

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Evergrande Property Services Group Limited

恒大物業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 6666)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Financial Summary

- For the year ended 31 December 2021, the Group had operating revenue of approximately RMB13,193.5 million, gross profit of approximately RMB3,663.9 million and net loss of approximately RMB388.8 million. Loss attributable to owners of the Company amounted to approximately RMB316.3 million and basic loss per share amounted to approximately RMB0.03.
- As at 31 December 2021, the Group had a total contracted area of approximately 822 million square metres and an area under management of approximately 473 million square metres, maintaining its industry-leading management scale.
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2021.
- The Group will endeavour to take reasonable measures to collect the various categories of receivables from the relevant parties in accordance with the relevant laws and applicable agreements, including, without limitation, receivable that have been provisioned for impairment, and receivable that have not yet been included in income because they do not meet the revenue recognition conditions. At the same time, the Group is in discussion with China Evergrande Group on the proposal to repay the funds involved in the deposit certificate pledge guarantees of approximately RMB13.4 billion, to actively safeguard the interests of the Group.

Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Notes	Year ended 31 December	
		2021 RMB'000	2020 RMB'000 (Restated)
Revenue	7	13,193,464	10,781,578
Cost of sales		(9,529,531)	(6,765,689)
Gross profit		3,663,933	4,015,889
Other income	8	326,118	154,755
Other losses	9	(595,831)	(46,221)
(Impairment losses)/reversal of impairment losses on financial assets		(2,575,947)	35,730
Fair value gains on investment properties		5,153	–
Administrative and marketing expenses		(980,053)	(644,951)
Operating (loss)/profit		(156,627)	3,515,202
Fair value losses on financial assets at fair value through profit or loss		(774)	–
Finance costs		(61,503)	(17,674)
(Loss)/profit before income tax		(218,904)	3,497,528
Income tax expenses	11	(169,880)	(851,060)
(Loss)/profit for the year		(388,784)	2,646,468
(Loss)/profit attributable to:			
– Owners of the Company		(316,294)	2,647,099
– Non-controlling interests		(72,490)	(631)
		(388,784)	2,646,468
Other comprehensive income/(expense)			
Item that may be reclassified subsequently to profit or loss			
Exchange difference arising on translation of financial statements of foreign operations		315	(1,142)
Total comprehensive (expense)/income for the year		(388,469)	2,645,326
Total comprehensive (expense)/income attributable to:			
– Owners of the Company		(315,979)	2,645,957
– Non-controlling interests		(72,490)	(631)
		(388,469)	2,645,326
(Loss)/earnings per share			
– Basic and diluted	12	RMB(0.03)	RMB0.26

Consolidated Statement of Financial Position

		As at 31 December	
	Notes	2021 RMB'000	2020 RMB'000 (Restated)
Assets			
Non-current assets			
Property and equipment		70,672	54,100
Right-of-use assets	19	188,423	24,793
Intangible assets	14	2,205,277	128,683
Investment properties		40,021	–
Investments accounted for using the equity method		29,240	–
Deferred income tax assets		147,966	80,311
		<u>2,681,599</u>	<u>287,887</u>
Current assets			
Trade and other receivables	15	2,713,914	4,196,305
Prepayments		34,376	13,729
Financial assets at fair value through profit or loss		5,489	–
Restricted cash		36,596	2,005,222
Cash and cash equivalents		1,130,154	10,605,396
		<u>3,920,529</u>	<u>16,820,652</u>
Total assets		<u>6,602,128</u>	<u>17,108,539</u>
Equity			
Share capital	16	7,060	7,060
Reserves	17	(6,824,318)	6,522,290
Retained earnings		2,950,707	3,316,298
		<u>(3,866,551)</u>	<u>9,845,648</u>
Equity attributable to owners of the Company		<u>(3,866,551)</u>	<u>9,845,648</u>
Non-controlling interests		<u>364,021</u>	<u>10,962</u>
(Deficiency in equity)/total equity		<u>(3,502,530)</u>	<u>9,856,610</u>

		As at 31 December	
	<i>Notes</i>	2021	2020
		RMB'000	RMB'000
			(Restated)
Liabilities			
Non-current liabilities			
Borrowings		150,000	–
Lease liabilities	<i>19</i>	218,551	11,314
Other payables	<i>18</i>	54,018	–
Contingent consideration payables		58,310	–
Deferred income tax liabilities		253,081	14,887
		<u>733,960</u>	<u>26,201</u>
Current liabilities			
Contract liabilities	<i>7</i>	3,080,149	2,725,759
Trade and other payables	<i>18</i>	5,536,520	4,196,587
Financial guarantee contract		–	50,000
Current income tax liabilities		501,011	238,881
Lease liabilities	<i>19</i>	103,018	14,501
Borrowings		150,000	–
		<u>9,370,698</u>	<u>7,225,728</u>
Total liabilities		<u>10,104,658</u>	<u>7,251,929</u>
Total equity and liabilities		<u>6,602,128</u>	<u>17,108,539</u>

Notes to the Consolidated Financial Statements

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(i) Compliance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and Hong Kong Companies Ordinance (Cap.622) (“**HKCO**”)

The consolidated financial statements of the Company has been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and disclosure requirements of the HKCO.

(ii) Historical cost convention

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

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(iii) Going concern assumptions

The Group experienced a loss of approximately RMB388,794,000 for the year ended 31 December 2021 and as at 31 December 2021, the net current liabilities and net liabilities of the Group amounted to RMB5,450,169,000 and RMB3,502,530,000 respectively. The above matters indicated that the Group will need to secure a substantial amount of funds in the foreseeable future to finance these financial obligations under various contractual and other arrangements.

In view of the above circumstances, the directors of the Company have reviewed the Group's cash flow projections, which cover a period up to 30 June 2024. The directors are of the opinion that, taking into account the following actions during the year ended 31 December 2021 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 ranging from one to four years. The directors of the Company consider that further extensions may be obtained if necessary; and
- The directors of the Company are currently exercising and will continue to exercise cost control in administrative and other expenses by further streamlining the Group's operations to improve the operating and financial position of the Group.

On the basis that all these measures can be implemented successfully, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as they fall due and accordingly, the consolidated financial statements for the year ended 31 December 2021 has been prepared on a going concern basis.

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

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying amounts of the assets to their net recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements of the Group for the year ended 31 December 2021.

- (iv) The Group has applied the following accounting policy which became relevant to the Group in the current year:

Transaction with owners of the Company

The Group entered into deemed distribution of the Group's resources to owners of the Company. All the transactions showing separately contribution by and distributions to owners of the Company are directly charged or credited to capital reserve.

3. APPLICATION OF NEW AND AMENDMENTS TO THE HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16

Covid-19-Related Rent Concessions

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 17	<i>Insurance Contracts²</i>
Amendments to HKFRS 17	<i>Insurance Contracts^{2,5}</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current^{2,4}</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use¹</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract¹</i>
Annual Improvements to HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, HKAS 41¹</i>

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Group has already commenced an assessment of the impact of these new or revised standards and amendments. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when they become effective.

4. PRIOR YEAR ADJUSTMENT

The management of the Group has identified the following errors in the previously issued consolidated financial statements for the year ended 31 December 2020.

During the year ended 31 December 2020, the Group provided a deposit certificate pledge guarantee to a financial institution with a RMB2,000,000,000 time deposit certificate for the financing of a third party, enabling it to obtain a RMB2,000,000,000 bank's acceptance drafts which was transferred to a subsidiary of China Evergrande Group. The management of the Group has noted that no financial guarantee contract has been recorded as at 31 December 2020.

As a result, the consolidated financial statements in respect of the year ended 31 December 2020 have been restated to correct those errors identified. It was identified that the error as at 31 December 2020 resulted in (i) understatement of financial guarantee provision recognised as at 31 December 2020 and (ii) overstatement of reserves as at 31 December 2020. The effects of the restatement to the amounts presented in the consolidated statement of financial position as at 31 December 2020 are summarised as below:

- (i) The corresponding adjustments have resulted in recognition of fair value of the financial guarantee contract liabilities by RMB50,000,000 in the consolidated statement of financial position as at 31 December 2020. The corresponding adjustments have also resulted in decrease in reserves by RMB50,000,000 for the year ended 31 December 2020. The above error was related to the financial guarantee contract signed in the year ended 31 December 2020 and therefore no restatement was made to the Group's consolidated statement of financial position as at 1 January 2020.
- (ii) The corresponding cash and cash equivalents amounting to RMB2,000,000,000 was reclassified to restricted cash.

The effects of the above restatements are disclosed in note 5.

5. APPLICATION OF BUSINESS COMBINATION UNDER COMMON CONTROL

On 27 April 2021, a direct wholly-owned subsidiary of the Group entered into the acquisition agreement with Evergrande Internet Group Co., Ltd (the “**Evergrande Internet Group**”), pursuant to which the Group agreed to acquire the entire equity interest of Evergrande Insurance Agency Co., Ltd (“**Evergrande Insurance Agency**”), a wholly-owned subsidiary of China Evergrande Group, at a consideration of approximately RMB39,198,000. Evergrande Insurance Agency is a wholly-owned subsidiary of the Evergrande Internet Group.

To consistently apply the Group's accounting policy for common control combination, the acquisition has been accounted for based on the principles of merger accounting in accordance with Accounting Guideline 5, *Merger Accounting for Common Control Combinations* (“**AG5**”) issued by the HKICPA. The consolidated financial statements have been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the periods presented. The opening balance at 1 January 2020 have been restated, with consequential adjustments to comparatives for the year ended 31 December 2020.

The following is a reconciliation of the effect arising from the prior year adjustments as disclosed in note 4 to the consolidated financial statements and the business combination under common control of Evergrande Insurance Agency of the consolidated statement of financial position as at 1 January 2020 and 31 December 2020 and the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020:

As at 1 January 2020

	Originally stated RMB'000	Effects of business combination under common control RMB'000	Effects of prior year adjustment RMB'000	Restated RMB'000
Non-current assets				
Property and equipment	57,195	777	–	57,972
Intangible assets	433	1,096	–	1,529
Right-of-use assets	25,844	599	–	26,443
Deferred income tax assets	66,280	22,747	–	89,027
Total non-current assets	<u>149,752</u>	<u>25,219</u>	<u>–</u>	<u>174,971</u>
Current assets				
Trade and other receivables	5,256,799	6,944	–	5,263,743
Prepayment	15,968	235	–	16,203
Amounts due from related parties	1,349,686	–	–	1,349,686
Restricted cash	102	5,000	–	5,102
Cash and cash equivalents	684,348	1,337	–	685,685
Total current assets	<u>7,306,903</u>	<u>13,516</u>	<u>–</u>	<u>7,320,419</u>
Total assets	<u><u>7,456,655</u></u>	<u><u>38,735</u></u>	<u><u>–</u></u>	<u><u>7,495,390</u></u>

	Originally stated RMB'000	Effects of business combination under common control RMB'000	Effects of prior year adjustment RMB'000	Restated RMB'000
Equity				
Share capital	–	–	–	–
Reserves	373,636	50,000	–	423,636
Retained earnings	1,387,971	(76,631)	–	1,311,340
	<u>1,761,607</u>	<u>(26,631)</u>	<u>–</u>	<u>1,734,976</u>
Equity attributable to owners of the Company				
Non-controlling interests	12,850	–	–	12,850
	<u>1,774,457</u>	<u>(26,631)</u>	<u>–</u>	<u>1,747,826</u>
Non-current liability				
Lease liabilities	12,750	452	–	13,202
	<u>12,750</u>	<u>452</u>	<u>–</u>	<u>13,202</u>
Current liabilities				
Contract liabilities	2,285,276	–	–	2,285,276
Trade and other payables	2,969,115	64,745	–	3,033,860
Current income tax liabilities	398,383	–	–	398,383
Lease liabilities	13,724	169	–	13,893
Borrowings	2,950	–	–	2,950
	<u>5,669,448</u>	<u>64,914</u>	<u>–</u>	<u>5,734,362</u>
Total current liabilities				
	<u>5,682,198</u>	<u>65,366</u>	<u>–</u>	<u>5,747,564</u>
Total liabilities				
	<u>7,456,655</u>	<u>38,735</u>	<u>–</u>	<u>7,495,390</u>
Total equity and liabilities				

As at 31 December 2020

	Originally stated <i>RMB'000</i>	Effects of business combination under common control <i>RMB'000</i>	Effects of prior year adjustment <i>RMB'000</i>	Restated <i>RMB'000</i>
Non-current assets				
Property and equipment	53,855	245	–	54,100
Right-of-use assets	23,084	1,709	–	24,793
Intangible assets	127,662	1,021	–	128,683
Deferred income tax assets	56,902	23,409	–	80,311
Total non-current assets	261,503	26,384	–	287,887
Current assets				
Trade and other receivables	4,186,287	10,018	–	4,196,305
Prepayments	12,213	1,516	–	13,729
Restricted cash	222	5,000	2,000,000	2,005,222
Cash and cash equivalents	12,603,924	1,472	(2,000,000)	10,605,396
Total current assets	16,802,646	18,006	–	16,820,652
Total assets	17,064,149	44,390	–	17,108,539
Equity				
Share capital	7,060	–	–	7,060
Reserves	6,522,290	50,000	(50,000)	6,522,290
Retained earnings	3,393,829	(77,531)	–	3,316,298
Equity attributable to owners of the Company	9,923,179	(27,531)	(50,000)	9,845,648
Non-controlling interests	10,962	–	–	10,962
Total equity	9,934,141	(27,531)	(50,000)	9,856,610

	Originally stated <i>RMB'000</i>	Effects of business combination under common control <i>RMB'000</i>	Effects of prior year adjustment <i>RMB'000</i>	Restated <i>RMB'000</i>
Non-current liabilities				
Lease liabilities	10,613	701	–	11,314
Deferred income tax liabilities	14,888	(1)	–	14,887
Total non-current liabilities	25,501	700	–	26,201
Current liabilities				
Contract liabilities	2,725,759	–	–	2,725,759
Trade and other payables	4,126,388	70,199	–	4,196,587
Financial guarantee contracts	–	–	50,000	50,000
Current income tax liabilities	238,881	–	–	238,881
Lease liabilities	13,479	1,022	–	14,501
Total current liabilities	7,104,507	71,221	50,000	7,225,728
Total liabilities	7,130,008	71,921	50,000	7,251,929
Total equity and liabilities	17,064,149	44,390	–	17,108,539

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2020

	Originally stated <i>RMB'000</i>	Effects of business combination under common control <i>RMB'000</i>	Effects of prior year adjustment <i>RMB'000</i>	Restated <i>RMB'000</i>
Revenue	10,508,859	272,719	–	10,781,578
Cost of sales	(6,502,704)	(262,985)	–	(6,765,689)
Gross profit	4,006,155	9,734	–	4,015,889
Other income	149,786	4,969	–	154,755
Other losses	(46,221)	–	–	(46,221)
Reversal of impairment losses on financial assets	35,742	(12)	–	35,730
Administrative expenses	(629,385)	(15,566)	–	(644,951)
Operating profit	3,516,077	(875)	–	3,515,202
Finance costs	(17,338)	(336)	–	(17,674)
Profit before income tax	3,498,739	(1,211)	–	3,497,528
Income tax expenses	(851,371)	311	–	(851,060)
Profit for the year	<u>2,647,368</u>	<u>(900)</u>	<u>–</u>	<u>2,646,468</u>
Profit attributable to:				
– Owners of the Company	2,647,999	(900)	–	2,647,099
– Non-controlling interests	(631)	–	–	(631)
	<u>2,647,368</u>	<u>(900)</u>	<u>–</u>	<u>2,646,468</u>

	Originally stated RMB'000	Effects of business combination under common control RMB'000	Effects of prior year adjustment RMB'000	Restated RMB'000
Other comprehensive expenses				
Item that may be reclassified subsequently to profit or loss				
Exchange difference arising on translation of financial statements of foreign operations	(1,142)	-	-	(1,142)
Total comprehensive income for the year	2,646,226	(900)	-	2,645,326
Total comprehensive income attributable to:				
Owners of the Company	2,646,857	(900)	-	2,645,957
Non-controlling interests	(631)	-	-	(631)
	2,646,226	(900)	-	2,645,326

6. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker (the “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 year ended 31 December 2021, the Group is principally engaged in the provision of property management services and related value-added services in the PRC mainland. Management reviews the operating results of the business as a single operating segment as the nature of services, the type of customers for services, the method used to provide their services and the nature of regulatory environment is same in different regions.

The principal operating entities of the Group are domiciled in the PRC and majority of revenue is derived in the PRC mainland during the years ended 31 December 2021 and 2020.

As at 31 December 2021 and 2020, majority of the non-current assets of the Group were located in the PRC mainland.

7. 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 years ended 31 December 2021 and 2020 is as follows:

	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>
		(Restated)
Property management services	9,101,820	6,321,505
Community value-added services	2,288,944	1,536,857
Value-added services to non-property owners	1,802,700	2,923,216
	<u>13,193,464</u>	<u>10,781,578</u>
Timing of revenue recognition		
– Over time	12,467,184	9,960,264
– At a point in time	726,280	821,314
	<u>13,193,464</u>	<u>10,781,578</u>

For the years ended 31 December 2021 and 2020, revenue provided by the Group to the fellow subsidiaries and joint ventures of China Evergrande Group contributed 21% and 37% of the Group's revenue respectively.

Other than the fellow subsidiaries and joint ventures of China Evergrande Group, the Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue during the years ended 31 December 2021 and 2020.

(a) Contract liabilities

i. The Group has recognised the following revenue-related contract liabilities:

	At 31 December		At 1 January
	2021	2020	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities			
– Property management services	2,891,673	2,631,016	2,239,527
– Community value-added services	188,476	94,743	45,749
	<u>3,080,149</u>	<u>2,725,759</u>	<u>2,285,276</u>

ii. Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. The increase in contract liabilities in the current year is mainly due to the increase in the area under fee-based management.

iii. Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
– Property management services	2,374,190	2,239,527
– Community value-added services	94,743	45,749
	<u>2,468,933</u>	<u>2,285,276</u>

(b) Unsatisfied performance obligations

For property management services and value-added services to non-property owners, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis or settlement cycle. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts. The majority of the property management services contracts do not have a fixed term. The term of the contracts with non-property owners is generally set to expire when the counterparties notify the Group that the services are no longer required.

For community value-added services, they are rendered in short period of time, which is generally less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts.

(c) Assets recognised from incremental costs to obtain a contract

During the years ended 31 December 2021 and 2020, there was no significant incremental costs to obtain a contract

8. OTHER INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (Restated)
Government grants (<i>Note a</i>)	91,890	92,779
Income from overdue fine	7,002	10,393
Interest income	208,710	46,230
Share of profits and other comprehensive income in associates and joint ventures	4,307	–
Gain on bargaining purchase (<i>Note 20</i>)	460	–
Others	13,749	5,353
	<u>326,118</u>	<u>154,755</u>

- (a) Government grants 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.

9. OTHER LOSSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Net foreign exchange losses	1,959	46,027
Impairment loss on goodwill	593,946	–
(Gain)/losses on disposal of property and equipment	(74)	194
	<u>595,831</u>	<u>46,221</u>

10. EXPENSES BY NATURE

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Employee benefit expenses	5,767,308	3,873,885
Greening and cleaning expenses	1,825,662	1,453,054
Maintenance costs	821,284	673,062
Utilities	527,194	488,200
Short-term and low value lease expenses	310,452	143,084
Tax and other levies	102,419	94,669
Office expenses	129,383	89,528
Listing expenses	–	65,772
Travelling and entertainment expenses	64,411	54,977
Costs of security	64,993	54,343
Depreciation and amortisation charges	386,151	42,993
Community activities expenses	51,886	31,485
Bank charges	25,983	18,164
Uniform costs	12,027	8,116
Consultancy fees	–	7,899
Auditors' remuneration	7,500	4,245
Services fee	245,293	262,985
Professional fees	18,619	–
Penalties	40,523	–
Cost of goods sold	64,235	–
Others	44,261	44,179
	<u>10,509,584</u>	<u>7,410,640</u>

11. INCOME TAX EXPENSES

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Current tax	256,371	841,993
Deferred tax	(86,491)	9,067
	<u>169,880</u>	<u>851,060</u>

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries in the 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 years, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate is 25% for the years ended 31 December 2021 and 2020. Certain subsidiaries and branches of the Group in the PRC are located in western cities, and they are subject to a preferential income tax rate of 15% during the years ended 31 December 2021 and 2020. The subsidiaries 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. (LOSS)/EARNING PER SHARE

Basic (loss)/earning per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares during the years ended 31 December 2021 and 2020. In determining the weighted average number of ordinary shares in issue during the year ended 31 December 2020, the 10,000,000,000 shares of the Company issued during the reorganisation was deemed to have been in issue since 1 January 2020.

The Company did not have any potential ordinary shares outstanding during the year ended 31 December 2021 and 2020. Diluted (loss)/earning per share is equal to basic (loss)/earning per share.

	2021	2020 (Restated)
(Loss)/profit attributable to owners of the Company (RMB'000)	(316,294)	2,647,099
Weighted average number of ordinary shares in issue (in thousands)	10,810,811	10,064,421
Basic and diluted (loss)/earning per share	<u>RMB(0.03)</u>	<u>RMB0.26</u>

13. DIVIDENDS

No dividend has been declared or paid by the Company for the years ended 31 December 2021 and 2020.

14. INTANGIBLE ASSETS

	Computer software <i>RMB'000</i>	Property management contracts and customer relationship <i>RMB'000</i>	Goodwill <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2021				
Cost	14,309	61,823	56,619	132,751
Accumulated amortisation	(1,795)	(2,273)	–	(4,068)
Net carrying amount	12,514	59,550	56,619	128,683
Year ended 31 December 2021				
Opening net carrying amount	12,514	59,550	56,619	128,683
Acquisition of subsidiaries (<i>Note 20</i>)	3,345	1,133,376	1,698,809	2,835,530
Additions	2,711	–	–	2,711
Amortisation	(4,552)	(163,149)	–	(167,701)
Impairment	–	–	(593,946)	(593,946)
Closing net carrying amount	14,018	1,029,777	1,161,482	2,205,277
As at 31 December 2021				
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)
Net carrying amount	14,018	1,029,777	1,161,482	2,205,277

	Computer software <i>RMB'000</i>	Property management contracts and customer relationship <i>RMB'000</i>	Goodwill <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2020				
Cost	1,311	–	–	1,311
Accumulated amortisation	(878)	–	–	(878)
<hr/>				
Opening net carrying amount (originally stated)	433	–	–	433
Common control combination	1,098	–	–	1,098
<hr/>				
Opening net carrying amount(restated)	1,531	–	–	1,531
Additions	11,639	–	–	11,639
Acquisition of subsidiaries	–	61,823	56,619	118,442
Amortisation	(656)	(2,273)	–	(2,929)
<hr/>				
Closing net carrying amount	12,514	59,550	56,619	128,683
<hr/>				
As at 31 December 2020				
Cost	14,309	61,823	56,619	132,751
Accumulated amortisation	(1,795)	(2,273)	–	(4,068)
<hr/>				
Net carrying amount	12,514	59,550	56,619	128,683
<hr/> <hr/>				

Notes:

- (a) Amortisation of intangible assets has been charged to the following categories in the consolidated statement of profit or loss and other comprehensive income:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Cost of sales	163,149	2,273
Administrative expenses	4,552	656
	<u>167,701</u>	<u>2,929</u>

- (b) No intangible asset is restricted or pledged as securities as at 31 December 2021 and 2020.
- (c) Property management contracts and customer relationship and goodwill

During the year ended 31 December 2021, the Group acquired seven property management companies at a total consideration of RMB2,167,981,000 (Note 20). 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. Valuation had been carried out by an independent valuer to determine the fair value of the relevant intangible assets.

During the year ended 31 December 2020, the Group acquired five companies. Identifiable property management contracts and customer relationship of RMB61,823,000 was recognised by the Group. The excess of the consideration of acquisition and proportion of the value of the acquired identifiable net assets of RMB56,619,000 is recorded as goodwill. Valuation had been carried out by an independent valuer to determine the fair value of relevant intangible assets.

As the result of management assessment, impairment provision of RMB593,946,000 was recognised on goodwill as at 31 December 2021(2020: nil).

15. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (Restated)
Trade receivables (<i>note i</i>)	1,999,699	3,827,570
Value added tax recoverable	51,412	10,347
Other receivables (<i>note ii</i>)	662,803	358,388
	<u>2,713,914</u>	<u>4,196,305</u>

(i) Trade receivables

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (Restated)
Trade receivables		
Related parties (<i>Note 21</i>)	2,499,704	1,681,775
Third parties	2,204,407	1,495,758
Notes receivables		
Related parties (<i>Note 21</i>)	1,420	758,465
Third parties	–	5,390
Gross trade and notes receivables	4,705,531	3,941,388
Less: allowance for impairment of trade receivables		
– Related parties (<i>Note 21</i>)	(2,440,150)	(11,105)
– Third parties	(265,682)	(102,713)
	<u>1,999,699</u>	<u>3,827,570</u>

(ii) Other receivables

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Ultimate holding company		
– Financial guarantees (<i>Note d</i>)	13,400,000	–
Less:		
– Enforcement of financial guarantee pledged (<i>Note d</i>)	<u>(13,400,000)</u>	<u>–</u>
	<u>–</u>	<u>–</u>
Other related parties (<i>Note 21</i>)	9,134	–
Third parties		
– Payments on behalf of property owners (<i>Note c</i>)	501,470	333,524
– Deposits	164,138	27,096
– Others	<u>60,784</u>	<u>19,501</u>
Gross other receivables	<u>735,526</u>	<u>380,121</u>
Less: allowance for impairment of other receivables charged to profit or loss		
– Third parties	<u>(72,723)</u>	<u>(21,733)</u>
	<u><u>662,803</u></u>	<u><u>358,388</u></u>

Notes:

- (a) Trade receivables mainly arise from property management services income under lump sum basis and value-added service. Property management service income is received in accordance with the terms of the relevant services agreements. Value-added service income is usually due for payment upon the issuance of document of settlement.

- (b) As at 31 December 2021 and 2020, the aging analysis of the trade and notes receivables based on date of revenue recognition were as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
0 to 180 days	2,640,193	2,477,366
181-365 days	1,407,462	1,094,667
1 to 2 years	471,274	204,942
2 to 3 years	110,585	80,314
Over 3 years	76,017	84,099
	<u>4,705,531</u>	<u>3,941,388</u>

- (c) Payments on behalf of property owners mainly represented utilities costs of properties.
- (d) As further disclosed in the announcements of the Company and China Evergrande Group, which is the Company's ultimate holding company, dated 15 February 2023, based on the relevant findings of the independent investigation committee, during the period from 28 December 2020 to 2 August 2021, six subsidiaries of the Company provided pledge on bank deposits of RMB13,400,000,000 through eight banks for the financing of various third party companies (as the guaranteed parties). The relevant funds of RMB13,400,000,000 were subsequently transferred to China Evergrande Group through some of the pledged parties and various intermediary companies (net of fees), with none retained by the Group.

During the year ended 31 December 2021, the banks had enforced the guarantees due to defaults by the third-party borrowers and deducted the RMB13,400,000,000 of guarantee pledged deposits provided by the Group. None of these amounts have been recovered from China Evergrande Group as of the date of this announcement. Although the successfulness of recovering is materially uncertain given the current financial conditions of China Evergrande Group, the Group is still continuing to pursue various measures against China Evergrande Group to recover these amounts. As of the date of this announcement, the Company has not yet reached agreement with China Evergrande Group on the repayment plan.

As set out in the findings of the independent investigation committee, China Evergrande Group used its control and influence to propose and orchestrate the arrangement to require the subsidiaries of the Group to provide guarantees. Although in form, the Company provided financial guarantees to banks, the economic substance of this arrangement was to meant to facilitate China Evergrande Group's capital needs, not the Company's business objectives. It lacked any commercial substance from the Group's perspective that could generate economic benefits for the Group. The Company did not receive any consideration in exchange for assuming obligations to compensate the banks in the event of default.

The related party transaction as set out above constituted a non-commercial equity distribution and the relevant funds were ultimately transferred to the Group's controlling shareholder, China Evergrande Group, which was an appropriation of the Company's financial assets by China Evergrande Group. Therefore, the Company considers this related party transaction to be in substance a non-reciprocal capital distribution to the controlling shareholder under the arrangement of the relevant person of the controlling shareholder. Based on the requirements of HKFRS 9 and HKAS 1, it has been presented in equity.

- (e) As at 31 December 2021 and 2020, trade and other receivables were denominated in RMB and the fair value of trade and other receivables approximate their carrying amounts.

16. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares <i>USD'000</i>	Equivalent nominal value of ordinary shares <i>RMB'000</i>
Authorised:			
At 13 March 2020 (date of incorporation) (<i>Note a</i>)	5,000,000	50	350
Subdivision (<i>Note b</i>)	495,000,000	–	–
Increase of authorised share capital	<u>99,500,000,000</u>	<u>9,950</u>	<u>69,650</u>
At 31 December 2020, 1 January 2021 and 31 December 2021	<u><u>100,000,000,000</u></u>	<u><u>10,000</u></u>	<u><u>70,000</u></u>
Issued:			
At 13 March 2020 (date of incorporation) (<i>Note a</i>)	1	–*	–*
Subdivision (<i>Note b</i>)	99	–*	–*
Shares issued to CEG Holdings Limited (“ CEG Holdings ”) (<i>Note b</i>)	9,999,900	1	7
Capitalisation issue (<i>Note c</i>)	9,990,000,000	999	6,519
Issue of shares in connection with the Company’s listing (<i>Note d</i>)	<u>810,811,000</u>	<u>81</u>	<u>534</u>
At 31 December 2020, 1 January and 31 December 2021	<u><u>10,810,811,000</u></u>	<u><u>1,081</u></u>	<u><u>7,060</u></u>

* *Less than RMB1,000*

Notes:

- (a) On 13 March 2020, the Company was incorporated in the Cayman Islands with an authorised share capital of USD50,000 divided into 5,000,000 ordinary shares of USD0.01 each. Upon the incorporation of the Company, one share was issued at par to its then shareholder. On 20 July 2020, the share was transferred to CEG Holdings, intermediate holding company, at a consideration of USD0.01.
- (b) On 27 July 2020, each of the issued and unissued shares of USD0.01 each was subdivided into 100 shares of USD0.0001 each. Accordingly, the one issued share of the Company held by CEG Holdings was subdivided into 100 shares. On the same date, an additional 9,999,900 shares of USD0.0001 each were issued to CEG Holdings at par for cash as part of the reorganisation.
- (c) Pursuant to the written resolutions of shareholders passed on 13 November 2020, conditional on the share premium account of the Company being credited as a result of the global offering, the Company capitalise an amount of US\$999,000 standing to the credit of the share premium account by applying such sum towards the paying up in full at par a total of 9,990,000,000 shares for issue and allotment to holders of shares whose names appear on the register of members of the Company on the date of passing such resolutions in proportion to their then existing respective shareholdings.
- (d) On 2 December 2020, the Company issued 810,811,000 ordinary shares at a price of HK\$8.80 per shares during the listing on The Main Board of the Stock Exchange. Gross proceeds from the issue amounted to HK\$7,135,137,000 (equivalent to RMB6,038,823,000). After deducting the underwriting fees and other capitalised listing expenses, net proceeds from the issue amounted to RMB5,951,238,000, of which, RMB534,000 was recorded as share capital and RMB5,950,704,000 was recorded as share premium (Note 17).

17. RESERVES

	Share premium <i>RMB'000</i>	Statutory reserves <i>RMB'000</i>	Capital reserves <i>RMB'000</i>	Exchange reserves <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at					
31 December 2020					
(as previously reported)	5,944,185	371,774	207,239	(908)	6,522,290
Common control combinations (<i>Note 5</i>)	–	–	50,000	–	50,000
Prior year adjustment (<i>Note 4</i>)	–	–	(50,000)	–	(50,000)
Balance at 1 January 2021 (as restated)	<u>5,944,185</u>	<u>371,774</u>	<u>207,239</u>	<u>(908)</u>	<u>6,522,290</u>
Transfer to statutory reserves (<i>Note a</i>)	–	49,297	–	–	49,297
Capital contribution					
by the then shareholder					
of the subsidiary acquired					
under common control	–	–	50,000	–	50,000
Acquisition of subsidiaries					
under common control (<i>Note 5</i>)	–	–	(39,198)	–	(39,198)
Release of financial guarantee to ultimate					
holding company (<i>Note 15(d)</i>)	–	–	50,000	–	50,000
Equity transactions with ultimate					
holding company (<i>Note 15(d)</i>)	–	–	(13,400,000)	–	(13,400,000)
Currency translation difference	–	–	–	315	315
Others	–	–	(57,022)	–	(57,022)
Balance at					
31 December 2021	<u>5,944,185</u>	<u>421,071</u>	<u>(13,188,981)</u>	<u>(593)</u>	<u>(6,824,318)</u>

	Share premium RMB'000	Statutory reserves RMB'000	Capital reserves RMB'000	Exchange reserves RMB'000	Total RMB'000
Balance at 31 December 2019					
(as previously reported)	–	91,970	281,432	234	373,636
Common control combination (<i>Note 5</i>)	–	–	50,000	–	50,000
Balance at 1 January 2020 (as restated)	–	91,970	331,432	234	423,636
Transfer to statutory reserves (<i>Note a</i>)	–	279,804	–	–	279,804
Acquisition of subsidiaries from the remaining group during the Reorganisation (<i>Note b</i>)	–	–	(74,193)	–	(74,193)
Capitalisation issue (<i>Note 16(c)</i>)	(6,519)	–	–	–	(6,519)
Issue of shares in connection with the Company's listing (<i>Note 16(d)</i>)	6,038,289	–	–	–	6,038,289
Costs related to the issue of shares (<i>Note 16(d)</i>)	(87,585)	–	–	–	(87,585)
Currency translation difference	–	–	–	(1,142)	(1,142)
Balance at 31 December 2020	<u>5,944,185</u>	<u>371,774</u>	<u>257,239</u>	<u>(908)</u>	<u>6,572,290</u>

(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.

- (b)** During the year ended 31 December 2020, the Group acquired the entire equity interests of certain subsidiaries engaged in the spin-off business at a cash consideration of RMB86,510,000 from the remaining group. The cash consideration paid to the remaining group and non-controlling interests as is deemed as return of investments to the remaining group and non-controlling interests.

18. TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (Restated)
Trade payables (<i>Note a</i>)		
Related parties (<i>Note 21</i>)	225,530	113,703
Third parties	<u>1,913,508</u>	<u>1,475,176</u>
	<u>2,139,038</u>	<u>1,588,879</u>
Notes payables (<i>Note a</i>)		
Related parties (<i>Note 21</i>)	1,168	3,757
Third parties	<u>1,909</u>	<u>844,528</u>
	<u>3,077</u>	<u>848,285</u>
Accrued payroll	569,532	390,487
Other payables		
Amounts temporarily received from/on behalf of property owners or lessors (<i>Note b</i>)	723,767	586,707
Deposits	345,249	322,528
Other tax payables	419,829	189,609
Considerations payable for business combinations	839,278	–
Others	<u>550,768</u>	<u>270,092</u>
	<u>2,878,891</u>	<u>1,368,936</u>
	5,590,538	4,196,587
Less: Non-current liabilities portion	<u>(54,018)</u>	<u>–</u>
Current liabilities portion	<u><u>5,536,520</u></u>	<u><u>4,196,587</u></u>

- (a) As at 31 December 2021 and 2020, the ageing analysis of the trade and notes payables based on invoice date were are follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Up to 1 year	2,070,749	2,386,395
1 to 2 years	57,149	32,152
2 to 3 years	7,726	10,201
More than 3 years	6,491	8,416
	<u>2,142,115</u>	<u>2,437,164</u>

- (b) The amounts mainly represented utilities expenses temporarily collected from the property owners to be paid to related service providers and rental income collected from leases to be returned to the property owners.
- (c) As at 31 December 2021 and 2020, trade and other payables were denominated in RMB and the carrying amounts of trade and other payables approximate their fair values.

19. LEASE

(a) Right-of-use assets

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (Restated)
As at 1 January		
Cost	62,268	46,242
Accumulated depreciation	<u>(37,475)</u>	<u>(19,799)</u>
Net carrying amount	<u>24,793</u>	<u>26,443</u>
As at 31 December		
Opening net carrying amount	24,793	26,443
Acquisition of subsidiaries (<i>Note 20</i>)	25,114	–
Additions	331,299	16,026
Depreciation	<u>(192,783)</u>	<u>(17,676)</u>
Closing net carrying amount	<u>188,423</u>	<u>24,793</u>
As at 31 December		
Cost	418,681	62,268
Accumulated depreciation	<u>(230,258)</u>	<u>(37,475)</u>
Net carrying amount	<u><u>188,423</u></u>	<u><u>24,793</u></u>

The Group has lease arrangements for premises and car parks. The lease terms are generally ranged from 15 to 81 months. The Group has also entered into short-term leases arrangements in respect of certain premises and carparks.

During the year ended 31 December 2021, the Group has subleased part of the rented premises and car parks. The Group has classified the sublease as operating lease. During the year ended 31 December 2021, the Group recognised rental income from subleasing of RMB70,686,000.

(b) Lease liabilities

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (Restated)
Current	103,018	14,501
Non-current	<u>218,551</u>	<u>11,314</u>
	<u><u>321,569</u></u>	<u><u>25,815</u></u>

(c) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (Restated)
Depreciation of right-of-use assets		
– Properties	192,783	17,676
Interest expenses (included in finance costs)	17,574	1,998
Expense relating to short-term and low-value leases (included in cost of sales and administrative expenses)	<u>310,452</u>	<u>143,084</u>

The total cash outflow for leases during the years ended 31 December 2021 and 2020 amounted to RMB305,671,000 and RMB72,766,000, respectively

20. BUSINESS COMBINATION

During the year ended 31 December 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 14) is recorded as goodwill.

	<i>RMB'000</i>
Purchase consideration	
Total fair value of cash consideration	2,109,671
Contingent consideration payables	58,310
	<hr/>
Total consideration transferred	2,167,981
	<hr/>
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	27,575
Property management contracts and customer relationships (<i>Note 14</i>)	1,133,376
Other intangible assets (<i>Note 14</i>)	3,345
Right-of-use assets (<i>Note 19</i>)	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)
	<hr/>
Total identifiable net assets	894,944
	<hr/> <hr/>

	<i>RMB'000</i>
Total identifiable net assets	894,944
Less: non-controlling interests	<u>(425,312)</u>
Identifiable net assets attributable to the Group	469,632
Goodwill (<i>Note 14</i>)	1,698,809
Gain on bargaining purchase (<i>Note 8</i>)	<u>(460)</u>
Fair value of total purchase consideration	<u><u>2,167,981</u></u>

(a) Net cash outflow arising on acquisition during the year ended 31 December 2021:

	<i>RMB'000</i>
Total considerations transferred	2,167,981
Less: contingent consideration payables	(58,310)
Less: cash considerations payables as at 31 December 2021	<u>(790,469)</u>
Cash considerations paid in the year	1,319,202
Less: cash and cash equivalents in the subsidiaries acquired	<u>(217,407)</u>
Cash outflow in the year	<u><u>1,101,795</u></u>

(b) Acquired receivables

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

(c) Revenue and profit contribution

The acquired business contributed revenues of RMB2,468,637,000 and net loss of RMB25,626,000 to the group for the period from their respective acquisition dates to 31 December 2021. If the acquisition had occurred on 1 January 2021, consolidated revenue and consolidated profit after tax for the year ended 31 December 2021 would have been RMB2,833,144,000 and RMB48,567,000 respectively.

21. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties:

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from rendering of services		
– Controlled by the Group's ultimate holding company	2,668,837	3,953,738
– Joint ventures of the Group's ultimate holding company	151,655	76,027
	<u>2,820,492</u>	<u>4,029,765</u>
Purchase of goods and services		
– Controlled by the Group's ultimate holding company	116,562	122,130
Leasing car parking spaces		
– Controlled by the Group's ultimate holding company	<u>72,250</u>	<u>90,083</u>

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

Starting from September 2021, due to 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 of the service income for the year ended 31 December 2021 is approximately RMB417,735,000. No revenue is recognised in respect of the property management services delivered to, while the Group will endeavour to take reasonable measures to collect the receivables from the relevant parties in accordance with the relevant laws and applicable agreements to actively safeguard the interests of the Group.

(b) Balances with related parties:

Other than that disclosed in Note 15(d), the Group had the following balances with related parties.

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
– Controlled by the Group's ultimate holding company	2,396,639	1,625,055
– Joint ventures of the Group's ultimate holding company	103,065	56,720
	<hr/> 2,499,704	<hr/> 1,681,775
Less: allowances for impairment of trade receivables (charged to profit or loss)	(2,440,150)	(11,105)
	<hr/> 59,554	<hr/> 1,670,670
	<hr/> 2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Other receivables		
– Controlled by the Group's ultimate holding company	9,134	—
	<hr/> 9,134	<hr/> —
	<hr/> 2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Notes receivables		
– Controlled by the Group's ultimate holding company	1,420	736,169
– Joint ventures of the Group's ultimate holding company	—	22,296
	<hr/> 1,420	<hr/> 758,465

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments		
– Controlled by the Group's ultimate holding company	<u>3,688</u>	<u>4,666</u>
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		
– Controlled by the Group's ultimate holding company	225,481	113,570
– Joint ventures of the Group's ultimate holding company	<u>49</u>	<u>133</u>
	<u>225,530</u>	<u>113,703</u>
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Notes payables		
– Controlled by the Group's ultimate holding company	<u>1,168</u>	<u>3,757</u>
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Other payables		
– Controlled by the Group's ultimate holding company	179,016	96,943
– Joint ventures of the Group's ultimate holding company	<u>540</u>	<u>508</u>
	<u>179,556</u>	<u>97,451</u>
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Financial guarantee contracts		
– Controlled by the Group's ultimate holding company	<u>—</u>	<u>50,000</u>

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

(c) **Key management compensation:**

Compensations for key management other than directors of the Company are set out below:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, bonuses and other benefits	4,679	4,567
Contribution to pension scheme expenses	161	130
	<u>4,840</u>	<u>4,697</u>

22. EVENT AFTER THE REPORTING PERIOD

On 22 March 2023, the Company's ultimate holding company, China Evergrande Group announced the proposed restructuring of the offshore indebtedness (the "**Proposed Restructuring**"). The principal terms of the Proposed Restructuring are set out in three binding term sheets (CEG term sheet, SJ term sheet and TJ term sheet, collectively, the "**Term Sheets**" and each a "**Term Sheet**") dated 20 March 2023.

As per the Proposed Restructuring, shares in the Company (the "**EVFS Shares**") held by China Evergrande Group, totalling: (a) 2,493,778,025 EVPS Shares (equivalent to approximately 23.1% of the total issued EVPS Shares as at the date of the CEG Term Sheet); and (b) 749,465,275 EVPS Shares (equivalent to approximately 6.9% of the total issued EVPS Shares as at the date of the CEG Term Sheet), shall be deposited in securities accounts and charged to secure the A2 EVPS shares-linked notes ("**SLNS**") and the C2 EVPS SLNs (each as defined in the CEG Term Sheet) (the "**EVPS Shares Account Charges**"), respectively. The EVPS Shares subject to EVPS Shares Account Charges may be released for sale to a strategic investor under certain conditions set out in the CEG Term Sheet. Any sale of EVPS Shares to a strategic investor shall be made on a pro rata basis between the A2 EVPS SLNs and the C2 EVPS SLNs.

Further, China Evergrande Group will issue mandatory exchangeable bonds which are exchangeable into 2,331,985,700 EVPS Shares (representing approximately 21.57% of the total issued EVPS Shares as at the date of the CEG Term Sheet) which shall be deposited in a charged securities account (subject to customary releases).

On 3 April 2023, China Evergrande Group signed three restructuring supporting agreements with the creditor special group and announced a restructuring supporting agreement. Accordingly, all parties agreed to cooperate to promote the Proposed Restructuring.

23. FINANCIAL GUARANTEE CONTRACT

- (i) As at 31 December 2020, the financial guarantee contracts represent guarantees given to a financial institution in connection with facilities granted to its ultimate holding company, with the loan facilities granted by the bank institution of RMB2,000,000,000. The Group does not hold any collateral or other credit enhancements over the guarantees. The financial guarantee contracts are measured at the higher of the ECL allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders (i.e., the financial institutions) for a credit loss that it incurs less any amounts that the Group expects to receive from the debtors (i.e., the independent third parties). During the year ended 31 December 2020, financial guarantee contract of RMB50,000,000 had been recognised.

During the year ended 31 December 2021, the financial guarantee contract was released as the ultimate holding company has fully repaid the loan of RMB2,000,000,000 to the financial institutions.

- (ii) During the year ended 31 December 2021, the Group has provided RMB13,400,000,000 financial guarantee contracts to the ultimate holding company, which was enforced during the year. Details refer to note 15 to the consolidated financial statements.

SUMMARY OF THE INDEPENDENT AUDITORS' REPORT

The following is a summary of the independent auditor's report on the consolidated financial statements of Evergrande Property Services Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") for the year ended 31 December 2021 issued by its external auditor, Prism Hong Kong and Shanghai Limited ("**Prism**"):

OPINION

We have audited the consolidated financial statements of Evergrande Property Services Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw your attention to note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group experienced a loss of approximately RMB388,784,000 for the year ended 31 December 2021 and had net current liabilities and net liabilities of approximately RMB5,450,169,000 and RMB3,502,530,000 respectively as of that date. These conditions, together with the other matters set out in note 2 to the consolidated financial statements, indicate that there are material uncertainties that may affect the Group's ability to continue as a going concern. The Group is implementing various measures to improve its liquidity. On the basis that all these measures can be successfully implemented, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as they fall due and accordingly, the consolidated financial statements have been prepared on a going concern basis. In respect of this matter, our opinion has not been modified.

EMPHASIS OF MATTER

Enforcement of pledge of the Group's fixed deposits

We draw your attention to note 22 to the consolidated financial statements, the Group incurred a cash outflow of approximately RMB13,400,000,000 during the year due to certain financial guarantees. According to the findings of an investigation conducted by the independent investigation committee of the Group, the funds raised by these financial guarantees ultimately flowed into subsidiaries of China Evergrande Group, the ultimate holding company of the Company, and its subsidiaries, during the year ended 31 December 2021. Our opinion is not modified in respect of this matter.

OTHER MATTERS

The consolidated financial statements of the Company for the year ended 31 December 2020, were audited by another auditor who expressed an unmodified opinion on those statements on 16 March 2021.

Under the same date of approval of these consolidated financial statements, we have also reported on the consolidated financial statements of the Company for the year ended 31 December 2022. Accordingly, the shareholders may wish to consider those consolidated financial statements and read them in conjunction with the audited consolidated financial statements of the Company for the year ended 31 December 2021.

CHAIRMAN’S STATEMENT

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of the Company, I am pleased to present the results of the Group for the year ended 31 December 2021.

Review for 2021

As of 31 December 2021, the Group’s property management scale had further expanded with a total contracted area under management of approximately 822 million sq.m., representing an increase of approximately 257 million sq.m. as compared with the end of 2020; the area under management was approximately 473 million sq.m., representing an increase of approximately 173 million sq.m. as compared with the end of 2020; of which, property management area of approximately 138 million sq.m., representing nearly 30% of the total area under management, was developed by third party developers, representing an increase of approximately 128 million sq.m. as compared with the end of 2020.

For the year ended 31 December 2021, the Group’s revenue for the year was approximately RMB13,193.5 million, representing a year-on-year increase of approximately 22.4%. Of which, revenue from property management services amounted to approximately RMB9,101.8 million and revenue from community value-added services amounted to approximately RMB2,288.9 million, with the two types of revenue accounting for approximately 86.3% of the total revenue. Gross profit was approximately RMB3,663.9 million.

With 26 years of experience, the Group has always been guided by the needs of its customers and aims to satisfy them, insisting on high quality and sustainable development. In 2021, we continued to maintain our strategic determination to refine our service fundamentals around the dual high standard of “high satisfaction rate + high renewal rate” to enhance property owners’ satisfaction and users’ loyalty, build up a good reputation and solidify the fundamentals of the Company’s operation; in respect of value-added services to non-property owners, due to the impact of the liquidity crisis of related parties since the second half of the year, the Group had made proactive adjustments to its value-added services to non-property owners and significantly reduced the provision of display units services and maintenance and warranty

services to related parties to ensure the Company's sound operation; in respect of community value-added services, the Company vigorously expanded its community value-added businesses and achieved rapid growth in such businesses as venue services, car parking space leasing, real estate agency, community group purchase and housekeeping services, further releasing the Company's potential for diversified development.

The Group actively fulfilled corporate social responsibility, adhered to the leadership of party building and actively participated in social grassroots governance. By the end of 2021, the Group had established nearly 200 red property party branches, organized nearly 15,000 red community activities such as helping the elderly, cultural evenings and party history lectures. At the same time, the Group responded to the call of the government and fully utilized its inherent advantages in community governance, actively participated in work such as pandemic prevention and control, flood prevention and disaster relief, and took practical actions to protect the health and safety of residents, which won high recognition from local governments and property owners.

Outlook for 2022

In the face of increasingly sophisticated industry regulatory policies, the complex real estate market environment and the recurring COVID-19 pandemic, the Group and the property industry as a whole are facing the challenge of how to achieve quality and sustainable development. In 2022, the Group grasped the essence of "people-oriented" services, insisted on quality development and branded operations, and won public recognition with a more diversified service portfolio, better business standards and a more independent stance to facilitate the Group's market-oriented transformation.

Insist on high quality services as the basis of development. The Group will always adhere to its original intention of service, put customers at the centre and develop service scene integration and innovation with fine service and standard construction, and launch a series of service enhancement in areas such as homecoming line building, equipment and facilities renewal in community, and customer care, etc. Meanwhile, the Group will implement a special action of "Staff Style" to encourage staff to win the recognition of the property owners with quality service, to continuously improve customer satisfaction and strengthen the endogenous foundation of property development.

Meet the diversified needs of customers in community life. The Group will further expand the coverage and depth of its existing community value-added businesses by building on its high quality basic services and relying on its rich community living scene to explore the potential of community value-added services and vigorously develop its community group purchase, family services, home decoration and home furnishing and insurance brokerage and other businesses. At the same time, we actively explore the deep-seated needs of our customers around the development stage of the community, the growth cycle of families and the community life scenario, and expand the types of services in a targeted manner. Through internal incubation and external introduction (内孵外引), we integrate multiple resources to develop value-added businesses with high frequency, high loyalty and high repurchase rates to help the development of community economy.

Accelerate the pace of market-oriented expansion. The Group will leverage on its management scale and professional service capabilities, fully utilize the professional and brand advantages of the acquired companies in the region, and use market-oriented project expansion as the main focus for future scale growth, follow the concept of “full industry layout and multi-brand development”, deepen cultivation of the stock and incremental market, screen and acquire quality targets that are in line with the development direction and have close synergy value, and achieve scale growth in a high quality manner.

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. I would also like to express my sincere gratitude to all 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 is mainly derived from three business segments: (i) property management services; (ii) community value-added services; and (iii) value-added services to non-property owners. For the year ended 31 December 2021, the Group's total revenue amounted to approximately RMB13,193.5 million, representing an increase of approximately 22.4% as compared with that for the year ended 31 December 2020.

	For the year ended 31 December 2021		For the year ended 31 December 2020		
	Revenue (RMB'000)	Percentage of total revenue (%)	Revenue (RMB'000) <i>(restated)</i>	Percentage of total revenue (%)	Growth rate (%)
Property management services	9,101,820	69.0	6,321,505	58.6	44.0
Community value-added services	2,288,944	17.3	1,536,857	14.3	48.9
Value-added services to non-property owners	<u>1,802,700</u>	<u>13.7</u>	<u>2,923,216</u>	<u>27.1</u>	-38.3
Total	<u><u>13,193,464</u></u>	<u><u>100.0</u></u>	<u><u>10,781,578</u></u>	<u><u>100.0</u></u>	22.4

(i) Property management services

During the year, revenue from property management services amounted to approximately RMB9,101.8 million, representing a year-on-year increase of approximately 44.0% and accounting for approximately 69.0% of the total revenue.

As at 31 December 2021, the Group had a total contracted area under management of approximately 822 million sq.m., with an area under management of approximately 473 million sq.m. and 2,504 projects under management, providing property management services to over 3.2 million households. Of which, approximately 138 million sq.m. of property under management was developed by third-party developers, representing an increase of 128 million sq.m. as compared with the end of 2020. This was mainly due to the steady growth in the area under management as the Group continued to extend its service boundary, accelerate market expansion and attract quality bidders, covering residential properties, commercial office buildings, industrial parks, public facilities and urban public services.

(ii) Community value-added services

During the year, revenue from community value-added services amounted to approximately RMB2,288.9 million (31 December 2020: approximately RMB1,536.9 million (restated)), representing a year-on-year increase of approximately 48.9% and accounting for approximately 17.3% of the total revenue. The increase in revenue from community value-added services was mainly due to the Company's vigorous expansion of its community value-added business, which achieved rapid growth in venue services, car parking space rental, real estate agency, community group purchase and housekeeping services.

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

During the year, revenue from value-added services to non-property owners amounted to approximately RMB1,802.7 million, representing a year-on-year decrease of 38.3% and accounting for approximately 13.7% of total revenue.

The decrease in revenue from value-added services to non-property owners was mainly due to the liquidity crisis of the related party, and the Company took the initiative to discontinue businesses such as value-added services to non-property owners, which had poor guarantee of return.

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 year, due to the increasing area under management and the rapid expansion of the Group's community value-added services, the cost of each category increased accordingly, with cost of sales increasing from approximately RMB6,765.7 million (restated) in 2020 to approximately RMB9,529.5 million in 2021, representing a year-on-year increase of approximately 40.9%.

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 years indicated:

	For the year ended 31 December 2021		For the year ended 31 December 2020	
	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000) <i>(restated)</i>	Gross profit margin (%)
Property management services	2,451,242	26.9	2,120,998	33.6
Community value-added services	1,025,638	44.8	811,689	52.8
Value-added services to non-property owners	187,053	10.4	1,083,202	37.1
Total	3,663,933	27.8	4,015,889	37.2

During the year, the Group's overall gross profit was approximately RMB3,663.9 million, representing a year-on-year decrease of approximately 8.8%.

1. In respect of property management services, the Group adjusted the revenue recognition rhythm for some related party businesses with uncertainty of recovery of payment due to prudent considerations, and therefore some revenue was not recognized in the current year, and some newly acquired companies had low gross profit margins, resulting in a decrease in the Group's gross profit margin for property management services by approximately 6.7 percentage points from approximately 33.6% in 2020 to approximately 26.9% in 2021.
2. In respect of community value-added services, in order to build up its long-term development capability, the Group further promoted its self-operated model in its property agency and rental and sales businesses, which led to an increase in operating costs, while the Group dug deeper into the needs of property owners and continued to enrich its product categories, and the scale of the purchase and sales business with relatively lower gross profit increased, which lowered the overall gross profit margin of the community value-added business. The gross profit margin of the Group's community value-added services decreased by approximately 8.0 percentage points from approximately 52.8% (restated) in 2020 to approximately 44.8% in 2021.

3. In respect of value-added services to non-property owners, due to the liquidity crisis of the related party and the greater uncertainty in the recovery of related party payments, some of the costs incurred were not effectively covered and the gross profit margin of the Group's value-added services to non-property owners decreased by approximately 26.7 percentage points from approximately 37.1% in 2020 to approximately 10.4% in 2021.

Administrative and marketing expenses

During the year, administrative and marketing expenses amounted to approximately RMB980.1 million, representing an increase of approximately 52.0% from approximately RMB645.0 million for the year ended 31 December 2020, due to the increase in employee expenses as a result of the expansion of the Group's business.

Other income

During the year, other income was approximately RMB326.1 million, representing an increase of approximately 110.7% from approximately RMB154.8 million (restated) for the year ended 31 December 2020.

The increase in other income was mainly due to higher bank interest income as a result of increased fixed deposit.

Other losses

For the year ended 31 December 2021, the Group's other net losses were approximately RMB595.8 million, as compared with other net losses of approximately RMB46.2 million for the corresponding period in 2020. The increase in other net losses was mainly due to the increase in impairment of goodwill by approximately RMB593.9 million, partially offset by the decrease in net foreign exchange losses by approximately RMB44.1 million during the year.

Income tax expenses

During the year, income tax expenses were approximately RMB169.9 million, representing a decrease of approximately 80.0% from approximately RMB851.1 million (restated) for the corresponding period in 2020.

The decrease in income tax expenses was mainly due to the decrease in total profit before tax for the year.

Loss/profit for the year

During the year, the Group recorded a net loss of approximately RMB388.8 million, representing a turnaround from net profit of approximately RMB2,646.5 million (restated) for the year ended 31 December 2020, which was mainly due to the full provision for impairment on the outstanding portion of operating receivables from related parties for the year ended 31 December 2021.

During the year, the loss attributable to owners of the Company amounted to approximately RMB316.3 million, representing a turnaround from approximately RMB2,647.1 million (restated) for the corresponding period in 2020.

Property and equipment

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

As at 31 December 2021, the net book value of the Group's property and equipment was approximately RMB70.7 million, representing an increase of approximately 30.6% as compared with approximately RMB54.1 million (restated) as at 31 December 2020, mainly due to the increase in fixed assets arising from the acquisition of companies.

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 31 December 2021, the Group's leased assets were approximately RMB188.4 million, representing an increase of approximately RMB163.6 million as compared with approximately RMB24.8 million (restated) as at 31 December 2020, mainly arising from the business expansion consolidation.

Intangible assets

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

As at 31 December 2021, the Group's intangible assets amounted to approximately RMB2,205.3 million, representing an increase of approximately RMB2,076.6 million as compared with approximately RMB128.7 million (restated) as at 31 December 2020, mainly due to (i) approximately RMB1,133.4 million arising from the customer relationships and property management contracts recognized by the acquisition of companies; and (ii) approximately RMB1,698.8 million arising from the goodwill of the acquisition of companies; and (iii) amortization and impairment of approximately RMB757.1 million incurred during the year in respect of the customer relationship and goodwill arising from the acquisition.

Trade and other receivables

During the year, the Group's provision for impairment of receivables from related parties increased significantly as compared with 2020 due to the slowdown of recovery of the Group's related party repayments and after taking into account the credit risk. The trade receivables decreased by approximately RMB1,827.9 million from approximately RMB3,827.6 million (restated) as at 31 December 2020 to approximately RMB1,999.7 million as at 31 December 2021. 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 increased by approximately RMB345.5 million from approximately RMB368.7 million (restated) as at 31 December 2020 to approximately RMB714.2 million as at 31 December 2021, mainly due to the increase in other receivables arising from the acquisition of the companies.

Trade and other payables

As at 31 December 2021, the Group's trade and notes payables were approximately RMB2,142.1 million, representing a decrease of approximately RMB295.1 million as compared with approximately RMB2,437.2 million (restated) as at 31 December 2020.

Other payables increased by approximately RMB1,635.0 million from approximately RMB1,759.4 million (restated) as at 31 December 2020 to approximately RMB3,394.4 million as at 31 December 2021, mainly due to (i) the increase in equity transfer payable for the acquisition of business; and (ii) the increase in costs as results of the expansion of the Group's property management business.

Contract liabilities

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

Contract liabilities increased by approximately RMB354.3 million from approximately RMB2,725.8 million (restated) as at 31 December 2020 to approximately RMB3,080.1 million as at 31 December 2021, mainly due to the increase in prepayments for property service fees as a result of the increase in the area under fee-based management.

Liquidity and financial resources

As at 31 December 2021, the Group's total bank deposits and cash (including the Group's cash and cash equivalents and restricted cash) amounted to approximately RMB1,166.8 million, representing a decrease of approximately RMB11,443.8 million from approximately RMB12,610.6 million (restated) as at 31 December 2020. The decrease in bank deposits and cash was mainly because the Group provided deposit pledge guarantees for the financing of a number of third party companies (as the guaranteed parties) and the relevant funds were transferred to China Evergrande Group through some of the guaranteed parties and a number of intermediary companies (after deduction of fees) and then, upon expiry of the pledge guarantee period, the conditions for realisation of the pledge right were triggered and the Group was enforced by the banks with an aggregate value of RMB13.4 billion.

Of the Group's total bank deposits and cash, restricted bank deposits of approximately RMB36.6 million (31 December 2020: approximately RMB2,005.2 million (restated)) mainly represented the restricted share capital of Evergrande Insurance Agency Co., Ltd., deposits for the provision of property management services as required by local government authorities and funds for litigation preservation of some subsidiaries.

As at 31 December 2021, the Group's net current liabilities amounted to approximately RMB5,450.2 million (31 December 2020: net current assets amounted to approximately RMB9,594.9 million (restated)). The Group's current ratio (current assets/current liabilities) amounted to approximately 0.4 times (31 December 2020: approximately 2.3 times (restated)).

As at 31 December 2021, the Group had short-term borrowings of approximately RMB150.0 million and long-term borrowings of approximately RMB150.0 million. The Group recorded a deficiency in equity at 31 December 2021 and therefore the gearing ratio (calculated as total borrowings less lease liabilities divided by total equity as at the date indicated) was not applicable (31 December 2020: nil).

MAJOR RISKS AND UNDERTAINTIES

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

Industry risks

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

Business risks

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

Foreign exchange risks

The business of the Group is mainly located in China. Save for bank deposits denominated in foreign currencies, there is no major direct exchange rate fluctuation risk faced by the Group. During the year, 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(iii) 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 China Evergrande Group on the repayment of the amount involved in the pledge, streamlining the Group's operating costs, negotiating with suppliers and acquired companies on the extension agreements of payables, and enhancing internal controls to ensure the continued sound operation of the Company. The above measures have effectively alleviated the Group's operating cash flow pressure, but there is uncertainty as to whether these matters will have any further material impact on the Group's future operations.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2021, the Group had 73,381 employees. During the year, the total staff costs were approximately RMB5,767.3 million.

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.

STAFF TRAINING AND DEVELOPMENT

Based on the three-level training mechanism of "headquarters-region-project", the Group is committed to implementing 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 year, all staff participated in training, with a total of over 3 million hours of training and an average of 42.83 hours of training per person.

PLEDGE OF ASSETS

As at 31 December 2021, the Group pledged 80% of the equity interest of its subsidiary, Ningbo Yatai Hotel Property Services Co., Ltd. ("**Ningbo Yatai Hotel Property**"), as the pledge of a bank loan.

CONTINGENT LIABILITIES

As at 31 December 2021, 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

Acquisition of shares in Ningbo Yatai Hotel Property

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

Acquisition of shares in Shenzhen Futian Property

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

Acquisition of shares in Wuhan JBL Property

On 28 February 2021, the Group signed an equity transfer agreement for the acquisition of 70% interests in Wuhan JBL Property at a consideration of RMB306.6 million, which was determined after arm's length negotiation, and the change of equity ownership and business registration for the 51% equity interests was completed on 25 March 2021, and the change of equity ownership and business registration for the 19% equity interests was completed on 6 September 2021.

Acquisition of shares in Zhejiang Jindu Property

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

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

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

Save for the information disclosed above, for the year ended 31 December 2021, the Group had no other significant investment, material acquisition or disposal of subsidiaries, associates or joint ventures.

PROCEEDS FROM THE 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.

For the year ended 31 December 2021, the Group used the proceeds of approximately RMB1,932.6 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 RMB254.1 million to support the Group's operations, in line with the use of proceeds as set out in the prospectus of the Company dated 23 November 2020. For the year ended 31 December 2021, the Group deposited approximately RMB3,123.9 million of the proceeds into banks as deposits for third party pledge guarantees, which were enforced by the relevant banks. As at 31 December 2021, the remaining unutilized proceeds from the Global Offering of the Company amounted to approximately RMB483.3 million.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2021.

SHARE OPTION SCHEME

The share option scheme was approved and adopted by the shareholders of the Company at the extraordinary general meeting of the Company held on 10 May 2021. No share options have been granted from the adoption of the share option scheme until 31 December 2021.

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 announcement.

Delayed release of 2021 annual results

In view of the material change in the operating conditions of China Evergrande Group, a connected party of the Company, the auditors are unable to complete the audit process as scheduled and the Company is unable to publish its audited results for the year ended 31 December 2021 on or before 31 March 2022 in accordance with Rule 13.49(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). For details, please refer to the Company’s announcement dated 21 March 2022 in relation to the expected delay in the publication of the audited results for 2021 and the announcement dated 20 June 2022 in relation to the resumption guidance and update information.

Deposit pledge guarantees enforced by bank

In the course of the Company’s review of its financial report for the year ended 31 December 2021, it was discovered that the Company’s deposit pledge guarantees of approximately RMB13.4 billion were enforced by the relevant banks (the “**Deposit Pledge Incident**”). For details, please refer to the Company’s announcement dated 21 March 2022 in relation to the Deposit Pledge Incident.

Suspension of trading in shares

In view of the delay in the release of the 2021 annual results and the Deposit Pledge Incident, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 21 March 2022. For details, please refer to the Company's announcement dated 21 March 2022 in relation to the suspension.

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 the announcements dated 21 September 2022 and 20 December 2022 in relation to the quarterly information update (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 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 the independent investigation, during the period between 28 December 2020 and 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 RMB13.4 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.

In accordance with the relevant laws, the Group may recover the RMB13.4 billion certificates of deposit withheld/transferred from the guarantee in accordance with the relevant laws and the agreement of the pledge guarantee contract, or from the actual recipient or user of the funds based on the creditor-debtor relationship. The Company is in discussion with China Evergrande for the repayment plan of the amount involved in the pledge, which is mainly through the transfer of assets from the Evergrande Group to the Group to offset the relevant amount. The Company has engaged DLA Piper as the Company's overseas lawyer, Beijing Dentons (Guangzhou) Law Firm (北京大成 (廣州) 律師事務所) as the Company's domestic lawyer, Maxa Capital Limited as the independent financial adviser and Greater China Appraisal Limited as the property valuer to assist the Company in taking forward the repayment plan. Further Announcement will be made when the relevant repayment plan is implemented. Please refer to the Relevant Announcements for details of the independent investigation.

Resumption Guidance from 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 of the Company, 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.

Please refer to the announcements of the Company 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 announcements of the Company 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 ("FRC") dated 15 August 2022 in relation to the Company, the FRC had conducted an enquiry into the financial statements of the Company for the year ended 31 December 2020 and the six months ended 30 June 2021. Please refer to the Company's announcement dated 16 August 2022 for further details.

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. Please refer to the Company's announcement dated 1 September 2022 for further details.

Appointment and Resignation of Directors

On 9 February 2022, Mr. Peng Liaoyuan was appointed as an independent non-executive Director, a member of the audit committee (the “**Audit Committee**”) and a member of the nomination committee (the “**Nomination Committee**”) of the Company. On the same date, Mr. Chan Chun Hung resigned as an independent non-executive Director, a member of the Audit Committee and a member of the Nomination Committee of the Company. For details, please refer to the announcement of the Company dated 9 February 2022.

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 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 and an authorised representative of the Company and Ms. An Lihong resigned as an executive Director. 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 Group entered into (i) the Master Car Parking Lease Agreement in respect of (i) the leasing of certain car parking spaces by the Group from subsidiaries, joint ventures and associated associates of China Evergrande Group (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 Agreement for a term of for a term of three years commencing from 1 January 2023 and ending on 31 December 2025. For details, please refer to the announcement of the Company 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 auditor of the Company upon the recommendation of the Company. The matters leading to his resignation as 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, in the opinion of PwC, should be brought to the attention of shareholders and creditors of the Company. On the same day, the Board, having considered the recommendation of the Audit Committee, appointed Prism as the new auditor of the Company to fill the casual vacancy arising from 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.

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 year ended 31 December 2021, the Company had complied with all the applicable code provisions of the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as the Company’s code of conduct for securities transactions by the Directors. The Company has made specific enquiry of all the Directors and they have confirmed that they have complied with the requirements set out in the Model Code throughout the year ended 31 December 2021.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2021.

ANNUAL GENERAL MEETING

A notice convening the annual general meeting of the Company will be published and despatched to the shareholders of the Company in the manner prescribed under the Listing Rules in due course.

AUDIT COMMITTEE

In accordance with the requirements of the CG Code and the Listing Rules, the Company has established the Audit Committee comprising three independent non-executive Directors, namely, Ms. Wen Yanhong (Chairman), Mr. Peng Liaoyuan and Mr. Guo Zhaohui. The Audit Committee and the management of the Company have considered and reviewed the accounting principles and practices adopted by the Group and have discussed matters relating to risk management, internal control and financial reporting, including the review of the consolidated audited financial statements of the Group for the year ended 31 December 2021. The financial information, including the comparative figures, have been reviewed by the Audit Committee.

SCOPE OF WORK OF PRISM

The Group's auditor, Prism, have reconciled the figures set out in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes of the Group for the year ended 31 December 2021 as set out in this results announcement with the amounts set out in the Group's audited consolidated financial statements for that year. The work performed by Prism in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Prism on this results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange (<https://www.hkexnews.hk>) and the website of the Company (<http://www.evergrandeservice.com>). The annual report of the Company for the year ended 31 December 2021 containing all the data required under the Listing Rules will be despatched to shareholders of the Company and will be made available for review on the same websites in due course.

CONTINUED SUSPENSION OF SECURITIES TRADING

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

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

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

Hong Kong, 5 June 2023

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