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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 2021**

FINANCIAL HIGHLIGHTS

- Operating revenue for the six months ended 30 June 2021 (the “**Period**”) was approximately RMB7,873 million, representing an increase of approximately 68.3% as compared with the six months ended 30 June 2020.
- Gross profit for the Period was approximately RMB2,939 million, representing an increase of approximately 68.7% as compared with the six months ended 30 June 2020.
- Net profit for the Period was approximately RMB1,934 million, representing an increase of approximately 68.6% as compared with the six months ended 30 June 2020.
- Profit attributable to shareholders for the Period was approximately RMB1,935 million, representing an increase of approximately 68.6% as compared with the six months ended 30 June 2020.
- Contracted area for the Period was approximately 810 million sq.m., representing an increase of approximately 57.9% as compared with the six months ended 30 June 2020.
- Area under management for the Period was approximately 450 million sq.m., representing an increase of approximately 77.2% as compared with the six months ended 30 June 2020.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Note</i>	Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Audited)
			(Restated)
Revenue	5	7,873,439	4,677,615
Cost of sales	7	<u>(4,934,913)</u>	<u>(2,935,852)</u>
Gross profit		2,938,526	1,741,763
Administrative and marketing expenses	7	(443,439)	(231,886)
Net impairment losses on financial assets	7	(9,891)	(46,920)
Other income	6	88,669	49,217
Other gains/(losses)		<u>1,311</u>	<u>(97)</u>
Operating profit		2,575,176	1,512,077
Share of net profit of investments accounted for using the equity method		1,126	–
Finance costs	9	<u>(24,957)</u>	<u>(12,589)</u>
Profit before income tax		2,551,345	1,499,488
Income tax expenses	10	<u>(616,880)</u>	<u>(352,354)</u>
Profit for the Period		<u>1,934,465</u>	<u>1,147,134</u>
Profit/(loss) attributable to:			
– Owners of the Company		1,935,257	1,148,176
– Non-controlling interests		<u>(792)</u>	<u>(1,042)</u>
		<u>1,934,465</u>	<u>1,147,134</u>

	Six months ended 30 June	
<i>Note</i>	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
		(Restated)
Other comprehensive (expense)/income		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<u>(220)</u>	<u>207</u>
Total comprehensive income for the Period	<u>1,934,245</u>	<u>1,147,341</u>
Total comprehensive income/(expense) attributable to:		
– Owners of the Company	1,935,037	1,148,383
– Non-controlling interests	<u>(792)</u>	<u>(1,042)</u>
	<u>1,934,245</u>	<u>1,147,341</u>
Earnings per share for profit attributable to owners		
of the Company (expressed in RMB per share)		
– Basic and diluted	<i>11</i> <u>0.18</u>	<u>0.11</u>

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED BALANCE SHEETS

		As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited) (Restated)
Assets			
Non-current assets			
Property and equipment		71,853	54,100
Intangible assets	12	2,701,771	128,683
Right-of-use assets		41,163	24,793
Investment properties		35,106	–
Investments accounted for using the equity method		9,071	–
Deferred income tax assets		95,437	80,311
		<u>2,954,401</u>	<u>287,887</u>
Current assets			
Trade and other receivables	13	5,577,547	4,196,305
Prepayments		30,517	13,729
Financial assets at fair value through profit or loss		119,317	–
Cash and cash equivalents		14,003,833	12,605,396
Restricted cash		24,155	5,222
		<u>19,755,369</u>	<u>16,820,652</u>
Total assets		<u><u>22,709,770</u></u>	<u><u>17,108,539</u></u>
Equity			
Equity attributable to owners of the Company			
Share capital		7,060	7,060
Reserves		6,766,070	6,572,290
Retained earnings		5,068,357	3,316,298
		<u>11,841,487</u>	<u>9,895,648</u>
Non-controlling interests		<u>72,122</u>	<u>10,962</u>
Total equity		<u><u>11,913,609</u></u>	<u><u>9,906,610</u></u>

		As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited) (Restated)
Liabilities			
Non-current liabilities			
Borrowings		200,000	–
Other payables	14	325,343	–
Derivative financial liabilities		64,447	–
Lease liabilities		18,068	11,314
Deferred income tax liabilities		262,333	14,888
		<u>870,191</u>	<u>26,202</u>
Current liabilities			
Borrowings		153,700	–
Contract liabilities		3,214,428	2,725,759
Trade and other payables	14	5,443,823	4,144,842
Amounts due to related parties		98,529	51,744
Current income tax liabilities		990,404	238,881
Lease liabilities		25,086	14,501
		<u>9,925,970</u>	<u>7,175,727</u>
Total liabilities		<u>10,796,161</u>	<u>7,201,929</u>
Total equity and liabilities		<u><u>22,709,770</u></u>	<u><u>17,108,539</u></u>

NOTES TO FINANCIAL INFORMATION

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 shares were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 2 December 2020.

The condensed consolidated interim financial information is presented in Renminbi (“**RMB**”) and rounded to nearest thousand yuan, unless otherwise stated. The condensed consolidated interim financial information have been approved for issue by the board of directors (the “**Board**”) on 31 August 2021.

This condensed interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2021 (“**Interim Financial Information**”) has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting”.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those applied in the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements.

(a) New standards and amendments to standards adopted by the Group

The Group has applied the following new standards and amendments and interpretation to standards for the first time for the Group’s financial year commencing 1 January 2021.

Standards/Interpretations	Subject of standards/amendments
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9, and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2

The adoption of the new standards and amendments does not have significant impact on the condensed consolidated interim financial information.

(b) New standards and amendments to standards that have been issued but are not effective

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2021 and have not been early adopted by the Group:

Standards/Interpretations	Subject of standards/amendments	Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Presentation of financial statements on classification of liabilities	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term loan	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds Before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018-2020 Cycle	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of the above new standards, amendments and interpretations, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors of the Group, no significant impact is expected on the Group's operating results or financial position when they become effective.

(c) Application of Business Combination under Common Control

On 27 April 2021, the Company (through its direct wholly-owned subsidiary) entered into the acquisition agreement with Evergrande Internet Group Co., Ltd (the "Evergrande Internet Group"), pursuant to which the Company agreed to acquire the entire equity interest of Evergrande Insurance Agency Co., Ltd ("Evergrande Insurance Agency") at a consideration of RMB39,198,300. Evergrande Insurance Agency is a wholly-owned subsidiary of Evergrande Internet Group, and is principally engaged in the insurance agency business. Evergrande Internet Group is a wholly-owned subsidiary of China Evergrande Group.

For the purpose of these condensed consolidated financial information, the Company and Evergrande Insurance Agency were under common control of China Evergrande Group. Therefore, the entities are accounted for as a business combination under common control. The assets and liabilities of the entities are consolidated by the Group using the existing book values from the controlling parties' perspective as if Evergrande Insurance Agency had been in existence within the Group structure throughout the periods presented, or since the date when the companies first came under the control of the ultimate controlling party, whichever the shorter Period.

No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the ultimate controlling party's interest.

The following is a reconciliation of the effect arising from the business combination under common control of Evergrande Insurance Agency on the consolidated balance sheet as at 1 January 2020 and 31 December 2020.

	As at 1 January 2020		
	The Group (originally stated)	Effects of business combination under common control	Restated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	7,456,655	38,142	7,494,797
Total liability	5,682,198	64,773	5,746,971
Share capital	105,751	–	105,751
Reserves	267,885	50,000	317,885
Retained earnings	1,387,971	(76,631)	1,311,340
Non-controlling interests	12,850	–	12,850
Total equity	<u>1,774,457</u>	<u>(26,631)</u>	<u>1,747,826</u>

	As at 31 December 2020		
	The Group (originally stated)	Effects of business combination under common control	Restated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	17,064,149	44,390	17,108,539
Total liability	7,130,008	71,921	7,201,929
Share capital	7,060	–	7,060
Reserves	6,522,290	50,000	6,572,290
Retained earnings	3,393,829	(77,531)	3,316,298
Non-controlling interests	10,962	–	10,962
Total equity	<u>9,934,141</u>	<u>(27,531)</u>	<u>9,906,610</u>

	Six months ended 30 June 2020		
	The Group (originally stated) RMB'000	Effects of business combination under common control RMB'000	Restated RMB'000
Revenue	4,563,855	113,760	4,677,615
Cost of sales	(2,826,168)	(109,684)	(2,935,852)
Operating profit/(loss)	1,512,690	(613)	1,512,077
Profit/(loss) for the Period	1,147,693	(559)	1,147,134
Profit/(loss) attributable to:			
Shareholder of the Company	1,148,735	(559)	1,148,176
Non-controlling interests	(1,042)	–	(1,042)
Total comprehensive income/(expense) attributable to:			
Shareholder of the Company	1,148,942	(559)	1,148,383
Non-controlling interests	(1,042)	–	(1,042)

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 2021, the Group is principally engaged in the provision of property management services and related value-added services in the People’s Republic of China (the “PRC”).

Subsequent to the listing on the Stock Exchange, the Group acquired several property management companies from third parties. All the acquired subsidiaries were principally engaged in the provision of property management services and related value-added services. After acquisition, management reviews the operating results of the business and the original business of the acquired subsidiaries to make decisions on resources to be allocated. Therefore, the CODM of the Company regards that there are several operating segments, which are used to make strategic decisions.

For the six months ended 30 June 2021, all the segments are domiciled in the PRC and all 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 the majority of the revenue is derived in the PRC during the six months ended 30 June 2021. As at 30 June 2021, the majority of the non-current assets of the Group was 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 2021 and 2020 is as follows:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Property management services	4,757,289	2,824,261
Community value-added services	1,138,624	621,874
Value-added services to non-property owners	1,977,526	1,231,480
	<u>7,873,439</u>	<u>4,677,615</u>
Timing of revenue recognition		
– Over time	7,154,016	4,175,344
– At a point in time	719,423	502,271
	<u>7,873,439</u>	<u>4,677,615</u>

6 OTHER INCOME

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants (Note a)	46,650	39,978
Interest income	36,298	1,943
Income from overdue fine	4,422	5,974
Others	1,299	1,322
	<u>88,669</u>	<u>49,217</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.

7 EXPENSES BY NATURE

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Employee benefit expenses (Note 8)	2,730,000	1,953,879
Greening and cleaning expenses	1,242,831	430,203
Maintenance costs	545,287	258,095
Utilities	249,595	190,871
Commission expenses	139,385	109,465
Short-term and low value lease expenses	91,134	61,189
Depreciation and amortisation charges	76,722	18,227
Costs of security	67,068	6,601
Tax and other levies	59,593	46,167
Office expenses	48,640	36,845
Travelling and entertainment expenses	32,999	17,669
Cost of goods sold	17,169	–
Community activities expenses	15,156	10,598
Uniform costs	14,741	5,490
Bank charges	11,143	6,858
Allowance for impairment losses on financial assets	9,891	46,927
Consultancy fees	6,898	1,672
Others	29,991	13,902
	5,388,243	3,214,658
	5,388,243	3,214,658

8 EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Salaries, bonuses and other benefits	2,504,322	1,904,961
Contribution to pension scheme expenses (Note a)	225,678	48,918
	2,730,000	1,953,879
	2,730,000	1,953,879

- (a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the prior year employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

9 FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Interest expense of amortisation of long-term payables	13,928	–
Interest expenses on borrowings	3,387	231
Interests on lease liabilities	1,763	775
Other finance costs (Note a)	5,879	11,583
	<u>24,957</u>	<u>12,589</u>

- (a) Other finance costs represented the finance expenses contained in the one-off discount offered by the Group to the individual property owners for their advanced payments of property management fees.

10 INCOME TAX EXPENSES

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current income tax	621,039	365,311
Deferred income tax	(4,159)	(12,957)
	<u>616,880</u>	<u>352,354</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 2021 and 30 June 2020. 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 2021 and 30 June 2020. 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.

11 EARNINGS PER SHARE

Basic earnings 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 2021 and 2020. In determining the weighted average number of ordinary shares in issue during the six months ended 30 June 2020, the 10,000,000,000 shares of the Company issued during the reorganisation was deemed to have been in issue since 1 January 2020.

The Company did not have any potential ordinary shares outstanding during the six months ended 30 June 2021 and 2020. Diluted earnings per share is equal to basic earnings per share.

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Profit attributable to owners of the Company (RMB'000)	1,935,257	1,148,176
Weighted average number of ordinary shares in issue (in thousands)	10,810,811	10,000,000
Basic earnings per share attributable to the owners of the Company during the Period (expressed in RMB per share)	0.18	0.11

12 INTANGIBLE ASSETS

	Computer Software RMB'000	Property management contracts and customer relationship RMB'000	Goodwill RMB'000	Total RMB'000
As at 1 January 2021				
Cost	14,308	61,823	56,619	132,750
Accumulated amortisation	(1,794)	(2,273)	-	(4,067)
Opening net book amount (restated)	12,514	59,550	56,619	128,683
Additions	2,541	-	-	2,541
Acquisition of subsidiaries	3,345	1,051,169	1,572,093	2,626,607
Amortisation	(2,206)	(53,854)	-	(56,060)
Closing net book amount	16,194	1,056,865	1,628,712	2,701,771
As at 30 June 2021				
Cost	20,193	1,112,992	1,628,712	2,761,897
Accumulated amortisation	(3,999)	(56,127)	-	(60,126)
Net book amount	16,194	1,056,865	1,628,712	2,701,771

	Computer Software RMB'000	Property management contracts and customer relationship RMB'000	Goodwill RMB'000	Total RMB'000
As at 1 January 2020				
Cost	1,339	–	–	1,339
Accumulated amortisation	(906)	–	–	(906)
Opening net book amount (originally stated)	<u>433</u>	<u>–</u>	<u>–</u>	<u>433</u>
Common control combination restatement	1,096	–	–	1,096
Opening net book amount (restated)	<u>1,529</u>	<u>–</u>	<u>–</u>	<u>1,529</u>
Amortisation	(233)	–	–	(233)
Closing net book amount	<u>1,296</u>	<u>–</u>	<u>–</u>	<u>1,296</u>
As at 30 June 2020				
Cost	2,467	–	–	2,467
Accumulated amortisation	(1,171)	–	–	(1,171)
Net book amount	<u>1,296</u>	<u>–</u>	<u>–</u>	<u>1,296</u>

- (a) During the six months ended 30 June 2021, the Group acquired seven property management companies at an aggregate cash consideration of RMB2,413,077,000. Identified property management contract and customer relationship of RMB1,051,169,000 is recognised as intangible assets. The excess of the consideration of acquisition and proportion of the value of the acquired identifiable net assets of RMB1,572,093,000 is recorded as goodwill.

Based on the result of the management assessment, no impairment provision on goodwill was recognised as at 30 June 2021.

13 TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Trade receivables		
– Related parties	2,572,439	1,681,775
– Third parties	2,567,022	1,495,758
Notes receivables		
– Related parties	19,087	758,465
– Third parties	1,100	5,390
Gross trade receivables	<u>5,159,648</u>	<u>3,941,388</u>
Less: allowance for impairment of trade and notes receivables	<u>(168,008)</u>	<u>(113,818)</u>
	<u>4,991,640</u>	<u>3,827,570</u>
Value added tax recoverable	21,275	10,347
Other receivables		
– Payments on behalf of property owners (Note c)	406,190	333,524
– Deposits	117,309	27,096
– Others	81,962	19,670
Gross other receivables	<u>605,461</u>	<u>380,290</u>
Less: allowance for impairment of other receivables	<u>(40,829)</u>	<u>(21,902)</u>
	<u>564,632</u>	<u>358,388</u>
	<u><u>5,577,547</u></u>	<u><u>4,196,305</u></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 2021 and 31 December 2020, the aging analysis of the trade and notes receivables based on date of revenue recognition were as follows:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
0 to 180 days	3,343,083	2,477,366
181 to 365 days	1,361,811	1,094,667
1 to 2 years	246,577	204,942
2 to 3 years	96,598	80,314
Over 3 years	111,579	84,099
	<u>5,159,648</u>	<u>3,941,388</u>

(c) Payments on behalf of property owners mainly represented utilities costs of properties.

14 TRADE AND OTHER PAYABLES

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Trade payables (Note a)		
– Related parties	140,696	113,703
– Third parties	1,775,049	1,475,176
	<u>1,915,745</u>	<u>1,588,879</u>
Notes payable (Note a)		
– Related parties	631	3,757
– Third parties	256,548	844,528
	<u>257,179</u>	<u>848,285</u>
Other payables		
– Outstanding considerations payable for business combinations	1,230,988	37,929
– Amounts temporarily received from/on behalf of property owners or leaser (Note b)	662,459	586,707
– Deposits	467,707	322,528
– Other tax payables	312,331	189,609
– Dividend payable to the shareholder before acquisition	128,382	–
– Interest payable	696	–
– Others	249,928	180,418
	<u>3,052,491</u>	<u>1,317,191</u>
Accrued payroll	543,751	390,487
Trade and other payables	5,769,166	4,144,842
Less: non-current portion of other payables	325,343	–
Current portion	<u>5,443,823</u>	<u>4,144,842</u>

- (a) As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade and notes payables based on goods and services received were are follows:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Up to 1 year	2,146,873	2,386,395
1 to 2 years	13,800	32,152
2 to 3 years	5,378	10,201
More than 3 years	6,873	8,416
	<u>2,172,924</u>	<u>2,437,164</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 leases to be returned to the property owners.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2021 marks the first year of the “14th Five-Year Plan”, and the property management industry has ushered in a golden era for all-round development. Based on the new development stage, the Group seizes market opportunities, driven by the needs of customers aiming to achieve customer satisfaction, and is committed to large-scale development, standardized operation, professional services and intelligent management with a view to providing customers with high quality property management services, community value-added services and value-added services to non-property owner and has won authoritative awards, such as “Top 100 China Property Management Companies in 2021”, “Top 10 China’s Listed Property Management Companies by Overall Strength in 2021” and “Outstanding China’s Listed Property Management Companies with Investment Value in 2021” by China Index Academy, and “Top 100 China Property Management Companies by Brand Value in 2021” and “Top 10 China’s Listed Property Management Companies in 2021” by China Property Management Research Institution.

Property management services

The Group offers a wide range of property management services to residents, property developers and tenants of non-residential properties. Our services include butler services, security services, cleaning and greening services, and repair and maintenance services. Based on residential services, the Group continues to extend its service coverage by taking advantage of its services and resources, extensively penetrating into non-residential fields to develop new services, which in turn acts as the fulcrum for its expansion in new areas and new fields. Such divergent expansion strategy has enhanced the Company’s endogenous expansion capabilities. During the Period, the Group achieved remarkable results in diversifying its business model, covering residential properties, commercial and office buildings, theme parks, industrial parks, themed towns, as well as public facilities such as schools, hospitals, banks, government buildings, high-speed railways, airports, and scenic spots, and entered the field of urban public services for the first time.

As at 30 June 2021, the total contracted area under management of the Group was approximately 810 million sq.m., and the area under management was approximately 450 million sq.m., covering 22 provinces, 5 autonomous regions, 4 municipalities and Hong Kong, with a total of 317 cities and 2,443 managed projects and providing property management services to more than 3.20 million households. Among them, approximately 138 million sq.m. of property areas under management was developed by third party developers, representing an increase of 128 million sq.m. from the end of 2020.

During the Period, revenue from property management services was approximately RMB4,757.3 million, representing a year-on-year increase of approximately 68.4% and accounting for approximately 60.4% of total revenue.

Community value-added services

The Group aggressively develops community value-added services to cater for the livelihood needs of households, and introduces more community-related derivative resources and supporting service functions through internal incubation and external expansion to continuously improve the community service ecosystem and provides full-cycle, full-chain and full-process diversified value-added services throughout the community development stage and family growth cycle and in various scenarios of community life, including community operation services, community assets management, community life and other services.

During the Period, revenue from community value-added services was approximately RMB1,138.6 million, representing a year-on-year increase of approximately 83.1% (30 June 2020: approximately RMB621.9 million (restated)) and accounting for approximately 14.5% of total revenue. Among them:

1. The revenue from community operation services was approximately RMB500.7 million, representing a year-on-year increase of approximately 21.0% (30 June 2020: approximately RMB413.8 million (restated)). The Group added insurance brokerage business and acquired Evergrande Insurance Agency in April 2021 to provide comprehensive insurance brokerage services covering life insurance, property insurance, auto insurance, travel insurance, etc. Relying on its advantage of nationwide scale and resources of 8,300 upstream and downstream companies and strategic cooperative enterprises, it recorded a revenue of approximately RMB150.2 million during the Period, representing an increase of approximately 32.0% year-on-year.
2. Community asset management realized a revenue of approximately RMB467.7 million, representing a year-on-year increase of approximately 181.8%. Leveraging on its resource advantages of mastering information on millions of real estates and tens of millions of households, the Group provided services such as property information integration and recommendation, customer referral and visit tours and real estate custody and maintenance, and recorded a revenue of approximately RMB42.2 million during the Period, representing an increase of approximately 3,614.3% year-on-year.
3. Community living services realized a revenue of approximately RMB170.2 million, representing a year-on-year increase of approximately 304.5%. By integrating the brand resources of home renovation and decoration, the Group expanded its business coverage and integrated the home renovation and decoration business in the new housing and second-hand housing transactions to provide value-added services covering full renovation, refreshing of old decoration, partial renovation and smart home, and achieved a revenue of approximately RMB55.5 million during the Period, representing an increase of approximately 872.7% year-on-year.

In addition, the Company is actively engaged in elderly healthcare services. Through cooperation with professional elderly healthcare institutions and rational use of community space, it has developed community elderly healthcare services. It has carried out related pilot projects in the Pearl River Delta, Beijing and other regions, and completed the construction of the healthcare section on the smart community platform, and realized online medical consultation, private doctors, remote group consultation, cross-border medical resources and other services.

Value-added services to non-property owners

Value-added services to non-property owners basically cover the entire process of real estate development and construction, mainly including preliminary property management services, pre-delivery services, repair and maintenance services and property transaction assistance services. During the Period, revenue from value-added services to non-property owners was approximately RMB1,977.5 million, representing a year-on-year increase of approximately 60.6% and accounting for approximately 25.1% of the total revenue.

Smart property construction

Relying on massive basic data, vivid business scenarios, and powerful computing capabilities, the Group has established a smart management system based on the SaaS platform, AIoT platform and ERP platform, which comprise smart living, smart community and smart management, to provide customers with high-quality and convenient services while greatly improving the Company's efficiency and reducing operating costs.

In respect of smart living, based on the self-developed property management cloud platform, centred around customers' life scenarios, it creates functions such as household payments, smart charging, community group purchase, express delivery, freight and moving, housekeeping services, online medical consultation to promote the diversification of platform services and meet various needs of customers. Through Evergrande Smart Community APP, Evergrande Butler APP, WeChat Mini Program and other terminals, the Group strengthened connection between the main bodies of the community, effectively improved the communication efficiency between customers and the property management personnel, enhanced the service experience, and consolidated the value-added service platform.

With regard to smart community, the Group comprehensively promoted in-depth collaboration with SenseTime, a unicorn company in the field, including artificial intelligence, Internet of Things ("IoT") platform, machine vision recognition to realize intelligent transformation of communities. Combined with artificial intelligence technology, the two parties have customized different smart management solutions based on high-sensitivity scenarios in the community, covering services such as intelligent customer service, intelligent access, smart transportation, intelligent security, smart building, intelligent quality control and intelligent scheduling.

In terms of smart management, the Group continued to optimize the Company's internal management system to achieve management and control throughout the whole business lines, including contract management module, financial management module, building delivery management module, quality management module, personnel management module, etc. The unified management of all system data and the unified monitoring of the execution process through the integrated management platform has improved the work efficiency significantly.

In May 2021, the Company and Tencent Holdings Limited (“**Tencent**”) reached a strategic cooperation agreement and will establish a joint venture company, centred around the Company’s full-life scenarios of clothing, food, housing, transportation and mass customer private domain resources, combined with Tencent’s strong scientific research capabilities, network capabilities, and the capabilities of multiple linkage of customers portraits, to create “Micro Things Cloud”, the world’s largest fixed space technology service platform to help digital upgrade of the property management industry. “Micro Things Cloud” will integrate three major parts, smart property SaaS system, spatial IoT and user operation services, to promote the business transformation of traditional property management companies from space and asset operations to digital operations for community users, and optimize the Company’s revenue structure, improve its per capita efficiency, expand service range and provide property owners with a smarter and better living experience.

PROSPECTS AND FUTURE PLAN

As a new development pattern of smooth domestic circulation is gradually forming, the property management industry closely focuses on the requirements of national development strategy and the brand-new scenarios of a better urban life, centred around customer needs, actively fulfils its social responsibilities to create new supply, promote new consumption, and give new momentum for the high-quality urban development by giving full play to the advantages of industry economy, participating in governance and guaranteeing people’s livelihood. To this end, the Group will grow in multiple dimensions of speed, breadth, depth, and thickness, adhere to diversified layout and scale expansion, and continue to release the potential of community value-added business. At the same time, the Group will build a smart property service cloud platform to vigorously develop space technology services and accelerate transformation and upgrades towards a technology-based service company.

Vertical and horizontal expansion as well as endogenous and outer extension, provide diversified support for efficient growth

The Group will capitalize on the rapid industry development, and accelerate third-party expansion to continuously achieve scale and quality improvements by relying on its professional service levels, the full-chain service system, the fully entrusted operation model and China Evergrande Group’s continuous delivery.

The Group has always adhered to the divergent expansion strategy. On the basis of its national layout, the Group will further deepen its regional penetration, continue to focus on mid-to-high-end residential buildings, and combine the scale and profitability of the target projects to expand high-quality projects gradually to continuously improve the management density of projects, extend the management radius of project personnel, and improve synergy between projects. It will broaden the Company’s service boundaries and business types, focus on professional property management companies in subdivided business types, and extend merger and acquisitions scenarios to other related fields of property services to explore potential diversified value-added services. The Group will identify regional leading enterprises with rich social and government resources to form a joint development force through cooperation and joint operation, multi-party linkages to promote the integration of public facilities, capture the urban service sector, and achieve full-cycle and multi-business rolling development through various measures, and maintain the Company’s high growth from a high base.

The Group will continue to strengthen the professional quality of the investment and extension team, enhance the expansion capabilities, and adopt strong incentive measures to ensure that the annual expansion goals are achieved. At the same time, the Company places great importance on post-investment management. According to the situation of the merged companies, on the basis of retaining their original teams and advantages, through standardized management duplication and technological empowerment, the Company promotes integrated management in a comprehensive manner to enhance quality and efficiency through rapid integration, and gives full play to the advantages of brand and resources through complementary and mutual assistance in different subdivided areas, to assist the acquired companies develop further, achieving a win-win situation, and work together with them to become the world's largest and strongest technology-based operator of urban integrated services.

Creating a technology-based service brand through resource collaboration and common development with technologies playing a leading role

The Company will strengthen its cooperation with leading technology companies such as Tencent and SenseTime, implement cloud transformation based on existing technology platforms, expand smart home, smart commercial building, smart industrial parks and smart cities and other application scenarios, and create a full-ecological, full-intelligent, full-sensing smart operation system, covering all service scenarios such as home life, trip, living, entertainment, health, consumption, commercial, government affairs and travelling of customers.

The Group will continue to improve its core competitiveness in the intelligence field, strive to build its own technology brand, to become a cloud platform supplier. Through product sales, enterprise franchising, etc., it can provide technical support to property enterprises comprehensively, empower its own projects and other companies from top to bottom, promote the rapid implementation of property management, expand online management coverage, obtain more potential expansion opportunities, and capitalize on technology-enabled property management to create new profit growth points.

Focusing on high-end fields and gaining in-depth insights into customer needs to pursue fine-tuned quality services

The Group always adheres to the service-oriented principle and focuses on lean operations. On the basis of standardized services, and being customer-centric, the Group will develop innovative services, unlock more new service scenarios, to continuously enrich service standards. Focusing on subdivided business forms or fields, the Group will build distinctive brands, and build service barriers. It will concentrate superior strength and resources, centred around core business fields, to improve management expertise, and form a standardized service menu to meet the individual needs of different business forms and gradually form a unique business model and service characteristics by consolidating service advantages through business focus and penetration.

The Group will make in-depth observation of customers' needs, take the key elements that hamper customer satisfaction as the starting point, study and optimize customer experience programs, improve precise service capabilities, and achieve in-depth development of various professional subdivided fields and coordinated development across professional fields, and endeavour to provide customers with more refined, more innovative, and higher value-added property management services. Concurrently, it will strengthen cultivation of professional and technical talents, deliver high-level and compound talents in a timely manner to ensure rapid management replication and continued provision of high-quality services. It will strengthen corporate governance, optimize job settings through technological means, to improve per capita efficiency constantly and fully empower enterprise development, and create a model service brand.

Conducting innovative operation to release diversified value-added space and continuously improve profitability

Recently, China has issued several favourable policies to promote the “property service + life service” model, which further opens up space for the property management industry and provides new opportunities and directions for property enterprises.

The Group will put great efforts into tapping the potential of community value-added services, further expanding the breadth and depth of the coverage of existing community value-added business, giving full play to the advantages of community traffic entrance and resource integration, and focusing on community group purchase, real estate services, home renovation and decoration, insurance brokerage, housekeeping services and other businesses to expand service penetration. At the same time, based on the high demand of property owners, the Group will actively explore innovative community value-added service projects, and have piloted layouts in areas such as community health, childcare and household services to improve consumption convenience and quality.

In the future, the Group will continue to deepen verticals, with life services as the starting point, build the sharing system of internal and external resources while digging deep into internal community resources, to integrate business and property, consumption and life, home and community and other scenarios and facilitate consumption of diversified, high-quality services with personalized, differentiated and quality products. The Group will accelerate the implementation of 5G, IoT, big data and other technologies, help companies precipitate and analyse grass-roots data to realize target marketing, and enable property services to cover every aspect of the community, and ensure delivery of products and services to customers, so as to build a high-quality, warm and valuable eco-system that covers the entire life cycle of customers.

The Group will aim to become the world's largest and strongest technology-based operator of comprehensive urban services by giving full play to its ultra-large-scale market advantages and domestic demand potential, and constantly enrich its diversified industrial layout. Adhering to the standardized operating system and technological development strategy, it will promote the high quality and diversification upgrade of property services through a high level of specialization and to the high end of value chain and consolidate its leading position in the industry with core advantages such as high speed, high quality, high net worth, light asset and technicalization.

FINANCIAL REVIEW

Revenue

The revenue of the Group is 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 2021, the total revenue of the Group was approximately RMB7,873.4 million, representing an increase of approximately 68.3% compared with the six months ended 30 June 2020.

	Six months ended 30 June				Growth rate (%)
	2021	2020	2021	2020	
	Revenue (RMB' 000)	Percentage of revenue (%)	Revenue (RMB' 000) (restated)	Percentage of revenue (%)	
Property management services	4,757,289	60.4	2,824,261	60.4	68.4
Community value-added services	1,138,624	14.5	621,874	13.3	83.1
Value-added services to non-property owners	1,977,526	25.1	1,231,480	26.3	60.6
Total	7,873,439	100	4,677,615	100	68.3

1. Property management services

During the Period, revenue from property management services was approximately RMB4,757.3 million (the revenue from the property management services of projects developed by independent third-party developers was approximately RMB936.8 million), representing an increase of approximately 68.4% year-on-year and accounting for approximately 60.4% of total revenue.

The total area under management increased to approximately 450 million sq.m. from approximately 254 million sq.m. for the same period in 2020. The area under management in the property developed by third parties increased by 137 times year-on-year to 138 million sq.m., mainly due to (i) the steady increase in the area under management as a result of the acceleration of the market expansion and absorption of high-quality subjects, covering diversified business forms including residential properties, commercial and office building, industrial parks, urban public buildings and urban services and etc.; (ii) the conversion of the reserved area by the Group into the area under management in the Period.

2. *Community value-added services*

During the Period, revenue from community value-added services was approximately RMB1,138.6 million, representing an increase of approximately 83.1% year-on-year (30 June 2020: approximately RMB621.9 million (restated)) and accounting for approximately 14.5% of the total revenue.

The increase in revenue from community value-added services was mainly attributable to the following factors:

Revenue from community operation services was approximately RMB500.7 million, representing an increase of approximately 21.0% (30 June 2020: approximately RMB413.8 million (restated)) year-on-year.

Revenue from community asset management was approximately RMB467.7 million, representing an increase of approximately 181.8% year-on-year.

Revenue from community living services was approximately RMB170.2 million, representing an increase of approximately 304.5% year-on-year.

With the rapid growth in the management scale and the number of users, the Group continuously and comprehensively enriched the types of value-added services broadly and deeply, and enhanced project coverage, thus achieving increasingly prominent economies of scale. The Group continuously standardized the business development forms, which resulted in mature business models and significant growth in results of real estate services, home renovation and decoration and other businesses. In addition, the Group continuously tapped into the needs of owners and innovated value-added services, such as comprehensively developing insurance brokerage business.

3. *Value-added services to non-property owners*

During the Period, revenue from value-added services to non-property owners was approximately RMB1,977.5 million, representing an increase of approximately 60.6% year-on-year and accounting for approximately 25.1% of total revenue.

The increase in revenue from value-added services to non-property owners was mainly due to the increase in the number of new projects launched, the stable delivery of projects, the increase in the demand for transaction assistance, the stable growth of preliminary property management services, pre-delivery services, repair and maintenance services, property transaction assistance services and other services.

Costs

The Group's costs include employee costs, greening and cleaning expenses, maintenance costs, utilities, security subcontracting costs, commission expenses, taxes, and other levies etc. During the Period, costs were approximately RMB4,934.9 million, representing a year-on-year increase of approximately 68.1%.

The increase in costs was mainly due to the continuous increase in area under management and expansion of community value-added services.

Gross profit and gross profit margin

The following table sets forth the breakdown of gross profit and gross profit margin by business lines of the Group for the periods indicated:

	Six months ended 30 June			
	2021		2020	
	Gross profit	Gross profit	Gross profit	Gross profit
	(RMB' 000)	margin	(RMB' 000)	margin
		(%)	(restated)	(%)
Property management services	1,528,630	32.1	948,579	33.6
Community value-added services	681,308	59.8	334,200	53.7
Value-added services to non-property owners	<u>728,588</u>	<u>36.8</u>	<u>458,984</u>	<u>37.3</u>
Total	<u>2,938,526</u>	<u>37.3</u>	<u>1,741,763</u>	<u>37.2</u>

During the Period, the overall gross profit of the Group was approximately RMB2,938.5 million, representing a year-on-year increase of approximately 68.7%.

The gross profit margin of property management services was approximately 32.1%, representing a decrease of 1.5 percentage points as compared with 33.6% for the six months ended 30 June 2020, mainly due to (i) the relatively low unit price of property management fees for projects of companies acquired, which lowers the unit price of property management fees; and (ii) the slight increase in the labor cost as a result of cancellation of the policy of reduction and exemption of social insurance contributions by the government during the Period.

The gross profit margin of community value-added services was approximately 59.8%, representing an increase of 6.1 percentage points as compared with 53.7% (restated) for the six months ended 30 June 2020, mainly due to (i) economies of scale as a result of our continuous business growth; and (ii) effective use of online platforms to reduce the operation costs.

The gross profit margin of value-added services to non-property owners was approximately 36.8%, representing a slight decrease of 0.5 percentage points as compared with 37.3% for the six months ended 30 June 2020, mainly due to the relatively mature business model of value-added services to non-property owners and the stable gross profit margin.

Administrative and marketing expenses

During the Period, administrative and marketing expenses were approximately RMB443.4 million, representing an increase of approximately 91.2% from approximately RMB231.9 million (restated) for the six months ended 30 June 2021.

The increase in administrative expenses was mainly due to the increase in employee expenses as a result of the expansion of the Group's business scale.

Other income

During the Period, other income were approximately RMB88.7 million, representing an increase of approximately 80.2% from approximately RMB49.2 million (restated) for the six months ended 30 June 2020.

The increase in other income was mainly attributable to: (i) the increase in bank interest income arising from the increase in time deposits; and (ii) the additional input value-added tax deduction for service industry and the increase of tax refund for employment of retired soldiers.

Other gains/(losses)

Net other gains of the Group were approximately RMB1.3 million for the six months ended 30 June 2021, compared with the net other losses of approximately RMB0.1 million in the corresponding period of 2020. The increase in net other gains was mainly due to the disposal gain of wealth management product.

Income tax expenses

During the Period, income tax expenses were approximately RMB616.9 million, representing an increase of approximately 75.1% from approximately RMB352.4 million (restated) in the corresponding period of 2020.

The increase in income tax expenses was due to the increase in profit before tax for the Period.

Profit for the Period

During the Period, net profit of the Group was approximately RMB1,934.5 million, representing an increase of approximately 68.6% from approximately RMB1,147.1 million (restated) for the six months ended 30 June 2020.

During the Period, profit attributable to owners of the Group was approximately RMB1,935.3 million, representing an increase of approximately 68.6% from approximately RMB1,148.2 million (restated) in the corresponding period of 2020.

Property, plant and equipment

The Group's property, plant and equipment mainly includes property, machinery, vehicles, furnitures, fittings and equipment.

As at 30 June 2021, the net carrying amount of property, plant and equipment of the Group was approximately RMB71.9 million, representing an increase of approximately 32.8% as compared with approximately RMB54.1 million (restated) as at 31 December 2020, mainly due to the increase in fixed assets as a result of acquisition of companies.

Right-of-use assets

The Group's right-of-use assets mainly include offices and dormitories leased by the Group. As at 30 June 2021, the Group's leased assets were approximately RMB41.2 million, representing an increase of approximately RMB16.4 million as compared with approximately RMB24.8 million (restated) as at 31 December 2020, mainly due to the business expansion and combination.

Intangible assets

The intangible assets of the Group comprise of property contracts, customer relationships, software and goodwill.

As at 30 June 2021, intangible assets of the Group amounted to approximately RMB2,701.8 million, representing an increase of approximately RMB2,573.1 million as compared with approximately RMB128.7 million (restated) as at 31 December 2020, mainly due to: (i) approximately RMB1,051.2 million of customer relationship and property management contracts was recognised from acquisition of companies; and (ii) goodwill amounted to approximately RMB1,572.1 million was recognised from acquisition of companies.

Trade and other receivables

As at 30 June 2021, the trade receivables of the Group amounted to approximately RMB4,991.6 million, representing an increase of approximately RMB1,164.0 million as compared with approximately RMB3,827.6 million (restated) as at 31 December 2020, mainly due to the significant growth in revenue scale of the Group and the increase in accounts receivable resulted from newly acquired companies.

Other receivables increased by approximately RMB206.2 million from approximately RMB358.4 million (restated) as at 31 December 2020 to approximately RMB564.6 million as at 30 June 2021, mainly due to the increase in other receivables arising out of acquisitions of companies.

Trade and other payables

As at 30 June 2021, the trade and notes payables of the Group amounted to approximately RMB2,172.9 million, representing a decrease of approximately RMB264.3 million as compared with approximately RMB2,437.2 million (restated) as at 31 December 2020, which was mainly due to the increase in the timeliness of payment by the Group.

Other payables increased by approximately RMB1,888.5 million from approximately RMB1,707.7 million (restated) as at 31 December 2020 to approximately RMB3,596.2 million as at 30 June 2021, mainly due to (i) the increase in the outstanding consideration of approximately RMB1,193.1 million payable for acquisitions during the Period; and (ii) the increase in remuneration and benefits.

Contract liabilities

Contract liabilities mainly arise from advance payments made by customers for related services such as property management services and community value-added services that have not yet been provided.

Contract liabilities increased from approximately RMB2,725.8 million (restated) as at 31 December 2020 to approximately RMB3,214.4 million as at 30 June 2021, representing an increase of approximately RMB488.6 million. The increase was mainly due to the increase in the chargeable area under management and the increase in prepayment of property service fees.

Liquidity and financial resources

As at 30 June 2021, the total bank deposits and cash of the Group, comprising the Group's cash and cash equivalents and restricted cash, amounted to approximately RMB14,028.0 million, representing an increase of approximately RMB1,417.4 million as compared with approximately RMB12,610.6 million (restated) as at 31 December 2020. The increase in bank deposits and cash was primarily due to the large amount of funds generated from substantial growth of the Group's performance and the timely collection from customers.

In the total bank deposits and cash of the Group, restricted bank deposits were approximately RMB24.2 million (31 December 2020: approximately RMB5.2 million (restated)), which mainly served as security deposits for the provision of property management services according to the requirements of local government authorities and the restricted share capital of Evergrande Insurance Agency.

As at 30 June 2021, the net current assets of the Group were approximately RMB9,829.4 million (31 December 2020: approximately RMB9,644.9 million (restated)). The Group's current ratio (current assets/current liabilities) was approximately 1.99 times (31 December 2020: approximately 2.34 times (restated)).

As at 30 June 2021, the short-term borrowings of the Group were approximately RMB153.7 million and the long-term borrowings were approximately RMB200.0 million.

MAJOR RISKS AND UNCERTAINTIES

The main 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 enterprises for management services are strictly monitored and supervised by relevant regulatory authorities. The business performance of the Group depends on contracted area, chargeable area under management and the number of projects under management. The business growth is affected and will likely continue to be affected by 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. The management will continue to monitor foreign exchange risks and adopt prudent measures to reduce potential exchange risks.

Relationships with controlling shareholder

Historically, a substantially portion of the Group's revenue was generated from services provided by the Company in relation to properties developed by China Evergrande Group, the controlling shareholder. Any financial difficulties faced by China Evergrande Group may or will adversely affect the Group's business, financial condition, results of operation and prospects (including but not limited to property management services, value-added services to non-property owners and trade receivables).

For the six months ended 30 June 2021, revenue from China Evergrande Group amounted to approximately RMB2,491.5 million, representing approximately 31.6% of total revenue of the Group (six months ended 30 June 2020: approximately RMB1,597.4 million; 34.2%). The reliance of revenue from China Evergrande Group has been decreased over the years. Moreover, as at 30 June 2021, the Group has trade receivables and notes receivables due from China Evergrande Group of approximately RMB2,415.2 million and RMB19.1 million respectively (31 December 2020: approximately RMB1,625.1 million and RMB736.2 million). The Group has reviewed the potential risk stated above and have not identified any material impact to its business and financial statements for the six months ended 30 June 2021. The Group is committed to expanding its business from third parties and reducing its reliance on business from China Evergrande Group.

PLEDGE OF ASSETS

As at 30 June 2021, the Group pledged 80% of the equity interests of Ningbo Yatai Hotel Property, a subsidiary of the Group, for bank borrowings.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group had contingent liabilities of valuation adjustment mechanism reward and profit sharing of both parties during the valuation adjustment mechanism period agreed in the equity transfer agreement.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Acquisition of shares in Taiyuan Lanjieshi Property

On 25 January 2021, the Group signed an equity transfer agreement for the acquisition of 65% interests in Taiyuan Lanjieshi Property at a consideration of RMB12.35 million, which was determined after arm's length negotiation, and the change of equity ownership and business registration for the 65% equity interests was completed on 8 March 2021.

Acquisition of shares in Ningbo Yatai Hotel Property

On 29 January 2021, the Group signed an equity transfer agreement for the acquisition of 100% interests in Ningbo Yatai Hotel Property at a consideration of RMB1,500 million, which was determined after arm's length negotiation, and the change of equity ownership and business registration for the 80% equity interests was completed on 23 February 2021.

Acquisition of shares in Shenzhen Futian Property

On 28 February 2021, the Group signed an equity transfer agreement for the acquisition of 100% interests in Shenzhen Futian Property at a consideration of approximately RMB371.39 million, which was determined after arm's length negotiation, and the change of equity ownership and business registration for the 100% equity interests was completed on 19 April 2021.

Acquisition of shares in Nanchang Tianxiang Property

On 26 February 2021, the Group signed an equity transfer agreement for the acquisition of 70% interests in Nanchang Tianxiang Property at a consideration of RMB29.54 million, which was determined after arm's length negotiation, and the change of equity ownership and business registration for the 70% equity interests was completed on 12 March 2021.

Acquisition of shares in Wuhan JBL Property

On 28 February 2021, the Group signed an equity transfer agreement for the acquisition of 70% interests in Wuhan JBL Property at a consideration of RMB306.6 million, which was determined after arm's length negotiation, and the change of equity ownership and business registration for the 51% equity interests was completed on 25 March 2021.

Acquisition of shares in Zhejiang Jindu Property

On 17 March 2021, the Group signed an equity transfer agreement for the acquisition of 100% interests in Zhejiang Jindu Property at a consideration of approximately RMB252 million, which was determined after arm's length negotiation, and the change of equity ownership and business registration for the 100% equity interests was completed on 19 April 2021.

Acquisition of shares in Evergrande Insurance Agency Co., Ltd.

On 27 April 2021, the Group signed an equity transfer agreement for the acquisition of 100% interests in Evergrande Insurance Agency Co., Ltd. at a consideration of approximately RMB39.20 million, which was determined after arm's length negotiation, and the change of equity ownership and business registration for the 100% equity interests was completed on 29 April 2021.

Save for the information disclosed above, the Group had no other significant investment and disposal of subsidiaries and associated companies during the Period.

HUMAN RESOURCES

As at 30 June 2021, the Group had approximately 81,136 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, more than 44 thousand training sessions were carried out, with a total of 61 thousand class hours and 568 thousand attendances.

PROCEEDS FROM THE GLOBAL OFFERING

The Company's shares were successfully listed on the Stock Exchange on 2 December 2020 and 810,811,000 new shares were allotted and issued under the Global Offering. After excluding underwriting fees and commissions, the net proceeds from the Global Offering are approximately RMB5,951.2 million.

As of 30 June 2021, the Group has used approximately RMB1,456.2 million of the proceeds. Such proceeds utilised were allocated and used in accordance with the usage of proceeds as set out in the prospectus of the Company dated 23 November 2020 (the “**Prospectus**”). The unutilised net proceeds are approximately RMB4,495.0 million, which will be allocated and used in accordance with the purposes and proportions as set out in the Prospectus. Details of the specific use are as follows:

Planned use of the net proceeds as stated in the Prospectus	Proceeds actually utilised as at 30 June 2021		Proceeds unutilised as at 30 June 2021		Expected schedule of use
	Net amount (RMB in million)	Net amount (RMB in million)	Remaining amount (RMB in million)		
Category	Percentage	Net amount (RMB in million)	Net amount (RMB in million)	Remaining amount (RMB in million)	Expected schedule of use
To acquire or invest in other property management companies (residential properties, commercial properties, office buildings, schools, hospitals, industrial parks, government buildings and public facilities, urban operation services, etc.); to acquire or invest in companies providing property management related services (cleaning, gardening, security, equipment maintenance, smart technology, etc.).	65%	3,868.3	1,269.3	2,599.0	On or before 31 December 2023
To acquire or invest in companies with businesses that are synergistic and complementary to our community products and services (insurance brokers, real estate agency, education and training, healthcare and medical care, decoration, etc.); to support our ongoing community value-added services (including housekeeping, home furnishing, community advertising, parking lot operation, community group purchase, maintenance service and other community operations).	15%	892.7	93.2	799.5	On or before 31 December 2023

Planned use of the net proceeds as stated in the Prospectus		Proceeds actually utilised as at 30 June 2021	Proceeds unutilised as at 30 June 2021	Expected schedule of use	
Category	Percentage	Net amount (RMB in million)	Net amount (RMB in million)	Remaining amount (RMB in million)	
To purchase and upgrade the software and hardware of smart devices and IoT facilities, and carry out the construction of smart communities (facial recognition, AI smart inspection and identification, smart parking, smart security, smart access control, big data analysis platform, etc.); to upgrade and maintain our existing mobile applications (Evergrande Smart Community APP, Evergrande Butler APP), smart community management system and other internal business information systems (to optimize internal information platform and database, smart community service platform, ERP management system, SAP HR system, Clubhouse management system, etc.); to upgrade community equipment and facilities, reduce costs and increase efficiency, and improve property owners' satisfaction. (Energy-saving renovation of facilities, improving community environment, maintenance of water, electricity and heating facilities, upgrades and maintenance of equipment and facilities, upgrades and renovation of garages, etc.).	8%	476.1	46.7	429.4	On or before 31 December 2023

Planned use of the net proceeds as stated in the Prospectus	Percentage	Net amount (RMB in million)	Proceeds actually utilised as at 30 June 2021	Proceeds unutilised as at 30 June 2021		Expected schedule of use
			Net amount (RMB in million)	Remaining amount (RMB in million)		
Category						
To attract and cultivate talents, continue to conduct talent cultivation through school-enterprise cooperation, and plan to provide employees with more trainings on corporate culture and business operation, and encourage employees to obtain work-related certificates, thereby improving their professionalism, personal efficiency and performance.	2%	119.0	17.0	102.0		On or before 31 December 2023
To satisfy the expected increasing needs for working capital as a result of our rapid expansion, diversifying service offerings, continuous enrichment of the portfolio of property types, and strengthening corporate brand building.	10%	595.1	30.0	565.1		On or before 31 December 2023
Total	100%	5,951.2	1,456.2	4,495.0		/

SHARE OPTION SCHEME

The shareholders of the Company approved the adoption of the share option scheme of the Company (the “**Share Option Scheme**”) at the annual general meeting of the Company held on 15 June 2021. No options have been granted from the adoption of the Share Option Scheme to 30 June 2021.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

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

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2021.

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set forth in Appendix 10 of the Listing Rules as the code of conduct for securities transactions conducted by the directors. Having made due and careful enquiries with the directors, the Company confirmed that for the six months ended 30 June 2021, all directors have abided by the Model Code.

CORPORATE GOVERNANCE

The Company has been in compliance with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2021.

REVIEW OF INTERIM REPORT BY THE AUDIT COMMITTEE

The Audit Committee of the Board comprises three members who are all independent non-executive Directors, namely, Mr. Victor Huang (chairman), Mr. Chan Chun Hung, Vincent and Mr. Guo Zhaohui. The Audit Committee has reviewed the Group’s interim results for the six months ended 30 June 2021, and discussed with the Company’s management regarding the review, internal and risk controls and other relevant matters.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.evergrandeservice.com>). The interim report of the Company for the six months ended 30 June 2021 will be despatched to the Shareholders and made available for review on the same websites in due course.

By order of the Board
Evergrande Property Services Group Limited
Zhen Litao
Chairman

Hong Kong, 31 August 2021

As at the date of this announcement, the Board comprises Mr. Zhen Litao, Mr. Zhao Changlong, Mr. Hu Liang, Mr. Wang Zhen and Ms. An Lihong as executive Directors, and Mr. Chan Chun Hung, Vincent, Mr. Victor Huang and Mr. Guo Zhaohui as independent non-executive Directors.