

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

2022 Interim Report





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Corporate Information

Board of Directors

Executive Directors

Mr. Duan Shengli (*Chairman*)

Mr. Hu Liang

Mr. Lu Peimei

Mr. Wang Zhen

Ms. Yu Fen

Independent Non-executive Directors

Mr. Peng Liaoyuan

Ms. Wen Yanhong

Mr. Guo Zhaohui

Audit Committee

Ms. Wen Yanhong (*Chairman*)

Mr. Peng Liaoyuan

Mr. Guo Zhaohui

Remuneration Committee

Mr. Guo Zhaohui (*Chairman*)

Ms. Wen Yanhong

Mr. Hu Liang

Nomination Committee

Mr. Duan Shengli (*Chairman*)

Mr. Peng Liaoyuan

Mr. Guo Zhaohui

Authorized Representatives

Mr. Duan Shengli

Mr. Fong Kar Chun, Jimmy

Company Secretary

Mr. Fong Kar Chun, Jimmy

Headquarters and Principal Place of Business in the PRC

Third Compartment of Room 3101

No. 78, Huangpu Ave West

Tianhe District

Guangzhou

Guangdong, PRC

Principal Place of Business in Hong Kong

15th Floor, China Evergrande Centre

38 Gloucester Road

Wanchai

Hong Kong

Registered Office

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Hutchins Drive

PO Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited

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Hutchins Drive

PO Box 2681

Grand Cayman KY1-1111

Cayman Islands

Hong Kong Share Registrar Branch

Computershare Hong Kong
Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Auditors

Prism Hong Kong and Shanghai Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

Legal Advisers

Sidley Austin

Principal Banks

Bank of China Limited
Agricultural Bank of China Limited
Industrial and Commercial Bank of
China Limited
China Construction Bank Corporation
Shanghai Pudong Development Bank Co., Ltd.

Stock Code on Main Board of the Stock Exchange of Hong Kong Limited

6666

Company's Website

www.evergrandeservice.com

Chairman's Statement

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Evergrande Property Services Group Limited (“**Evergrande Property**” or the “**Company**”, together with its subsidiaries, the “**Group**”), I am pleased to present the interim results of the Group for the six months ended 30 June 2022 (the “**Period**”).

Review for First half of 2022

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

For the six months ended 30 June 2022, the Group generated total revenue of approximately RMB5,788.1 million and gross profit of approximately RMB1,283.7 million. Of which, revenue from property management services amounted to approximately RMB4,676.6 million and revenue from community value-added services amounted to approximately RMB1,078.6 million, with the two types of revenue accounting for approximately 99.4% of the total revenue.

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

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

Outlook for the second half of 2022

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

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

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

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

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

Duan Shengli

Chairman of the Board

Hong Kong, 5 June 2023

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

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

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

(i) *Property management services*

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

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

(ii) Community value-added services

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

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

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

Costs

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

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

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

Gross profit and gross profit margin

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

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

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

1. In respect of property management services, the Group's gross profit margin for property management services decreased by approximately 13.3 percentage points to approximately 18.8% for the Period from approximately 32.1% for the corresponding period in 2021. The decrease in gross profit margin was mainly due to the Group's adjustment of the revenue recognition pace for certain related party businesses with uncertainty of return based on prudent considerations, resulting in some revenue not being recognized in the current Period.
2. In respect of community value-added services, the Group's gross profit margin for community value-added services decreased by approximately 22.7 percentage points to approximately 37.1% for the Period from approximately 59.8% for the corresponding period in 2021. The decrease in gross profit margin was mainly due to the impact of the liquidity crisis of related parties and the recurring pandemic, the Group suspended some of its value-added services business in a phased manner, while actively adjusting its strategic deployment to develop more service products that are relevant to the lives of its property owners.
3. In respect of value-added services to non-property owners, the Group's value-added services to non-property owners gross profit margin decreased by approximately 27.7 percentage points to approximately 9.1% for the Period from approximately 36.8% for the corresponding period in 2021. The decrease in gross profit margin was mainly due to the impact of the related party liquidity crisis and the Group substantially reduced the value-added services to non-property owners provided to related parties based on its own initiative.

Administrative expenses

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

Other income

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

Other gains

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

Income tax expenses

During the Period, income tax expenses were approximately RMB302.3 million, representing a decrease of approximately 51.0% from approximately RMB616.9 million for the corresponding period in 2021.

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

Profit for the Period

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

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

Property and equipment

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

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

Right-of-use assets

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

Intangible assets

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

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

Trade and other receivables

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

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

Trade and other payables

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

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

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

Contract liabilities

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

Liquidity and financial resources

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

Of the Group's total bank deposits and cash, restricted bank deposits of approximately RMB45.3 million mainly represented industry regulated 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 2022, the Group's net current liabilities amounted to approximately RMB4,456.2 million (31 December 2021: net current liabilities of approximately RMB5,450.2 million). The Group's current ratio (current assets/current liabilities) was approximately 0.46 times.

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

MAJOR RISKS AND UNCERTAINTIES

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

Industry risks

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

Business risks

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

Foreign exchange risks

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

Risk of continuing as a going concern

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

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES

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

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

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

PROCEEDS FROM GLOBAL OFFERING

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

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

HUMAN RESOURCES

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

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

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

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

Corporate Governance and Other Information

Share Option Scheme

The shareholders of the Company has resolved at the extraordinary general meeting of the Company held on 10 May 2021 to adopt the share option scheme of the Company (the “**Share Option Scheme**”).

The purpose of the Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group. The Directors consider that the Share Option Scheme will serve to motivate the eligible participants to contribute to the Group’s development. The Share Option Scheme, which will be in the form of options to subscribe for Shares, will enable the Group to recruit, incentivize and retain high-calibre staff, which the Directors consider that it is in line with modern commercial practice that eligible participants, which will include full or part-time employees, executives, officers or directors of the Group and any associated corporations of the Company and any advisers, consultants, agents, suppliers and joint venture partners who have contributed to the Group, be given incentives and align their interests and objectives with that of the Group.

The Share Option Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. However, the rules of the Share Option Scheme provide that the Board may determine, at its sole discretion, such terms and conditions on the grant of an option.

Based on the 10,810,811,000 Shares in issue as at the date of the AGM, the maximum number of Shares that may be issued upon exercise of the options granted under the Share Option Scheme is 1,081,081,100 Shares, being 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme and as at the date of this report.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme to any eligible participant shall not exceed 1% of the Shares in issue within any 12-month period.

Any option offer will be deemed to have been granted and accepted by the grantee when the duplicate offer document constituting acceptance of the option duly signed by the grantee, and a remittance in favour of the Company of HK\$1.00 as consideration for the grant thereof is received by the Company.

The exercise price of the options is determined by the Board at its absolute discretion and will be not less than the highest price of the official closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, the average official closing prices of the Company’s shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant and the nominal value of the shares of the Company.

At the beginning and end of the six months period ended 30 June 2022, the aggregate number of Shares which may be issued upon the exercise of all share options that may be granted under the Share Option Scheme and all outstanding share options granted and yet to be exercised under the other share option schemes of the Company is 10,810,811,000 Shares.

The Share Option Scheme shall be valid and effect for a period of 10 years commencing from the date of its adoption up to 9 May 2031. As at the date of this report, the remaining life of the Share Option Scheme is approximately 7 years and 11 months. No options have been granted by the Company under the Share Option Scheme from the date of its adoption to 30 June 2022.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debenture

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) **Interest in the shares and underlying shares of the Company**

Name of Director	Capacity in which interests are held	Number of Shares interested	Approximate percentage of shareholding ⁽¹⁾
Mr. Zhen Litao ⁽²⁾	Beneficial owner	2,880,000	0.03%

Notes:

- The calculation of the percentage is based on the total number of Shares in issue as at 30 June 2022.
- Mr. Zhen Litao resigned as Director on 22 July 2022.

(ii) Interest in shares and underlying shares of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity in which interests are held	Number of Shares or underlying Shares	Approximate percentage of shareholding ⁽¹⁾
Mr. Zhen Litao ⁽⁴⁾	China Evergrande Group	Beneficial owner	25,708,000 ⁽²⁾	0.19%
	China Evergrande New Energy Vehicle Group Limited	Beneficial owner	4,010,000	0.04%
Mr. Zhao Changlong ⁽⁴⁾	China Evergrande Group	Beneficial owner	6,600,000 ⁽³⁾	0.05%
Mr. Hu Liang	China Evergrande Group	Beneficial owner	3,300,000 ⁽³⁾	0.02%
Mr. Wang Zhen	China Evergrande Group	Beneficial owner	1,300,000 ⁽³⁾	0.01%
Ms. An Lihong ⁽⁴⁾	China Evergrande Group	Beneficial owner	250,000 ⁽³⁾	0.00%

Notes:

1. The calculation of the percentage is based on the total number of shares in issue of the respective associated corporation as at 30 June 2022.
2. Such interest included 5,108,000 shares in China Evergrande Group and 20,600,000 share options of China Evergrande Group.
3. Such interest was in the form of share options of China Evergrande Group.
4. Mr. Zhen Litao, Mr. Zhao Changlong and Ms. An Lihong resigned as Directors on 22 July 2022.

(iii) Interest in debentures of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity in which interests are held	Currencies of debentures	Amount of debentures held	Amount of debentures in same class in issue ⁽¹⁾
Mr. Zhen Litao ⁽²⁾	China Evergrande Group	Beneficial owner	US\$	1,000,000	1,000,000,000

Notes:

1. Based on the amount of debentures in the same class in issue as at 30 June 2022.
2. Mr. Zhen Litao resigned as Director on 22 July 2022.

Save as disclosed above, as at 30 June 2022, none of the Directors, chief executive of the Company or their respective associates had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Substantial Shareholders

So far as is known to any Director or chief executive of the Company, as at 30 June 2022, the following persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO or were otherwise notified to the Company and the Stock Exchange:

Name of shareholder	Capacity in which interests are held	Number of Shares interested	Approximate percentage of shareholding ⁽¹⁾
Dr. Hui Ka Yan	Interest in controlled corporation	6,290,229,000 ⁽²⁾	58.18%
Mrs. Hui	Spouse interest	6,290,229,000 ⁽³⁾	58.18%
Xin Xin (BVI) Limited	Interest in controlled corporation	6,290,229,000 ⁽⁴⁾	58.18%
China Evergrande Group	Interest in controlled corporation and beneficial owner	6,290,229,000 ⁽⁵⁾	58.18%
Anji (BVI) Limited	Interest in controlled corporation	6,083,074,000 ⁽⁶⁾	56.27%
Shengjian (BVI) Limited	Interest in controlled corporation	6,083,074,000 ⁽⁶⁾	56.27%
CEG Holdings (BVI) Limited	Beneficial owner	6,083,074,000 ⁽⁶⁾	56.27%

Notes:

- The calculation of the percentage is based on the total number of Shares in issue as at 30 June 2022.
- Such shares were held by China Evergrande Group and its subsidiaries. Dr. Hui Ka Yan ("**Dr. Hui**") is the controlling shareholder of China Evergrande Group and is deemed to be interested in such shares under the SFO.
- Mrs. Hui is the spouse of Dr. Hui and is deemed to be interested in the same interest of Dr. Hui in the Company under the SFO.
- Xin Xin (BVI) Limited is a company wholly owned by Dr. Hui and is the direct controlling shareholder of China Evergrande Group. Xin Xin (BVI) Limited is deemed to be interested in the shares held by China Evergrande Group in the Company under the SFO.
- Of the 6,290,229,000 Shares, 6,083,074,000 Shares were held by China Evergrande Group through its subsidiaries and 207,155,000 Shares were held directly by China Evergrande Group.
- CEG Holdings (BVI) Limited is directly owned as to 50% by China Evergrande Group and as to 50% by Shengjian (BVI) Limited. Shengjian (BVI) Limited is wholly owned by Anji (BVI) Limited, which is in turn wholly owned by China Evergrande Group. By virtue of the SFO, Shengjian (BVI) Limited and Anji (BVI) Limited and China Evergrande Group are deemed to be interested in the Shares held by CEG Holdings (BVI) Limited.

Interim dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

Purchase, Sale and Redemption of Shares

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

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as the Company's code of conduct for securities transactions by the Directors. The Company has made specific enquiry of all Directors and they have confirmed that they have complied with the requirements set out in the Model Code throughout the six months ended 30 June 2022.

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 the Listing Rules as the Company's corporate governance code. For the six months ended 30 June 2022, the Company had complied with all applicable code provisions of the CG Code.

Events after the Reporting Period

Apart from the events disclosed below, there have been no other material events after the reporting period since the end of the reporting period up to the date of this report.

Independent investigation

Reference is made to the announcements of the Company dated 29 March 2022, 22 July 2022 and 15 February 2023 in relation to the Independent Investigation and 21 September 2022 and 20 December 2022 in relation to the Quarterly Information Update respectively (collectively, the “**Relevant Announcements**”) and unless the context otherwise requires, terms used below shall have the same meanings as those used in the Relevant Announcements.

The Company has established the Independent Investigation Committee to investigate the Deposit Pledge Incident. The Independent Investigation Committee comprises Ms. Wen Yanhong, Mr. Peng Liaoyuan and Mr. Guo Zhaohui, all of whom are independent non-executive Directors of the Company, of whom Ms. Wen Yanhong is the chairman of the Independent Investigation Committee.

The Independent Investigation Committee has appointed DLA Piper, Jincheng Tongda & Neal and Grant Thornton China as professional advisers to the Independent Investigation Committee to assist in the investigation.

The Company released the key findings of the Independent Investigation on 15 February 2023. According to the findings of Independent Investigation, during the period from 28 December 2020 to 2 August 2021, six subsidiaries of the Company (namely Jinbi Property, Jinbi Hengying, Jinbi Huafu, Evergrande Hengkang, Jinbi Shijia and Jinbi Hengkang) provided the Pledges to Banks 1 to 8 for the purposes of obtaining financing for Third Parties 1 to 36 (as guaranteed parties). The relevant funds (after deduction of fees) were transferred to Evergrande Group through certain guaranteed parties and various Intermediary Companies. The guarantee period of the Pledges was due. As the conditions for enforcing the Pledges were triggered, Banks 2, 3, 5, 6,7&8 deducted/transferred the deposit certificates in the total amount of approximately RMB 13.4 billion.

The incident reflected to a certain extent the inadequacy of the Group's internal control system and the Company has appointed an internal control consultant to conduct a comprehensive assessment of the Company's internal control and risk management system.

According to the relevant laws and regulations, the Group may seek compensation from the guaranteed parties for the deducted/transferred deposit certificates of RMB13.4 billion in accordance with the relevant laws and regulations and the terms of the pledge guarantee contracts, or seek compensation from the actual recipients or users of the funds by virtue of the creditor-debtor relationship. The Company is currently in discussion with China Evergrande regarding a proposal to repay the funds involved in the Pledges. The plan is mainly to set off the relevant sums by transferring assets of the Evergrande Group to the Group. The Company has engaged DLA Piper as the Company's overseas lawyer, Beijing Dentons Law Offices, LLP (Guangzhou) as the Company's domestic lawyer, Maxa Capital Limited as the independent financial adviser and Hong Kong Appraisal Advisory Limited (香港評值國際有限公司) as the property appraiser to assist the Company in taking forward the repayment proposal. The Company will issue further announcement(s) once the relevant repayment proposal has been finalised. Please refer to the relevant announcement for details of the independent investigation.

Resumption guidance from The Stock Exchange

The Company received the following resumption guidance and additional resumption guidance from the Stock Exchange on 15 June 2022 and 30 August 2022 respectively:

- (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 the Company's compliance with Rule 13.24 of the Listing Rules;
- (d) inform the market of all material information for the Company's shareholders and other investors to appraise the Company's position;
- (e) 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; and
- (f) 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.

The Company has issued quarterly announcements in accordance with Listing Rule 13.24A in relation to such developments and will take appropriate steps to comply with the resumption guidance.

For details of the above matters, please refer to the Company's announcements dated 20 June 2022, 1 September 2022, 21 September 2022, 20 December 2022 and 22 March 2023 for details of the above matters.

Review of the internal control system

The Company has appointed Grant Thornton Advisory Services Limited as the Company's internal control consultant to conduct an independent review of the Company's internal control system. For details of the above matters, please refer to the Company's announcements dated 20 December 2022.

The Financial Reporting Council conducted an enquiry into the Company's accounts

According to the press release of the Financial Reporting Council (the “**FRC**”) dated 15 August 2022 in relation to the Company, the FRC has initiated an enquiry into the financial statements of the Company for the year ended 31 December 2020 and the six months ended 30 June 2021. For further details, please refer to the Company's announcement dated 16 August 2022.

Change of compliance advisor

On 2 September 2022, the Company and Huatai Financial Holdings (Hong Kong) Limited have mutually agreed to terminate the compliance adviser agreement entered into by both parties for commercial reasons. At the same time, the Company has appointed Opus Capital Limited as the new compliance adviser to the Company pursuant to Rule 3A.19 of the Listing Rules with effect from 2 September 2022. For further details, please refer to the Company's announcement dated 1 September 2022.

Appointment and Resignation of Directors

On 22 July 2022, Mr. Duan Shengli was appointed as an executive Director, the chairman of the Board, the chairman of the Nomination Committee and the authorised representative of the Company, Mr. Lu Peimei was appointed as an executive Director of the Company and Ms. Yu Fen, was appointed as an executive Director and the chief financial officer of the Company. On the same date, Mr. Zhen Litao resigned as an executive Director, the chairman of the Board and the chairman of the Nomination Committee of the Company, Mr. Zhao Changlong resigned as an executive Director of the Company and an authorised representative of the Company and Ms. An Lihong resigned as an executive Director of the Company. For details, please refer to the announcement of the Company dated 22 July 2022.

Renewal of continuing connected transactions

On 30 December 2022, the Company and China Evergrande entered into (i) the Master Car Parking Space Leasing Agreement in respect of the leasing of certain car park spaces by the Group from subsidiaries, joint ventures and associates of China Evergrande (the “**Evergrande Associates**”); and (ii) the Master Property Management and Related Services Agreement in respect of the provision of property management and related services by the Group to the Evergrande Associates, to renew the existing continuing connected transaction agreements for a term of three years commencing from 1 January 2023 and ending on 31 December 2025. For details, please refer to the Company's announcement dated 30 December 2022.

Change of auditor

Reference is made to the announcement of the Company dated 16 January 2023 in relation to the change of auditor (the “**Announcement**”). On 16 January 2023, PricewaterhouseCoopers (“**PwC**”) resigned as the auditor of the Company at the recommendation of the Company. The matters leading to PwC’s resignation as the auditor of the Company, as set out in his resignation letter to the Audit Committee and the Board dated 16 January 2023, were also matters which PwC considered should be brought to the attention of shareholders and creditors of the Company. On the same day, the Board appointed Prism Hong Kong and Shanghai Limited (上會栢誠會計師事務所有限公司) (“**Prism**”) as the new auditor of the Company to fill the casual vacancy following the resignation of PwC and to hold office until the conclusion of the next annual general meeting of the Company. Prism is a member firm of Shanghai Certified Public Accountants (Special General Partnership) in Hong Kong. For further details, please refer to the Announcement.

Audit Committee

In accordance with the requirements of the Corporate Governance 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 discussed matters relating to risk management, internal control and financial reporting, including the review of the unaudited consolidated financial statements of the Group for the six months ended 30 June 2022. The financial data, including comparative figures, have been reviewed by the Audit Committee.

Report on Review of Interim Condensed Consolidated Financial Statements

To the Board of Directors of Evergrande Property Services Group Limited
(incorporated in the Cayman Islands with limited liabilities)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 26 to 60, which comprises the condensed consolidated statement of financial position of Evergrande Property Services Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred as the “**Group**”) as at 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 Interim Financial Reporting (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

CONCLUSION

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

Prism Hong Kong and Shanghai Limited

Certified Public Accountants

Lee Kwok Lun

Practising Certificate Number: P06294

Hong Kong

5 June 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	6	5,788,059	7,873,439
Cost of sales		(4,504,398)	(4,934,913)
Gross profit		1,283,661	2,938,526
Other income	7	74,372	88,669
Other gains		1,170	1,311
Impairment losses on financial assets		(54,202)	(9,891)
Fair value gains on investment properties		347	–
Administrative expenses		(415,143)	(443,439)
Operating profit		890,205	2,575,176
Share of net profit of investments accounted for using the equity method		680	1,126
Finance costs	10	(17,674)	(24,957)
Profit before income tax		873,211	2,551,345
Income tax expenses	11	(302,343)	(616,880)
Profit for the period		570,868	1,934,465
Profit/(Loss) attributable to:			
– Owners of the Company		546,136	1,935,257
– Non-controlling interests		24,732	(792)
		570,868	1,934,465
Other comprehensive income/(loss)			
Items that maybe reclassified subsequently to profit or loss			
Exchange differences arising on translation of financial statements of foreign operations		801	(220)
Total comprehensive income for the period		571,669	1,934,245
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		546,937	1,935,037
– Non-controlling interests		24,732	(792)
		571,669	1,934,245
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted	13	RMB0.05	RMB0.18

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Assets			
Non-current assets			
Property and equipment	14	62,130	70,672
Right-of-use assets		99,626	188,423
Intangible assets	15	2,107,391	2,205,277
Investment properties		40,368	40,021
Investments accounted for using the equity method		31,920	29,240
Deferred income tax assets		132,201	147,966
		2,473,636	2,681,599
Current assets			
Trade and other receivables	16	2,898,803	2,713,914
Prepayments	17	21,188	34,376
Financial assets at fair value through profit or loss		3,180	5,489
Restricted cash	19	45,327	36,596
Cash and cash equivalents	18	814,066	1,130,154
		3,782,564	3,920,529
Total assets		6,256,200	6,602,128
Equity			
Share capital	20	7,060	7,060
Reserves	21	(6,421,517)	(6,824,318)
Retained earnings		3,496,843	2,950,707
Equity attributable to owners of the Company		(2,917,614)	(3,866,551)
Non-controlling interests		388,753	364,021
Total deficiency in equity		(2,528,861)	(3,502,530)

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Borrowings	22	100,000	150,000
Lease liabilities		132,461	218,551
Other payables	23	28,076	54,018
Contingent consideration payables		58,310	58,310
Deferred income tax liabilities		227,449	253,081
		546,296	733,960
Current liabilities			
Borrowings	22	149,700	150,000
Contract liabilities		2,500,078	3,080,149
Trade and other payables	23	5,210,577	5,536,520
Current income tax liabilities		227,773	501,011
Lease liabilities		150,637	103,018
		8,238,765	9,370,698
Total liabilities		8,785,061	10,104,658
Total equity and liabilities		6,256,200	6,602,128

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

Condensed Consolidated Statement of Changes in Equity

	Notes	Attributable to owner of the Company					Non-controlling interests	Total
		Share capital	Reserves	Retained earnings	Subtotal			
		RMB'000 (Note 20)	RMB'000 (Note 21)	RMB'000	RMB'000	RMB'000		
Balance at 1 January 2022 (Audited)		7,060	(6,824,318)	2,950,707	(3,866,551)	364,021	(3,502,530)	
Profit for the period		-	-	546,136	546,136	24,732	570,868	
Currency translation differences		-	801	-	801	-	801	
Transactions with owners of the Company								
Tax effect of equity transactions with ultimate holding company		-	402,000	-	402,000	-	402,000	
Balance at 30 June 2022 (Unaudited)		7,060	(6,421,517)	3,496,843	(2,917,614)	388,753	(2,528,861)	
Balance at 31 December 2020 (as previously reported)		7,060	6,522,290	3,393,829	9,923,179	10,962	9,934,141	
Prior year adjustments		-	(50,000)	-	(50,000)	-	(50,000)	
Common control combination		-	50,000	(77,531)	(27,531)	-	(27,531)	
Balance at 1 January 2021 (restated) (Audited)		7,060	6,522,290	3,316,298	9,845,648	10,962	9,856,610	
Profit for the period		-	-	1,935,257	1,935,257	(792)	1,934,465	
Currency translation differences		-	(220)	-	(220)	-	(220)	
Transactions with owners of the Company								
Acquisition of subsidiaries	25	-	-	-	-	425,312	425,312	
Capital contribution by the then shareholder of the subsidiary acquired under common control		-	50,000	-	50,000	-	50,000	
Release of financial guarantee to ultimate holding company		-	50,000	-	50,000	-	50,000	
Acquisition of subsidiary under common control	21	-	(39,198)	-	(39,198)	-	(39,198)	
Transfer to statutory reserves	21	-	183,198	(183,198)	-	-	-	
Balance at 30 June 2021 (Unaudited)		7,060	6,766,070	5,068,357	11,841,487	435,482	12,276,969	

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

Condensed Consolidated Statement of Cash Flows

	Note	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cash flows of operating activities			
Cash (used in)/generated from operations		(35,488)	3,699,074
PRC enterprise income tax paid		(183,447)	(92,903)
Net cash (used in)/generated from operating activities		(218,935)	3,606,171
Cash flows of investing activities			
Acquisition of subsidiaries	25	–	(610,757)
Purchases of property and equipment		(14,898)	(7,634)
Purchase of intangible assets		(265)	(2,541)
Disposal of property and equipment and investment properties		10,771	595
Proceeds from disposal of investment accounted for using equity method		–	613
Proceeds from disposal of financial assets at fair value through profit or loss		–	826,569
Purchase of investment accounted for using equity method		(2,000)	–
Interest received		4,384	36,298
Purchase of financial assets at fair value through profit or loss		–	(776,620)
Net cash used in investing activities		(2,008)	(533,477)
Cash flows of financing activities			
Proceeds from borrowings		–	350,000
Repayments of borrowings		(50,300)	(68,038)
Interest paid		(8,703)	(2,691)
Lease payments		(38,703)	(10,116)
Increase in amounts due to related parties		–	7,587
Capital injection by the then shareholder of the subsidiary acquired under common control		–	50,000
Net cash (used in)/generated from financing activities		(97,706)	326,742
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at beginning of period		1,130,154	10,605,396
Exchange realignment on cash and cash equivalents		2,561	(999)
Cash and cash equivalents at end of period		814,066	14,003,833

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

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

These condensed consolidated financial statements are unaudited.

2. Basis of preparation

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

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

2. Basis of preparation (continued)

Going concern assumption

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

In view of the above circumstances, the 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 2022 and plans and measures to be taken, the Group will have sufficient working capital to meet its financial obligations up to 30 June 2024.

- The Group is currently in discussion with China Evergrande Group regarding a proposal to repay the funds involved in the deposit certificate pledge guarantees of approximately RMB13,400,000,000 in total to the Group (the “**Case**”). The Case is a special case and certain measures in relation to the internal control system of the Group will be implemented. The Case will not have further significant impact on the Group's future operating cash flows;
- The Group has reached agreements with certain creditors (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 condensed consolidated financial statements for the six months ended 30 June 2022 has been prepared on a going concern basis.

2. Basis of preparation (continued)

Going concern assumption (continued)

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

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

3. Accounting policies

The condensed consolidated financial statements have been prepared on a historical cost basis, except for investment properties and 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 2022 are the same as those followed in the Group's audited consolidated financial statements for the year ended 31 December 2021. The adoption of the new and amendments to HKFRSs that are relevant to the Group and effective from the current period had no 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. Financial risk management

4.1 Financial risk factors

4.1.1 Market risk

(i) *Foreign exchange risk*

The Group's normal operating activities are principally conducted in RMB since most of the operating entities are based in the PRC. The foreign exchange risk mainly arises from monetary assets and of certain subsidiaries denominated in foreign currencies other than their functional currencies.

The Group's foreign currency denominated monetary assets at the respective consolidated statement of financial position are as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Monetary assets		
– HK\$	52,278	57,277
– US\$	2,083	1,980
	54,361	59,257

As at 30 June 2022 and 31 December 2021, if RMB had strengthened/weakened by 5% against the relevant foreign currencies with all other variables held constant, post-tax profit for the period ended 30 June 2022 and for the year ended 31 December 2021 would have been approximately RMB2,718,000 and RMB2,963,000 lower/higher, respectively.

The interim condensed consolidated financial statements does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

There have been no changes in the risk management department or in any risk management policies since year ended 31 December 2021.

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.2 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000 (Unaudited)	Between 1 and 2 years RMB'000 (Unaudited)	Between 2 and 5 years RMB'000 (Unaudited)	Over 5 years RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 30 June 2022					
Borrowings	156,988	112,803	–	–	269,791
Lease liabilities	160,157	76,246	53,168	20,932	310,503
Trade and other payables (excluding accrued payroll liabilities and other tax payable)	4,601,766	28,076	–	–	4,629,842
	4,918,911	217,125	53,168	20,932	5,210,136

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.2 Liquidity risk (continued)

	Less than 1 year RMB'000 (Audited)	Between 1 and 2 years RMB'000 (Audited)	Between 2 and 5 years RMB'000 (Audited)	Over 5 years RMB'000 (Audited)	Total RMB'000 (Audited)
At 31 December 2021					
Borrowings	160,091	113,742	58,231	–	332,064
Lease liabilities	106,940	124,099	81,141	24,693	336,873
Trade and other payables (excluding accrued payroll liabilities and othertax payable)	4,547,159	54,018	–	–	4,601,177
	4,814,190	291,859	139,372	24,693	5,270,114

4.1.3 Fair value measurement of financial instruments

(a) Fair value measurement of financial instruments

The table below analyses financial instruments carried or presented at fair value, by level of the inputs to valuation techniques used to measure fair value. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.3 Fair value measurement of financial instruments (continued)

(a) Fair value measurement of financial instruments (continued)

	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 30 June 2022				
Financial Asset				
Financial assets at fair value through profit or loss	–	–	3,180	3,180
Financial Liability				
Contingent consideration payables	–	–	58,310	58,310

	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	Total RMB'000 (Audited)
At 31 December 2021				
Financial Asset				
Financial assets at fair value through profit or loss	–	–	5,489	5,489
Financial Liability				
Contingent consideration payables	–	–	58,310	58,310

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.3 Fair value measurement of financial instruments (continued)

(b) The following table presents the changes in level 3 financial instruments for six months ended 30 June 2022:

	Wealth management products RMB'000	Unlisted entity investment RMB'000	Total RMB'000
At 1 January 2021			
Additions	2,554,226	–	2,554,226
Acquisition of subsidiaries	162,148	19,320	181,468
Gains/(loss) recognised in profit or loss	46	(820)	(774)
Disposal	(2,714,111)	(15,320)	(2,729,431)
At 31 December 2021	2,309	3,180	5,489
At 1 January 2022	2,309	3,180	5,489
Loss recognised in profit or loss	(2,309)	–	(2,309)
At 30 June 2022	–	3,180	3,180

5. Segment information

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

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

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

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

6. Revenue

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

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

7. Other income

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

- (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.

8. Expenses by nature

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Employee benefit expenses (Note 9)	2,749,021	2,730,000
Greening and cleaning expenses	791,204	1,242,831
Maintenance costs	331,281	545,287
Utilities	332,843	249,595
Services fee	122,852	139,385
Short-term and low value lease expenses	83,582	91,134
Depreciation and amortisation charges	206,279	76,722
Costs of security	37,226	67,068
Tax and other levies	28,469	59,593
Office expenses	61,095	48,640
Travelling and entertainment expenses	19,010	32,999
Cost of goods sold	73,069	17,169
Community activities expenses	21,519	15,156
Uniform costs	5,678	14,741
Bank charges	10,737	11,143
Professional fees	12,008	6,898
Penalties	6,312	—
Others	27,356	29,991
	4,919,541	5,378,352

9. Employee benefit expenses

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Salaries, bonuses and other benefits	2,509,733	2,504,322
Contribution to pension scheme expenses (Note a)	239,288	225,678
	2,749,021	2,730,000

- (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 local municipal government to the scheme to fund the retirement benefits of the employees.

10. Finance costs

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest on consideration payables	6,734	13,928
Interest on borrowings	8,703	3,387
Interest on lease liabilities	1,280	1,763
Other finance costs (Note a)	957	5,879
	17,674	24,957

- (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.

11. Income tax expenses

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

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 2022 and 30 June 2021. Certain subsidiaries and branches of the Group in the PRC are located in western cities, and they are subject to a preferential income tax rate of 15% during the six months ended 30 June 2022 and 30 June 2021. The subsidiary and branches of the Group located in Hainan Province are qualified to enjoy the preferential income tax rate of 15% since 1 January 2020.

12. Dividends

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

13. Earning per share

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

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	546,136	1,935,257
Weighted average number of ordinary shares in issue (in thousands)	10,810,811	10,810,811
Basic and diluted earning per share	RMB0.05	RMB0.18

14. Property and equipment

	Property RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture, fitting and equipment RMB'000	Total RMB'000
As at 1 January 2022					
Cost	3,605	45,048	36,810	127,222	212,685
Accumulated depreciation	(249)	(31,782)	(17,894)	(92,088)	(142,013)
Opening net carrying amount (Audited)	3,356	13,266	18,916	35,134	70,672
Additions	–	2,582	2,887	9,429	14,898
Disposals	–	(2,353)	(2,928)	(5,490)	(10,771)
Depreciation charge	(91)	(2,033)	(2,106)	(8,439)	(12,669)
Closing net carrying amount (Unaudited)	3,265	11,462	16,769	30,634	62,130
As at 30 June 2022					
Cost	3,605	47,630	39,697	136,651	227,583
Accumulated depreciation	(340)	(36,168)	(22,928)	(106,017)	(165,453)
Net carrying amount (Unaudited)	3,265	11,462	16,769	30,634	62,130

14. Property and equipment (continued)

	Property RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture, fitting and equipment RMB'000	Total RMB'000
As at 1 January 2021					
Cost	2,646	39,404	21,408	106,988	170,446
Accumulated depreciation	(114)	(29,180)	(11,552)	(75,500)	(116,346)
Opening net carrying amount (Audited)					
	2,532	10,224	9,856	31,488	54,100
Additions	–	1,523	1,506	4,605	7,634
Acquisition of subsidiaries (Note 25)	–	2,379	12,425	12,771	27,575
Disposals	(1)	(3)	(23)	(42)	(69)
Depreciation charge	(66)	(1,229)	(4,372)	(9,052)	(14,719)
Closing net carrying amount (Unaudited)					
	2,465	12,894	19,392	39,770	74,521
As at 30 June 2021					
Cost	2,634	43,246	34,880	123,744	204,504
Accumulated depreciation	(169)	(30,352)	(15,488)	(83,974)	(129,983)
Net carrying amount (Unaudited)					
	2,465	12,894	19,392	39,770	74,521

15. Intangible assets

	Computer software RMB'000	Property management contracts and customer relationship RMB'000	Goodwill RMB'000	Total RMB'000
As at 1 January 2022				
Cost	20,365	1,195,199	1,755,428	2,970,992
Accumulated amortisation and impairment losses	(6,347)	(165,422)	(593,946)	(765,715)
Opening net carrying amount (Audited)	14,018	1,029,777	1,161,482	2,205,277
Period ended 30 June 2022				
Opening net carrying amount	14,018	1,029,777	1,161,482	2,205,277
Additions	265	–	–	265
Disposal	–	–	–	–
Amortisation	(2,360)	(95,791)	–	(98,151)
Closing net carrying amount (Unaudited)	11,923	933,986	1,161,482	2,107,391
As at 30 June 2022				
Cost	20,630	1,195,199	1,755,428	2,971,257
Accumulated amortisation and impairment losses	(8,707)	(261,213)	(593,946)	(863,866)
Net carrying amount (Unaudited)	11,923	933,986	1,161,482	2,107,391

15. Intangible assets (continued)

	Computer software RMB'000	Property management contracts and customer relationship RMB'000	Goodwill RMB'000	Total RMB'000
As at 1 January 2021				
Cost	14,309	61,823	56,619	132,751
Accumulated amortisation	(1,795)	(2,273)	–	(4,068)
Opening net carrying amount (Audited)				
	12,514	59,550	56,619	128,683
Additions	2,541	–	–	2,541
Acquisition of subsidiaries (Note 25)	3,345	1,133,376	1,698,809	2,835,530
Amortisation	(2,206)	(53,854)	–	(56,060)
Closing net carrying amount (Unaudited)				
	16,194	1,139,072	1,755,428	2,910,694
As at 30 June 2021				
Cost	20,193	1,195,199	1,755,428	2,970,820
Accumulated amortisation	(3,999)	(56,127)	–	(60,126)
Net carrying amount (Unaudited)				
	16,194	1,139,072	1,755,428	2,910,694

15. Intangible assets (continued)

- (a) During the six months ended 30 June 2021, the Group acquired seven property management companies at an aggregate cash consideration of RMB2,167,981,000 (Note 25). Identified property management contract and customer relationship of RMB1,133,376,000 is recognised as intangible assets. The excess of the consideration of acquisition over proportion of the value of the acquired identifiable net assets of RMB1,698,809,000 is recorded as goodwill.

As the result of management assessment, no impairment provision on goodwill was recognised for the six months ended 30 June 2022 and 2021.

16. Trade and other receivables

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade receivables		
– Related parties (Note 26)	2,467,832	2,499,704
– Third parties	2,766,383	2,204,407
Notes receivables		
– Related parties (Note 26)	552	1,420
Gross trade receivables	5,234,767	4,705,531
Less: allowance for impairment of trade and notes receivables		
– Related parties (Note 26)	(2,454,613)	(2,440,150)
– Third parties	(311,178)	(265,682)
	2,468,976	1,999,699

16. Trade and other receivables (continued)

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Value added tax recoverable	18,695	51,412
Ultimate holding company		
– Financial guarantee	13,400,000	13,400,000
Less:		
– Enforcement of financial guarantee-pledged	(13,400,000)	(13,400,000)
	–	–
Other related parties	18,989	9,134
Other receivables		
– Payments on behalf of property owners (Note c)	242,651	501,470
– Deposits	113,713	164,138
– Others	102,744	60,784
Gross other receivables	478,097	735,526
Less: allowance for impairment of other receivables charged to profit or loss		
– Third parties	(66,965)	(72,723)
	411,132	662,803
	2,898,803	2,713,914

- (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.

16. Trade and other receivables (continued)

- (b) As at 30 June 2022 and 31 December 2021, the aging analysis of the trade and notes receivables based on date of revenue recognition were as follows:

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

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

17. Prepayments

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Prepayments to suppliers		
– Related parties (Note 26)	1,751	3,688
– Third parties	19,437	30,688
	21,188	34,376

18. Cash and bank balances

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Cash on the hand	2,031	1,995
Cash at bank (Note a)	812,035	1,128,159
Cash and cash equivalents	814,066	1,130,154

(a) Cash and bank balances were denominated in the following currencies:

RMB	759,705	1,070,897
HKD	52,278	57,277
USD	2,083	1,980
	814,066	1,130,154

(b) The conversion of RMB denominated deposits placed in banks in the PRC into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

19. Restricted cash

Restricted cash mainly represents (i) industry regulated funds of Evergrande Insurance Agency Co., Ltd.; (ii) deposits for the provision of property management services as required by local government authorities; (iii) cash restricted to projects managed on a remuneration basis only; (iv) funds for litigation preservation of some subsidiaries.

20. Share capital

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

21. Reserves

	Share premium RMB'000	Statutory reserves RMB'000	Capital reserves RMB'000	Exchange reserves RMB'000	Total RMB'000
Six months ended					
30 June 2022					
Balance at 1 January 2022 (Audited)	5,944,185	421,071	(13,188,981)	(593)	(6,824,318)
Tax effect of equity transactions with ultimate holding company	-	-	402,000	-	402,000
Currency translation differences	-	-	-	801	801
Balance at 30 June 2022 (Unaudited)	5,944,185	421,071	(12,786,981)	208	(6,421,517)

21. Reserves (continued)

	Share premium RMB'000	Statutory reserves RMB'000	Capital reserves RMB'000	Exchange reserves RMB'000	Total RMB'000
Six months ended					
30 June 2021					
Balance at 31 December 2020 (as previously reported)	5,944,185	371,774	207,239	(908)	6,522,290
Common control combinations	–	–	50,000	–	50,000
Prior year adjustments	–	–	(50,000)	–	(50,000)
Balance at 1 January 2021 (as restated) (Audited)	5,944,185	371,774	207,239	(908)	6,522,290
Transfer to statutory reserves (Note a)	–	183,198	–	–	183,198
Capital contribution by the then shareholder of the subsidiary acquired under common control	–	–	50,000	–	50,000
Release of financial guarantee to ultimate holding company	–	–	50,000	–	50,000
Acquisition of subsidiary under common control (Note b)	–	–	(39,198)	–	(39,198)
Currency translation differences	–	–	–	(220)	(220)
Balance at 30 June 2021 (Unaudited)	5,944,185	554,972	268,041	(1,128)	6,766,070

(a) Statutory reserves

In accordance with relevant rules and regulations in the PRC and the Company's Articles of Association, companies incorporated in PRC are required to transfer no less than 10% of their profit after taxation calculated under PRC accounting standards and regulations to the statutory reserve funds, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve funds can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capital of respective companies.

21. Reserves (continued)

- (b) The Group acquired Evergrande Insurance Agency at a consideration of RMB39,198,000 on 27 April 2021. The acquisition is regarded as a business combination under common control.

As the then shareholder of Evergrande Insurance Agency, Evergrande Internet Group Co., Ltd has injected capital of RMB50,000,000 in March 2021. The condensed consolidated financial statements have been prepared using the principles of merger accounting and the excess of paid up capital over the considerations is credited to capital reserves.

22. Borrowings

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Current	149,700	150,000
Non-current	100,000	150,000
	249,700	300,000

As at 30 June 2022, the Group's bank borrowings of RMB249,700,000 (as at 31 December 2021: RMB300,000,000) were secured by pledge of the Group's equity interest of certain subsidiaries and guaranteed by non-controlling interests.

The maturity of the borrowings is as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within one year	149,700	150,000
1-2 years	100,000	–
Over 2 years	–	150,000
	249,700	300,000

23. Trade and other payables

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade payables (Note a)		
– Related parties (Note 26)	254,731	225,530
– Third parties	1,940,255	1,913,508
	2,194,986	2,139,038
Notes payables (Note a)		
– Related parties (Note 26)	–	1,168
– Third parties	–	1,909
	–	3,077
Other payables		
– Considerations payable for business combinations	603,692	839,278
– Amounts temporarily received from/on behalf of property owners or leaser (Note b)	488,424	723,767
– Deposits	323,979	345,249
– Other tax payables	120,253	419,829
– Others	1,018,761	550,768
	2,555,109	2,878,891
Accrued payroll	488,558	569,532
Less: non-current portion of other payables	(28,076)	(54,018)
Current portion	5,210,577	5,536,520

23. Trade and other payables (continued)

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

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

- (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 leasees to be returned to the property owners.

- (c) As at 30 June 2022 and 31 December 2021, trade and other payables were denominated in RMB and the carrying amounts of trade and other payables approximate their fair values.

24. Commitments

Capital commitments

Considerations to be paid for acquisitions of subsidiaries contracted for but not yet completed is as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Up to 1 year	300,000	–
1 to 2 years	–	300,000
	300,000	300,000

25. Business combinations

During the six months ended 30 June 2021, the Group acquired seven property management companies at a total consideration of RMB2,167,981,000. Identified property management contract and customer relationship of RMB1,133,376,000 is recognised as intangible assets. The excess of the consideration of acquisition over proportion of the value of the acquired identifiable net assets of RMB1,698,809,000 (note 15) is recorded as goodwill.

Details of the purchase considerations, the net assets acquired are as follows:

	RMB'000
Purchase consideration	
Total fair value of cash consideration	2,109,671
Contingent consideration payables	58,310
	2,167,981
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and bank balances	217,407
Financial assets at fair value through profit or loss	181,468
Prepayments	5,862
Trade and other receivables	640,456
Property and equipment (Note 14)	27,575
Property management contracts and customer relationships (Note 15)	1,133,376
Other intangible assets (Note 15)	3,345
Right-of-use assets	25,114
Investment properties	35,143
Investments accounted for using the equity method	18,084
Deferred income tax assets	26,314
Borrowings	(71,738)
Contract liabilities	(136,940)
Trade and other payables	(710,061)
Current income tax liabilities	(190,707)
Lease liabilities	(26,410)
Deferred income tax liabilities	(283,344)
Total identifiable net assets	894,944
Less: non-controlling interests	(425,312)
Identifiable net assets attributable to the Group	469,632
Goodwill (Note 15)	1,698,809
Gain on bargaining purchase	(460)
Total fair value of purchase consideration	2,167,981

25. Business combinations (continued)

(a) Net cash outflow arising on acquisition during the six months ended 30 June 2021:

	RMB'000
Total fair value of cash considerations	2,167,981
Less: contingent consideration payable	(58,310)
Less: cash considerations payable as at 30 June 2021	(1,281,507)
Cash considerations paid in the period	828,164
Less: cash and cash equivalents in the subsidiaries acquired	(217,407)
Net cash outflow	610,757

(b) Acquired receivables

The fair value of trade and other receivables is RMB640,456,000, the gross contractual amount for trade receivables due is RMB707,513,000, with a loss allowance of RMB67,057,000 recognised on acquisition.

26. Related party transactions

(a) Transactions with related parties

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

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

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

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

26. Related party transactions (continued)

(b) Balances with related parties

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade receivables (Note 16)		
– Controlled by the Group's ultimate holding company	2,353,201	2,396,639
– Joint ventures of the Group's ultimate holding company	114,631	103,065
	2,467,832	2,499,704
Less: allowances for impairment of trade and other receivables (charged to profit or loss)	(2,454,613)	(2,440,150)
	13,219	59,554
Other receivables		
– Controlled by the Group's ultimate holding company	18,989	9,134
Notes receivables (Note 16)		
– Controlled by the Group's ultimate holding company	552	1,420
Prepayments (Note 17)		
– Controlled by the Group's ultimate holding company	1,751	3,688
	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade payables (Note 23)		
– Controlled by the Group's ultimate holding company	254,553	225,481
– Joint ventures of the Group's ultimate holding company	178	49
	254,731	225,530

26. Related party transactions (continued)

(b) Balances with related parties (continued)

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
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Notes payables (Note 23)		
– Controlled by the Group's ultimate holding company	–	1,168

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
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Other payables (Note 23)		
– Controlled by the Group's ultimate holding company	144,589	179,016
– Joint ventures of the Group's ultimate holding company	171	540
	144,760	179,556

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

(c) Key management compensation

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Salaries, bonuses and other benefits	5,998	8,966
Contribution to pension scheme expenses	207	128
	6,205	9,094



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EVERGRANDE PROPERTY SERVICES