representing a decrease of approximately RMB191.2 million as compared with approximately RMB2,688.0 million as at 31 December 2022, which was mainly attributable to the decrease in the prepayment of property service fees from customers due to the decrease in the newly delivered area during the Period.

Liquidity and financial resources

As at 30 June 2023, the Group's total bank deposits and cash (including the Group's cash and cash equivalents and restricted cash) amounted to approximately RMB1,672.5 million, representing an increase of approximately RMB16.5 million as compared with approximately RMB1,656.0 million as at 31 December 2022, which was mainly due to the increase in the net cash inflow generated from operating activities of the Group during the Period.

Of the Group's total bank deposits and cash, restricted bank deposits of approximately RMB62.5 million mainly represented the industry regulatory funds of Evergrande Insurance Agency Co., Ltd. deposits for the provision of property management services as required by local government authorities, cash restricted to projects managed on a remuneration basis only and funds for litigation preservation of some subsidiaries.

As at 30 June 2023, the Group had net current liabilities of approximately RMB2,525.9 million (31 December 2022: net current liabilities of approximately RMB3,321.4 million). The Group's current ratio (current assets/current liabilities) was approximately 0.69 times.

As at 30 June 2023, the Group had short-term borrowings of approximately RMB183.0 million and no long-term borrowings.

The Group recorded a deficiency in equity as at 30 June 2023 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 scale and operation level 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. The Group may face termination of some prior period property management service contracts due to the related parties and the progress of disposal of their assets, and may not be able to convert the contracted area in a timely and effective manner, and the delayed delivery by the related parties may also affect the improvement of the Group's collection rate; all of these will have a material adverse impact on the business, financial condition and results of operations.

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

The Group has incurred significant losses as a result of the "RMB13.4 billion deposit pledge" incident (the "**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 streamlining the Group's operating costs, negotiating with suppliers and acquired companies on the extension of payment agreements, 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. In addition to the above, the Group will continue to actively and diligently take various measures to recover the losses from China Evergrande Group and related parties, including discussing with China Evergrande Group on the repayment of the amount involved in the pledge, argumentative proceeding and other legal measures, however, subject to the liquidity crisis of the related party, the Group's recovery of such Losses is subject to material uncertainties, and the Company will keep the market informed of any progress in a timely manner by way of further announcement(s).

PLEDGE OF ASSETS

As at 30 June 2023, 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 2023, 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.

HUMAN RESOURCES

As at 30 June 2023, the Group had approximately 82,836 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 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 452,000 hours of training and an average of 5.5 hours of training per person.

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

During the six months ended 30 June 2023, the Group did not have any significant investment, material acquisition or disposal of subsidiaries, associates or joint ventures.

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 2023.

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 had been granted since the adoption of the share option scheme up to 30 June 2023.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed below, there have been no other material events after the reporting period from the end of the reporting period to the date of this announcement.

Review of internal control system

Reference is made to the announcement of the Company dated 1 September 2022 in relation to the additional resumption guideline issued by the Stock Exchange to the Company, and the announcements of the Company dated 20 December 2022, 15 February 2023, 22 March 2023 and 20 June 2023 (the "**Relevant Announcements**") in relation to, among other things, the appointment of an internal control consultant by the Company to conduct an independent review of the Company's internal control and risk management systems. Unless the context otherwise requires, terms used hereinafter shall have the same meanings as those used in the Relevant Announcements.

The Internal Control Consultant, Grant Thornton Advisory Services Limited, has completed the relevant internal control system and processes review and issued the Internal Control Review Report on 24 July 2023.

On 30 July 2023, the Company issued an announcement on the key findings of the Internal Control Review. Based on the key findings of the Internal Control Review, the Internal Control Consultant has identified the Group's internal control deficiencies in the areas of internal control at enterprise-level, declaration of conflict of interest and mechanism for management of rights and responsibilities, monitoring of financial and funds management, proper retention of evidence of execution of control activities, execution of control activities, management system, mechanism for monitoring seal management, internal control mechanism for external pledge guarantee, and the uses, supervision and disclosure of raised funds, and has made recommendations for rectification. The Group has responded to the identified deficiencies and implemented all the recommended rectification measures provided by the Internal Control Consultant based on the Internal Control review.

As of the date of the Internal Control Review Report, there was no indication of any major deficiencies in the internal control systems and processes of the Company and its subsidiaries involved in the Internal Control Review after the implementation of the rectification measures recommended in the Internal Control Review. The Internal Control Consultant was of the view that, as of the date of the Internal Control Review Report, within the scope of its assessment work, the Group's internal control system and processes (including systems, processes and control implementation) have been designed and operating with fundamental effectiveness, and the relevant internal control risks are controlled at a reasonable level.

Taking into consideration the Internal Control Review Report and the recommendations therein, and the view of the Internal Control Consultant, the Board is of the view that the recommended measures and rectification measures implemented by the Group are sufficient to address all major findings by the Internal Control Consultant in the Group's internal control system and processes. The Board is of the view that the Group has improved its internal control system and processes, and it is sufficient for the purposes of fulfilling the Company's obligations under the Listing Rules and protecting the Company's rights and interests.

For details of the key findings of the Internal Control Review, please refer to the Company's announcement dated 30 July 2023.

Fulfilled resumption guidelines and resumption of trading

On 15 June 2022 and 30 August 2022, the Company received two letters from the Stock Exchange setting out the following guidance (the "**Resumption Guidance**") prescribed for the resumption of trading in the shares of the Company on the Stock Exchange:

(a) publish all outstanding financial results required under the Listing Rules and address any audit modifications;

(b) conduct an independent investigation into the enforcement by relevant banks of pledge guarantee in the amount of RMB13.4 billion, announce the findings and take appropriate remedial measures;

(c) demonstrate that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence;

(d) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet the obligations under the Listing Rules;

(e) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules; and

(f) inform the market of all material information for the Company's shareholders and other investors to appraise the Company's position.

On 2 August 2023, the Company announced that it has fulfilled the Resumption Guidance and resumption of trading in the shares of the Company on the Stock Exchange took effect from 9:00 a.m. on 3 August 2023. For further details, please refer to the announcement of the Company dated 2 August 2023.

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 2023, 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 2023.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023.

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 interim results and consolidated financial statements of the Group for the six months ended 30 June 2023. 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 2023 have been reviewed by the Company's independent auditor, Prism Hong Kong and Shanghai Limited, 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 2023 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.

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

Hong Kong, 24 August 2023

As at the date of this announcement, the Board comprises Mr. Duan Shengli, Mr. Han Chao and Mr. Hu Xu as executive Directors; Mr. Sang Quan and Mr. Lin Wuchang as non-executive Directors; and Mr. Peng Liaoyuan, Ms. Wen Yanhong and Mr. Guo Zhaohui as independent non-executive Directors.