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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6666

2022 Annual Report

CONTENTS

Corporate Information

Board of Directors

Executive Directors

Mr. Duan Shengli *(Chairman)*
Mr. Hu Liang
Mr. Lu Peimei
Mr. Wang Zhen
Ms. Yu Fen

Independent Non-executive Directors

Mr. Peng Liaoyuan
Ms. Wen Yanhong
Mr. Guo Zhaohui

Audit Committee

Ms. Wen Yanhong *(Chairman)*
Mr. Peng Liaoyuan
Mr. Guo Zhaohui

Remuneration Committee

Mr. Guo Zhaohui *(Chairman)*
Ms. Wen Yanhong
Mr. Hu Liang

Nomination Committee

Mr. Duan Shengli *(Chairman)*
Mr. Peng Liaoyuan
Mr. Guo Zhaohui

Authorized Representatives

Mr. Duan Shengli
Mr. Fong Kar Chun, Jimmy

Company Secretary

Mr. Fong Kar Chun, Jimmy

Headquarters and Principal Place of Business in the PRC

Third Compartment of Room 3101
No. 78, Huangpu Ave West
Tianhe District
Guangzhou
Guangdong, PRC

Principal Place of Business in Hong Kong

15th Floor, China Evergrande Centre
38 Gloucester Road
Wanchai
Hong Kong

Registered Office

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Share Registrar

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

Auditors

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

Legal Advisers

Sidley Austin

Principal Banks

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

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

6666

Company's Website

www.evergrandeservice.com

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Evergrande Property Services Group Limited ("**Evergrande Property**" or the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present the results of the Group for the year ended 31 December 2022.

Review for 2022

In 2022, the property management industry experienced multiple tests such as fluctuations in the real estate industry, a decline in capital valuation and recurring pandemic, which slowed down the growth of the scale of property management enterprises; however, as the state continued to increase macro policy support, creating a favorable development environment for property management industry, the future of the property management industry remained promising. 2022 was also a "challenging" year for the Group. In the face of many pressures and difficulties, the Group had been making changes, paying more attention to independent development and pursuing high quality growth, and taking "strengthening the fundamentals, improving efficiency, stabilizing growth and seeking breakthroughs" as its guide, continuing to create the ultimate service experience, promoting refined management and innovating service initiatives, and continuously building a solid foundation for development; at the same time, it had steadily embarked on a new journey of high quality development by comprehensively enhancing its market-oriented expansion capabilities.

For the year ended 31 December 2022, the Group achieved operating revenue of approximately RMB11,809.2 million, gross profit of approximately RMB2,719.1 million and net profit of approximately RMB1,478.6 million. Profit attributable to owners of the Company amounted to approximately RMB1,422.7 million and basic earnings per share was approximately RMB0.13.

Building a solid foundation of quality with a people-oriented approach and continuing to consolidate basic services. As of 31 December 2022, the Group had a total contracted area of approximately 819 million sq.m. and an area under management of approximately 500 million sq.m., representing an increase of approximately 27 million sq.m. from the end of 2021, maintaining its industry-leading management scale. With a large scale of management volume, we continued to allocate resources to the frontline of our business and consistently delivered high quality service output. During the year, the Group focused on the "needs and expectations" of property owners, deeply explored the service touchpoints of different scenarios, formed a closed loop of services through "analysis of demands, research and solution, innovation and promotion, and feedback upgrade(訴求分析、研究解決、創新推廣、回饋升級)", continuously improved the service standards and quality control system. For example, the Group carried out a series of service enhancement initiatives in the areas of homecoming line creation(歸家動線打造), customer demand handling, equipment and facilities renewal and community safety during the year, while actively carrying out customer care activities, community convenience activities and party building and cultural activities to improve the overall customer living experience. The annual complaint rate per 1,000 customers dropped by 13.5% year-on-year and the property service property owners satisfaction steadily increased.

Focusing on the needs of residents and unlocking multiple value-added spaces. Focusing on community development stages, family growth cycles and community life scenarios, the Group actively explores customers' high-frequency living needs, boldly experiments with business innovation and integrates multiple resources through internal incubation and external attraction to continuously enrich the content of value-added services business. During the year, the Company vigorously launched its community group purchase business, adhering to the operation concept of "source selection, door-to-door service and worry-free after-sales", forming a professional product selection and marketing team, combining the daily living needs of property owners, developing with online and offline integration and launching a variety of quality and inexpensive products; in terms of community living services, the Company took housekeeping services as the entry point to build the "Jinbi to Home(金碧到家)" living service brand, joining hands with outstanding leading enterprises in the industry, and continuously integrating into various scenarios in the daily lives of residents to provide property owners with more convenient, professional and caring quality community services.

Firming up the pace of third-party expansion and facing up to market competition. The Group relies on its own management scale and its advantage of all-territory and all-inclusive layout to integrate the resources of the acquired companies in the fields of public construction and city public services, so as to open up the market comprehensively and achieve effective signing and landing of projects. As at 31 December 2022, the Group had a total area under management of approximately 148 million sq.m. of third party projects, accounting for approximately 30% of the Group's total area under management, of which the new area under management from third party accounted for approximately 37% of the Group's total new area under management, representing a significant market expansion. During the year, the Group successfully expanded a large number of landmark projects, such as Wuhan Rail Transit, Chongqing Pacific Plaza, Shaoxing Mingcheng Scenic Area, Taizhou Fangte Theme Park, achieving a new breakthrough in multi-industry management. At the same time, it has continued to strengthen in-depth cooperation with local state-owned enterprises and third-party developers to achieve complementary advantages and further capture the market through the establishment of joint ventures. Nine joint ventures have been established in Henan, Beijing and Hainan, with annual saturation revenue of approximately RMB116 million.

Adhering to the leadership of party building and actively practising corporate social responsibility. The Group has always integrated party building leadership into its corporate development. By the end of 2022, nearly 200 Red Property Party branches had been established and nearly 15,000 red community activities had been prepared. In the second half of the year, as the pandemic situation in China continued to escalate, the Group's tens of thousands of employees were stationed at project sites and, under the leadership of local governments at all levels, actively cooperated with local pandemic prevention and control departments to do a good job in community nucleic acid testing, disinfection and cleaning, etc. At the same time, they made elaborate plans and bold attempts to explore a number of "efficient, meaningful and learnable" new paths in terms of community material supply and the spiritual life of property owners, guarding the health and safety of the residents with their hearts and minds, which had won the praise of local governments at all levels and the property owners. In addition, the Group had properly placed more than 2,400 ex-servicemen in employment throughout the year, and won the Guangdong Province Property Service Enterprise Award for Outstanding Contribution to Social Responsibility and Social Employment.

Outlook for 2023

In 2023, the property industry is still in a period of deep adjustment, but the laws of industry development, the development model of "stock + increment" and the people's aspiration for a better life and quality services will remain unchanged. The Group will continue to strengthen its expansion, product and operational strengths based on high quality services, and enhance customers' sense of access, happiness and security, with the aim of becoming a benchmark in China's property services industry with "larger management scale", "better comprehensive services", "better management efficiency" and "higher social reputation", to enhance the Company's market-oriented growth momentum and promote long-term corporate development.

Quality is the guide, service is the foundation, and the main course of high quality services is maintained. The Group will adhere to the original intention of quality, focus on the customer, continuously iterate the service model, precipitate service standards, categorise and implement services for projects with different attributes, and carry out multi-dimensional services to make property services "visible, touchable and surprising (看得見、摸得著、有驚喜)"; at the same time, the Group will deepen the management capabilities of the segmentation industry, further improve the core competitiveness of the property segmentation track, and vigorously develop the independent and diversified brand development strategy of "Jinbi+" to facilitate the Group's high quality development.

Demand-led and diversified development to enhance the quality and upgrade of property services. The Group will focus on the "property services + living services" model, continue to dig deeper into the needs of property owners around the whole age group of customers and the whole life scenario of the community, build comprehensive service portals, focus on basic living services such as housing rental and sale, housekeeping services and home decoration and home furnishing, and enhance the convenience of customers; at the same time, the Group will continue to expand its service boundaries to provide extended services such as community tourism, community healthcare to fully meet the diversified needs of residents. In addition, the Group will deepen its community group purchase services, continue to strengthen its professionalism in product selection, develop products that precisely match the needs of property owners and, through a two-pronged approach of offline shops and online services, continue to enhance the user consumption experience, cultivate the consumption habits of property owners, increase the service penetration rate and the repurchase rate of property owners, which will also bring more room for development and growth points for the Company to achieve double improvement in property services and operating income.

We will continue to strengthen our market-oriented development capabilities by maintaining stability and scale. The Group will adjust its internal development strategy around the diversified brand development strategy of "Jinbi+", optimize its project development criteria, take into account multiple factors such as business synergy, layout complementarity and long-term profitability of the subject projects on a site-specific basis. The Group will intensify its efforts to expand its quality inventory projects, transform its third-party project expansion efforts from "scale" to "efficiency and scale", increase project density in key cities, optimize its business layout and drive its scale development to a new level.

In retrospect, in the face of the related party liquidity crisis, the Group has maintained a stable performance by maintaining sound operations. In 2023, the Group will operate prudently with the work mindset of "seek progress while maintaining stability", always adhere to the principle of service first, continuously strengthen its high-quality service capability and continue to unleash the potential of its value-added community business; implement a diversified layout and scale expansion strategy to strengthen the Company's comprehensive operational competitiveness; and comprehensively review and optimize its internal control management system to enhance the Company's internal control level and effectively strengthen its supervision and control capability to promote the Group's higher quality and more sustainable development.

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

Duan Shengli
Chairman of the Board

Hong Kong, 5 June 2023

Management Discussion and Analysis

Relationship with the controlling shareholder

Since the liquidity crisis of the Company's controlling shareholder, China Evergrande, in 2021, the Group's business has been affected to a certain extent, especially in the area of value-added services to non-property owners. Benefiting from the " light asset and stable cash flow" nature of the property management industry, and with the efforts of the Board of Directors and the management of the Company, the Group has focused on the "property services + living services" model to provide high-quality services to the proper owners and residents, and has shaken off many of the adverse effects caused by the liquidity crisis of the controlling shareholder. The Company's overall operating performance is sound and its market expansion capability has been further enhanced, and it has the ability to sustain its development in the long run.

The Group adhered to the principle of market-oriented development and steadily enhanced its project expansion capabilities to ensure the Company's independent, sound and sustainable operation. As of 31 December 2022, the Group had approximately 148 million sq.m. under management from third-party developers, accounting for approximately 30% of the total, and continued to make new breakthroughs in the expansion of independent third-party projects.

After the property is delivered to the proper owners, the property company will provide property services and collect property service fees and other value-added service fees from the proper owners in accordance with the pre-property service contract signed with the proper owners, without any connection with the project developer, and the property company is fully in a market-oriented competitive environment. In 2022, the Group's revenue from related partys was approximately RMB140.5 million, which only accounted for approximately 1.2% of the total revenue and did not have any material impact on the Group's overall revenue in general. The Group is committed to continuously providing diversified services to its proper owners and reducing its reliance on the business of related party.

The following table sets out the changes in the Group's revenue by category of revenue source:

Business category	Revenue source	2022 Revenue (RMB'000)	2022 Percentage	2021 Revenue (RMB'000)	2021 Percentage	Year-on-year growth rate
Property management services	related party	**12,681**	**0.1%**	967,503	7.3%	-98.7%
	third party	**9,427,879**	**79.8%**	8,134,317	61.7%	15.9%
Community value-added services	related party	**50,613**	**0.4%**	98,728	0.8%	-48.7%
	third party	**2,229,910**	**18.9%**	2,190,216	16.5%	1.8%
Value-added services to non-property owners	related party	**77,229**	**0.7%**	1,754,261	13.3%	-95.6%
	third party	**10,864**	**0.1%**	48,439	0.4%	-77.6%
Total revenue	related party	**140,523**	**1.2%**	2,820,492	21.4%	-95.0%
	third party	**11,668,653**	**98.8%**	10,372,972	78.6%	12.5%

Note: Related party refers to the subsidiaries, joint ventures and associates of China Evergrande Group

In addition, the Group appointed an independent internal control consultant to conduct a comprehensive review and optimization of the Company's internal control management, improve the Company's internal control-related systems, enhance the training of directors, senior management and relevant personnel, and comprehensively improve the Group's internal control level to ensure the Group's management independence, operational independence and financial independence.

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 2022, the Group's total revenue amounted to approximately RMB11,809.2 million.

	For the year ended 31 December 2022		For the year ended 31 December 2021		
	Revenue (RMB'000)	Percentage of total revenue (%)	Revenue (RMB'000)	Percentage of total revenue (%)	Growth rate (%)
Property management services	**9,440,560**	**80.0**	9,101,820	69.0	3.7
Community value-added services	**2,280,523**	**19.3**	2,288,944	17.3	-0.4
Value-added services to non-property owners	**88,093**	**0.7**	1,802,700	13.7	-95.1
Total	**11,809,176**	**100.0**	13,193,464	100.0	-10.5

(i) Property management services

During the year, revenue from property management services amounted to approximately RMB9,440.6 million, representing a year-on-year increase of approximately 3.7%, mainly due to the increase in area under management as the Group's business expanded.

As of 31 December 2022, the Group had a total area under management of approximately 500 million square metres, representing an increase of approximately 27 million square metres from 2021.

In 2022, due to the liquidity crisis of related parties, the Group excluded the portion of revenue from basic property services provided to related parties of approximately RMB1,034.3 million from its property management services revenue during the year based on the principle of robustness. In the event that this portion of revenue was not excluded, the underlying service revenue was approximately RMB10,474.9 million.

(ii) Community value-added services

During the year, revenue from community value-added services amounted to approximately RMB2,280.5 million, representing a year-on-year decrease of approximately 0.4%, mainly due to the delay in delivery caused by the liquidity crisis of related parties and the significant decrease in revenue from home decoration and home furnishing services, property rental and sale of newly delivered property management projects. The Group promptly adjusted its strategic deployment to focus on businesses of the high-frequency and immediate needs of property owners, with emphasis on community living services such as community group purchase and housekeeping services. Revenue from community living services for the year ended 31 December 2022 increased by over 66.8% as compared with the corresponding period in 2021.

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

During the year, revenue from value-added services to non-property owners amounted to approximately RMB88.1 million, representing a year-on-year decrease of approximately 95.1%. This was mainly due to the Group's strategic contraction of value-added services to non-property owners based on market-oriented principles and its initiative to significantly reduce the provision of display units services and maintenance and warranty services to related parties as a result of the liquidity crisis of related party.

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, the Group's cost of sales amounted to approximately RMB9,090.1 million, representing a decrease of approximately 4.6% from approximately RMB9,529.5 million for the year ended 31 December 2021.

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

Gross profit and gross profit margin

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

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)
Property management services	**1,803,140**	**19.1**	2,451,242	26.9
Community value-added services	**907,346**	**39.8**	1,025,638	44.8
Value-added services to non-property owners	**8,597**	**9.8**	187,053	10.4
Total	**2,719,083**	**23.0**	3,663,933	27.8

During the year, the Group's overall gross profit was approximately RMB2,719.1 million with a gross profit margin of approximately 23.0%.

1. In respect of property management services, the Group's gross profit margin for property management services decreased by approximately 7.8 percentage points from approximately 26.9% in 2021 to approximately 19.1% in 2022. The decrease in gross profit margin was mainly due to the Group adjusting the revenue recognition rhythm for certain related party businesses with uncertainty of return based on prudent considerations, resulting in some revenue not being recognized during the year. Excluding this impact, the Group's gross profit margin for property management services for 2022 would have been essentially the same as that for 2021.

2. In respect of community value-added services, the Group's gross profit margin for community value-added services decreased by approximately 5.0 percentage points from approximately 44.8% in 2021 to approximately 39.8% in 2022. The decrease in gross profit margin was mainly due to the impact of the liquidity crisis of related parties and the recurring pandemic, the disruption in the development of businesses such as home decoration and home furnishing and housing rental and sale, and the increase in the proportion of the purchase and sale business with relatively lower gross profit margin.

3. In respect of value-added services to non-property owners, the Group's gross profit margin for value-added services to non-property owners for 2022 remained relatively stable as compared with that of 2021.

Administrative and marketing expenses

During the year, administrative and marketing expenses amounted to approximately RMB777.4 million, representing an decrease of approximately 20.7% from approximately RMB980.1 million for the year ended 31 December 2021, as a result of the Group's adjusting of its organizational structure, optimization of staffing and cost savings.

Other income

During the year, other income was approximately RMB156.8 million, representing a decrease of approximately 51.9% from approximately RMB326.1 million for the year ended 31 December 2021, due to the decrease in bank interest income as a result of the significant decrease in bank deposits

Other losses

For the year ended 31 December 2022, the Group's other net losses were approximately RMB3.8 million, as compared with other net losses of approximately RMB595.8 million for the corresponding period in 2021. The decrease in other net losses was mainly due to the decrease in impairment of goodwill during the year as compared with last year.

Income tax expenses

During the year, income tax expenses were approximately RMB458.4 million, representing an increase of approximately 169.9% from approximately RMB169.9 million for the corresponding period in 2021.

The increase in income tax expenses is mainly due to the increase in total profit before tax for the year and the corresponding increase in tax liabilities.

Profit for the year

In 2022, the Group adhered to the principle of market-oriented development and continued to operate steadily, reduce costs and increase efficiency, achieving good results. During the year, the Group made a net profit of approximately RMB1,478.6 million and profit attributable to owners of the Company of approximately RMB1,422.7 million.

Property and equipment

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

As at 31 December 2022, the net book value of the Group's property and equipment was approximately RMB57.7 million, representing a decrease of approximately 18.4% from approximately RMB70.7 million as at 31 December 2021, mainly due to the decrease in net asset value as the newly acquired assets were less than the depreciation expenses accrued in accordance with the accounting policies during the year.

Right-of-use assets

The Group's right-of-use assets mainly comprise assets such as offices, staff quarters and operating shops leased by the Group. As at 31 December 2022, the Group's right-of-use assets amounted to approximately RMB69.3 million, representing a decrease of approximately RMB119.1 million as compared with approximately RMB188.4 million as at 31 December 2021, mainly due to the decrease in the remaining lease term of the operating shops.

Intangible assets

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

As at 31 December 2022, the Group's intangible assets amounted to approximately RMB1,987.0 million, representing a decrease of approximately RMB218.3 million as compared with approximately RMB2,205.3 million as at 31 December 2021, mainly due to the amortization and impairment of approximately RMB197.7 million arising from the customer relationship and property management contracts recognized by the acquired companies during the year.

Trade and other receivables

As at 31 December 2022, the Group's trade receivables amounted to approximately RMB2,739.0 million, representing an increase of approximately RMB739.3 million as compared with approximately RMB1,999.7 million as at 31 December 2021, mainly due to a slight decrease in the collection rate of property fees as a result of the pandemic. The Group will endeavour to take reasonable measures to collect the receivables from the relevant parties in accordance with the relevant laws and applicable agreements and actively safeguard the interests of the Group.

Other receivables other than trade receivables decreased by approximately RMB253.9 million from approximately RMB714.2 million as at 31 December 2021 to approximately RMB460.3 million as at 31 December 2022, mainly due to the recovery of amounts such as the Group's deposit and common energy consumption charges from the property owners.

Trade and other payables

Trade and other payables comprise trade payables and other payables, of which other payables include temporary collections in lieu, deposits payable, consideration payable for mergers and acquisitions, wages and benefits payable, dividends payable and tax payable.

As at 31 December 2022, the Group had trade payables of approximately RMB1,913.4 million, representing a decrease of approximately RMB228.7 million from approximately RMB2,142.1 million as at 31 December 2021.

Other payables decreased by approximately RMB382.5 million from approximately RMB3,394.4 million as at 31 December 2021 to approximately RMB3,011.9 million as at 31 December 2022, mainly due to the payment of consideration payable for prior years' acquisition transactions.

Contract liabilities

As at 31 December 2022, the Group had contract liabilities of approximately RMB2,688.0 million, representing a decrease of approximately RMB392.1 million as compared with approximately RMB3,080.1 million as at 31 December 2021, mainly due to the decrease in prepayments for property service fees from customers as a result of the decrease in newly delivered areas during the year as compared with 2021.

Liquidity and financial resources

As at 31 December 2022, the Group's total bank deposits and cash (including the Group's cash and cash equivalents and restricted cash) amounted to approximately RMB1,656.0 million, representing an increase of approximately RMB489.2 million from approximately RMB1,166.8 million as at 31 December 2021. The increase in bank deposits and cash was mainly due to the net cash inflow generated from operating activities during the year.

Of the Group's total bank deposits and cash, restricted bank deposits of approximately RMB88.0 million mainly represented industry regulated funds of Evergrande Insurance Agency Co., Ltd., deposits for the provision of property management services as required by local government authorities, cash restricted to projects managed on a remuneration basis only and funds for litigation preservation of some subsidiaries.

As at 31 December 2022, the Group's net current liabilities amounted to approximately RMB3,321.4 million (31 December 2021: net current liabilities of approximately RMB5,450.2 million). The Group's current ratio (current assets/current liabilities) is approximately 0.60 times.

As at 31 December 2022, the Group had short-term borrowings of approximately RMB183.0 million and long-term borrowings of approximately RMB66.7 million.

The Group recorded a deficiency in equity at 31 December 2022 and therefore the gearing ratio (calculated as total borrowings less lease liabilities divided by total equity at the dates indicated) was not applicable (31 December 2021: not applicable).

MAJOR RISKS AND UNCERTAINTIES

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

Industry risks

The operation of the Group may be affected by the regulatory landscape of the industry and related measures. The main reason is that the fees charged by property management companies for management services are strictly monitored and supervised by relevant regulatory authorities. The business performance of the Group depends on contract area, chargeable area under management and the number of projects under management, but the business growth are affected and will likely continue to be affected by the People's Republic of China ("**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 of payment agreements, and enhancing internal controls to ensure the continued sound operation of the Company. The above measures have effectively alleviated the Group's operating cash flow pressure, but there is uncertainty as to whether these matters will have any further material impact on the Group's future operations.

PLEDGE OF ASSETS

As at 31 December 2022, the Group pledged 80% of the equity interest of its subsidiary, Ningbo Yatai Hotel Property Services Co., Ltd., as a bank loan.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had contingent liabilities of performance guarantee reward and profit sharing of both parties during the guarantee period agreed in the equity transfer agreement.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2022, the Group had 72,076 employees. During the year, the total staff costs were approximately RMB5,329.4 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 implement a 3-year campus recruitment programme for management trainees, trainings for new employees and key talent trainings. The Group organizes and conducts trainings on various professional skills, general aptitude, management ability and corporate culture in accordance with our business development needs and employee career planning, in order to improve the comprehensive quality and work capabilities of employees.

During the year, all staff participated in training, with a total of over 1.38 million hours of training and 19.19 hours of training per person.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2022, the Group did not have any significant investment, material acquisition or disposal of subsidiaries, associates or joint ventures.

Directors and Senior Management

Executive Directors

Mr. Duan Shengli (段勝利), aged 41, was appointed as an executive director on 22 July 2022. He is also the Chairman of the Board and the Chairman of the Nomination Committee of the Company. He is primarily responsible for providing guidance and formulating business strategies for the overall development of the Group.

Mr. Duan has over 18 years of experience in the development, operation and management of real estate projects. Mr. Duan joined China Evergrande Group in July 2005 and has served in various positions, including the chairman of the Beijing company of Evergrande Real Estate Group, chairman of the Henan company of Evergrande Real Estate Group, chairman of Fairyland Creative Design Group. Mr. Duan is currently a president of the Group.

Mr. Duan obtained his bachelor's degree from Tsinghua University in July 2005.

Mr. Hu Liang (胡亮), aged 35, was appointed as an executive director on 23 September 2020. He is also a member of the Remuneration Committee of the Company. He is primarily responsible for the formulation of group policies and daily business operation of our Group. He currently holds directorships in a number of subsidiaries of our Group.

Mr. Hu has over 15 years of experience in the property management industry. Mr. Hu joined the Evergrande Group in July 2008 and has served in various positions in subsidiaries of the Evergrande Group. Mr. Hu has held various positions including a project deputy general manager of the Guangzhou branch of Jinbi Property Co., Ltd., (金碧物業有限公司) ("**Jinbi Property**"), an assistant to the general manager of the Nanning branch of Jinbi Property, an assistant to the general manager of Evergrande Real Estate Group (Nanning) Co., Ltd. (恒大地產集團南寧有限公司), the chairman of the board of the Shijiazhuang branch of Jinbi Property, a deputy general manager of Evergrande Real Estate Group (Beijing) Co., Ltd. (恒大地產集團北京有限公司), the general manager of property operational management center of Evergrande Group Co., Ltd. (恒大集團有限公司), and an executive deputy general manager of the property management center and the general manager of the property management center of Evergrande Real Estate Group Co., Ltd. (恒大地產集團有限公司) ("**Evergrande Real Estate**"). From March 2020 until July 2021, he served as the Group's general manager, from July 2021 to September 2021, he served as the Group's executive deputy general manager and from September 2021 to the present, he served as the Group's general manager.

Mr. Hu obtained a bachelor's degree in sociology from the Northwest A&F University (西北農林科技大學) in the PRC in July 2008. Mr. Hu is currently an honorary vice president of China Property Management Association (中國物業管理協會) and a vice president of Guangdong Property Management Association (廣東省物業管理協會).

Mr. Lu Peimei (呂沛美), aged 37, was appointed as an executive director on 22 July 2022.

Mr. Lu joined China Evergrande Group in March 2012 and has served in various positions, including the chairman of Beijing Property Management Company of Evergrande Real Estate Group, general manager of property management center of Evergrande Real Estate Group, assistant to chairman of Xinjiang Guanghui Industrial Investment (Group) Co., Ltd. (新疆廣匯實業投資(集團)有限責任公司). He is also a non-executive director of E-House (China) Enterprise Holdings Limited (stock code: 2048), a company listed on the Main Board of the Stock Exchange.

Mr. Lu obtained a bachelor's degree from Guangdong University of Foreign Studies in June 2008 and a master's degree from the Hong Kong University of Science and Technology in November 2009.

Mr. Wang Zhen (王震), aged 38, was appointed as an executive director on 23 September 2020. He is primarily responsible for the business operation planning, human resources and administration management of the Group.

Mr. Wang has over 15 years of experience in human resources and administrative management. Mr. Wang joined the Evergrande Group in July 2008 and has served in various positions in subsidiaries of the Evergrande Group. Mr. Wang successively served as a deputy manager of the administration and personnel department, a manager of the administration and personnel department and a deputy general manager of Evergrande Yuanlin Group Co., Ltd. (恒大園林集團有限公司) ("**Evergrande Yuanlin**"), an assistant to the general manager and a deputy general manager of the property management center of Evergrande Real Estate, a deputy general manager of the Beijing branch of Evergrande Real Estate and chairman of the board of the Beijing branch of Jinbi Property, and an executive deputy general manager of the property management center of Evergrande Real Estate. Mr. Wang has served as the deputy general manager of the Group since March 2020.

Mr. Wang obtained a bachelor's degree in English from Tianjin University of Commerce (天津商業大學) in the PRC in June 2008 and a master's degree in project management from Wuhan University of Science and Technology (武漢科技大學) in the PRC in June 2017.

Ms. Yu Fen (余芬), aged 54, was appointed as an executive director on 22 July 2022. She is also the chief financial officer and deputy general manager of the Group. She is primarily responsible for the financial and cost management of the Group.

Ms. Yu has over 30 years of experience in accounting and financial management. Ms. Yu joined China Evergrande Group in November 2000 and has served in various positions, including the general manager of the finance center of China Evergrande Group, general manager of financial planning center.

Ms. Yu graduated from Guilin Institute of Electronic Technology (桂林電子工業學院) in 1990 and from Zhongnan University of Finance and Economics in 1998.

Independent Non-Executive Directors

Mr. Peng Liaoyuan (**彭燎原**), aged 54, was appointed as an independent non-executive director on 9 February 2022. He is also a member of each of the Audit Committee and Nomination Committee of the Company. Mr. Peng is responsible for providing independent advice on the operation and management of the Board.

Mr. Peng has over 30 years of experience in legal matters and a senior partner of Guangdong Lianyue Law Firm (廣東連越律師事務所). From May 2019 to November 2021, Mr. Peng served as an independent director of Shenzhen Prolto Supply Chain Management Co., Ltd. (深圳市普路通供應鏈管理股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002769). He has been an external director of Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司), Guangdong Rising Holding Group Co., Ltd. (廣東省廣晟控股集團有限公司) and Guangzhou Pearl River Enterprises Group Ltd. (廣州珠江實業集團有限公司) since December 2017, July 2019 and December 2019 respectively. He has also served as an independent director of Daye Trust Co., Ltd. (大業信託有限責任公司) since September 2020.

Mr. Peng obtained a Bachelor's degree in Political Science and Law from South China Normal University in 1992 and is a practicing lawyer in the PRC. Mr. Peng is currently the executive vice president of the Guangdong Entrepreneurs Association.

Ms. Wen Yanhong (**文艷紅**), aged 53, was appointed as an independent non-executive director on 19 November 2021. She is also the Chairman of the Audit Committee of the Company and a member of the Remuneration Committee of the Company. Ms. Wen is responsible for providing independent advice on the operation and management of the Board.

Ms. Wen has over 17 years of experience in accounting and auditing. She was involved in the audit work of many initial public offering cases in the PRC. Ms. Wen successively served as an auditor at Guangzhou Hengyun Accounting Firm Limited(廣州衡運會計師事務所有限公司) from June 2005 to October 2012, and served as a partner at Guangzhou Erxiang Accounting Firm (廣州而翔會計師事務所) and Tianjian Accounting Firm Guangdong Branch(天健會計事務所廣東分所) from November 2012 to July 2020. She has been the legal representative and the chief taxation officer of Guangzhou Hangyun Tax Advisers Co., Ltd (廣州衡運稅務師事務所有限公司) since February 2017 and has been a partner of Da Hua CPA (大華會計師事務所) (Special General Partnership) since July 2020. She has also been a finance expert in Guangdong Equity Exchange Center Co., Ltd. (廣東股權交易中心股份有限公司) since June 2021.

Ms. Wen graduated from the Guilin Institute of Electronic Technology (桂林電子工業學院) in industrial finance in July 1990 and the CEO class of Zhongshan University Talent College (中山大學行知優才學院) in August 2015. Ms. Wen is also a certified public accountant in the PRC and a certified tax accountant in the PRC.

Mr. Guo Zhaohui (**郭朝暉**), aged 45, was appointed as our independent non-executive Director on November 13, 2020. He is also the Chairman of the Remuneration Committee of the Company and a member of each of the Audit Committee and Nomination Committee of the Company. Mr. Guo is responsible for providing independent advice on the operations and management of our Board.

Since October 2004, Mr. Guo has been working at Wuhan University of Science and Technology (武漢科技大學), where he successively served various positions including a tutor, lecturer, associate professor and master instructor, primarily responsible for human resources management related teaching and research work. Mr. Guo has been serving as an independent director at Calxon Group Holdings Co., Ltd. (嘉凱城集團股份有限公司), a company principally engaged in the property and cinema business whose shares are listed on the Shenzhen Stock Exchange (stock code: 000918), since October 2019.

Mr. Guo obtained a bachelor's degree in human resources management from Wuhan University of Science and Technology (武漢科技大學) in the PRC in June 2001, a master's degree in administrative management from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in June 2004 and a doctoral degree in mechanical engineering from Wuhan University of Science and Technology (武漢科技大學) in the PRC in June 2021. Mr. Guo received the Associate Professor (Economics and Management) Professional Technical Qualification Certificate (副教授(經濟及管理)專業技術資格證書) issued by Hubei Title Reform Work Leading Group Office (湖北省職稱改革工作領導小組辦公室) in June 2011 and the Qualification Certificate of Independent Director of Listed Company (上市公司獨立董事資格證書) issued by the Shenzhen Stock Exchange in December 2019.

Senior Management

Mr. Fang Shun (**方舜**), aged 35, joined the Group in November 2015 and has been the deputy general manager of the Group since March 2020. He is primarily responsible for the community value-added business.

Mr. Fang joined Evergrande Group in July 2011 and had served as the procurement chief of Guangzhou Evergrande Material and Equipment Co., Ltd. (廣州恒大材料設備有限公司), a quality supervision manager of planning and supervision center of Evergrande Yuanlin, and deputy general manager of property management centre of Evergrande Real Estate.

Mr. Fang obtained a bachelor's degree in polymer materials and engineering from Sun Yat-sen University (中山大學) in the PRC in June 2011.

Mr. Han Chao (**韓超**), aged 34, joined the Group in January 2015 and has been the deputy general manager of the Group since March 2021. He is primarily responsible for quality management of property management services, brand promotion and information technology construction business.

Mr. Han joined the Evergrande Group in July 2011 and had served as a deputy manager of the procurement department and a deputy manager of the engineering service center of Evergrande Yuanlin, an assistant to the project general manager of the Guangzhou branch of Jinbi Property, an assistant to the manager of the planning and supervision center of Evergrande Real Estate, an assistant to the project general manager of the Guangzhou branch of Jinbi Property, a deputy director of the quality management department of the property management center and an assistant to the general manager of the property management center of Evergrande Real Estate. From March 2020 to March 2021, Mr. Han served as the assistant to the general manager of the Group and was primarily responsible for quality management of property management services.

Mr. Han obtained a bachelor's degree in museology from Fudan University (復旦大學) in the PRC in July 2011.

Company Secretary

Mr. Fong Kar Chun, Jimmy (方家俊), aged 48, was appointed as our company secretary on September 23, 2020 and is responsible for company secretarial matters of our Group.

Mr. Fong has extensive experience in mergers, acquisitions and capital markets. Mr. Fong worked at DLA Piper, an international law firm in Hong Kong, from September 1999 to September 2001, and Sidley Austin, a global law firm in Hong Kong, from September 2001 to July 2006. From July 2006 to March 2009, Mr. Fong served as a director in the investment banking division of Royal Bank of Scotland (previously known as ABN AMRO Bank N.V.) where he was primarily responsible for mergers and acquisitions and equity capital market fund raising. He has joined China Evergrande Group since June 2009 and is now serving as the company secretary and vice president. He has also served as the company secretary of China Evergrande New Energy Vehicle Group Limited since March 2015 and the company secretary of HengTen Networks Group Limited (currently known as China Ruyi Holdings Limited) since October 2015.

Mr. Fong obtained his bachelor's degree in laws and a postgraduate certificate in laws from The University of Hong Kong in December 1997 and September 1998, respectively. He also obtained his master's degree in banking and finance laws from the London School of Economics and Political Science, University of London in November 2000. Mr. Fong was admitted as a solicitor in Hong Kong in December 2001.

Corporate Governance Report

The Company recognizes the value and importance of achieving high corporate governance standards consistently to the enhancement on corporate performance and accountability. The Board is committed to abide by the principles of good corporate governance to meet legal and commercial standards and requirements, focusing on areas such as internal control, risk management, fair disclosure and accountability to the Shareholders.

The Directors are of the view that the Company has been conducting its business according to the principles of the Corporate Governance Code (the "**Corporate Governance Code**") set out in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and has complied with all the code provisions of the Corporate Governance Code during the year ended 31 December 2022.

Composition of the Board

During the year ended 31 December 2022 and up to the date of this annual report, the Board comprises the following members:

Executive Directors

Mr. Duan Shengli *(Chairman) (appointed on 22 July 2022)*
Mr. Hu Liang *(General Manager)*
Mr. Wang Zhen
Mr. Lu Peimei *(appointed on 22 July 2022)*
Ms. Yu Fen *(appointed on 22 July 2022)*
Mr. Zhen Litao *(resigned on 22 July 2022)*
Mr. Zhao Changlong *(resigned on 22 July 2022)*
Ms. An Lihong *(resigned on 22 July 2022)*

Independent non-executive Directors

Mr. Peng Liaoyuan *(appointed on 9 February 2022)*
Ms. Wen Yanhong
Mr. Guo Zhaohui
Mr. Chan Chun Hung, Vincent *(resigned on 9 February 2022)*

Biographical details of the current members of the Board are set out on pages 19 to 22 of this annual report. Save for being members of the Board, there is no relationship (including financial, business, family or other material relationship) between members of the Board.

During the year ended 31 December 2022, the Board has at all times met the requirements of Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of (i) at least three independent non-executive Directors, (ii) independent non-executive directors representing one-third of the Board, and (iii) at least one independent non-executive Director possesses appropriate professional qualifications, or accounting or related financial management expertise.

Each of the executive Directors has entered into a service contract with the Company for a period of three years which may be terminated by not less than three months' notice in writing served by either party on the other. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years which may be terminated by not less than three months' notice in writing served by either party on the other. The appointments are subject to the provisions of retirement by rotation of Directors under the articles of association of the Company (the "**Articles**"). In accordance with the Articles, at every annual general meeting of the Company ("**AGM**"), one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board was satisfied with the independence of the independent non-executive Directors.

The Board has also put in place mechanisms to ensure that independent views and opinions are available to the Board. Directors may seek independent professional advice, at the Company's expense, where appropriate, upon reasonable request. The Board and individual Directors should have their own access to the senior management of the Company to access information and make enquiries about the Company. The Board will review the implementation and effectiveness of the above mechanism annually to ensure that the Board has access to adequate and independent views and opinions from time to time.

For the year ended 31 December 2022, the Company had arranged for appropriate insurance cover for directors' and officers' liabilities in respect of any legal actions against them arising out of the Company's corporate activities.

Roles and Duties of the Board and Management

The Board is in charge of formulating strategic business development, reviewing and monitoring the business performance of the Group, approving major funds allocation and investment proposals as well as preparing and approving the financial statements of the Group. The Board also gives clear instructions on the authority delegated to the management in relation to the administration and management of the Group.

Chairman and Chief Executive Offer

Under code provision C.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer of a listed company should be separated and should not be performed by the same individual. The Company has distinguished the roles of chairman and chief executive officer in accordance with code provision C.2.1 of the Corporate Governance Code. Currently, Mr. Duan Shengli is the chairman of the Board, primarily responsible for providing guidance and formulation of business strategies for the overall development of the Group, whereas Mr. Hu Liang is the general manager of the Company, primarily responsible for the daily operations, formulation of the overall strategy, business planning and operational decisions of the Group.

Corporate Governance Functions

The Board is responsible for performing the following corporate governance duties: (a) to formulate and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; (d) to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (e) to review the Company's compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and disclosures in the Corporate Governance Report in the annual report of the Company.

The Board may delegate the corporate governance duties to a committee of the Board. The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate in the meetings either in person, by proxy, or by means of electronic communications.

Attendance Record of Directors

4 Board meetings were convened by the Company during the year ended 31 December 2022. At least 14 days' notice before the date of the meeting is given for a regular Board meeting to allow all Directors to make arrangements to attend. For all other Board meetings, reasonable notices were also given.

The attendance of individual Directors at the Board meetings, meetings of Board committees, and general meetings held during the year ended 31 December 2022 is set out below:

	Number of meetings attended/Number of meetings held				
Director	General Meeting	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Duan Shengli *(Note 1)*	0/0	2/2			1/1
Mr. Hu Liang	0/0	4/4	–	2/2	–
Mr. Lu Peimei *(Note 2)*	0/0	2/2	–	–	–
Mr. Wang Zhen	0/0	4/4	–	–	–
Ms. Yu Fen *(Note 2)*	0/0	2/2	–	–	–
Mr. Zhen Litao *(Note 3)*	0/0	2/2	–	–	1/1
Mr. Zhao Changlong *(Note 4)*	0/0	2/2	–	–	–
Ms. An Lihong *(Note 5)*	0/0	2/2	–	–	–
Mr. Peng Liaoyuan *(Note 6)*	0/0	4/4	4/4	–	2/2
Ms. Wen Yanhong	0/0	4/4	5/5	2/2	–
Mr. Guo Zhaohui	0/0	4/4	5/5	2/2	2/2
Mr. Chan Chun Hung, Vincent *(Note 7)*	0/0	0/0	1/1	–	0/0

Notes:

(1) Mr. Duan Shengli was appointed as an executive Director, chairman of the Board and chairman of the nomination committee on 22 July 2022.

(2) Mr. Lu Peimei and Ms. Yu Fen were appointed as executive Directors on 22 July 2022.

(3) Mr. Zhen Litao resigned as an executive Director, chairman of the Board and chairman of the Nomination Committee on 22 July 2022.

(4) Mr. Zhao Changlong resigned as an executive Director on 22 July 2022.

(5) Ms. An Lihong resigned as an executive Director on 22 July 2022.

(6) Mr. Peng Liaoyuan was appointed as an independent non-executive Director, a member of the Audit Committee and a member of the Nomination Committee on 9 February 2022.

(7) Mr. Chan Chun Hung, Vincent resigned as an independent non-executive Director, a member of the Audit Committee and a member of the Nomination Committee on 9 February 2022.

Directors' Training

Directors should participate in appropriate continuing professional development to develop and refresh their knowledge and skills. During the year ended 31 December 2022, the Company arranged a training session conducted by its legal advisers and reading materials relating to regulatory updates and compliance matters for the Directors. Newly appointed Director shall receive a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the purpose of the Company. During the year under review, all of the Directors of the Company have attended continuous professional development training sessions in compliance with code provision C.1.4 of the Corporate Governance Code.

The company secretary of the Company has also complied with the 15 hours training requirements under Rule 3.29 of the Listing Rules.

Risk Management and Internal Control

Duties of the Board and the Management

The Board is responsible for the risk management and internal control system and has the responsibility to review the effectiveness of the system. The Board is responsible for assessing and determining the nature and extent of the risks that the Group is willing to take in achieving strategic objectives, and monitoring the establishment and maintenance by the management of appropriate and effective risk management and internal control systems. The management is responsible for designing and maintaining an effective risk management and internal control system as well as providing confirmations to the Board on the effectiveness of the system. Sound risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance that there will be no material misstatements or losses.

Risk Management

During the year, the Group continued to improve the establishment of the risk management system structure at the group level to guide the risk assessment activities and ongoing risk monitoring activities for various departments by way of the following:

- ✓ **Enhanced existing risk management organizational structure** – An organizational structure with the Board of the Group as the decision-maker and the Chairman, general managers in charge of each center and management personnel at all levels as the implementation unit, has been established to divide risk management responsibilities and set out clear responsibilities for risk management and the risk information reporting route.

The main roles and responsibilities of the risk management system are as follows:

Roles	Primary Duties
Board (Decision-maker)	• Assess and determine the nature of the risk and the degree of acceptance to ensure the achievement of strategic objectives • Review the changes in the nature and severity of material risks against the review conducted in previous year and the Group's ability to cope with changes in business and external environment • Ensure the establishment and maintenance of an effective risk management and internal control system • Supervise management for the design, implementation and monitoring of the risk management and internal control system
Audit committee (Decision-maker)	• Review the structure and responsibilities of risk management and continuously monitor its effectiveness, review the basic risk management system • Supervise the management for the design, implementation and monitoring of the risk management and internal control system • Monitor significant control failures or weaknesses that have been identified during the period, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition
Senior management of the Group (Leadership)	• Responsible for the development of risk management system, regularly review the Company's risk management policies and system • Design, implement and supervise the risk management work of the Group, report on risk management to the audit committee on a regular basis, and report and disclose significant risk information to the audit committee • Provide the audit committee with the confirmation of the effectiveness of the risk management system

Roles	Primary Duties
Management at the headquarters of the Group and management of functional departments in regional offices (Implementer)	• Regularly update the list of risks involved in the relevant activities, and carry out risk identification and evaluation and other related work • Develop and implement a risk response program for the relevant activities • Responsible for the implementation of specific risk management measures • Monitor all kinds of risks involved in the relevant activities, timely report to the risk management coordinator and risk management leadership on risk information • Conduct other relevant work on risk management
Internal audit function	• As a risk management supervising department, responsible for supervising risk management work of the Group and regional offices

✓ **Updating the risk assessment criteria** – In response to the changes in the internal and external operating environment of the Group and taking into account its business nature, operation characteristics and strategic objectives and the risk appetite of the management, the Group updated the risk assessment standards applicable to the Group and carried out the assessment on the risks that are most likely to affect the achievement of the corporate objectives by using commonly recognized assessment methods and assessment criteria.

✓ **Improved risk management workflow** – A risk management workflow covering major steps including identification, assessment, response, monitoring and reporting (please refer to chart 1 "Risk management workflow" below for details) has been enhanced to systematically organize, mitigate and monitor risks. The main elements include, for the purposes of business objectives of the Group, identifying the risk factors that affect the achievement of business objectives, assessing the likelihood and potential impacts of each specific risk; adopting measures to deal with the risks identified; and continuously monitoring the changes in risks and timely adjusting countermeasures.

(Chart 1: Risk management workflow)

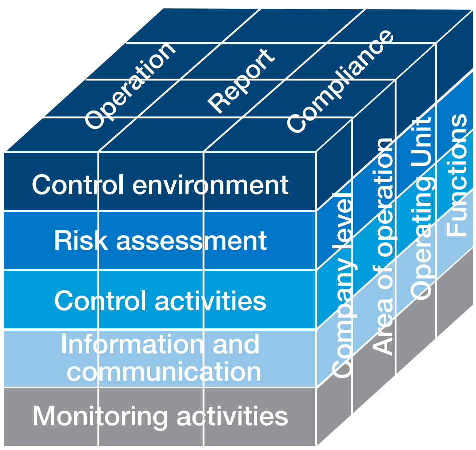
✓ **Risk management reviews are carried out in accordance with the established review frequency-** the above key elements are reviewed in accordance with the frequency of the Group's risk management assessment and reporting (at least once a year) and the Risk Management Manual of the Group.

During the year, the Board conducted a comprehensive review of the Group's risk management and internal control systems through the audit committee, identified the potential risks facing by its business and adopted the relevant countermeasures with the help of external consultants, set out the main department responsible for risk management and countermeasures and objectives for improvement, and reported the assessment results to the audit committee.

Internal Control

The Group has established its own internal control system by making reference to the internal control and management framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (please refer to chart 2: COSO internal control management framework). The Group's risk management system consists of five interdependent elements, which coordinate and operate to ensure the effectiveness of internal control functions of the Group. The five elements are: control environment, risk assessment, control activities, information and communication and monitoring activities.

The internal control system of the Group, as an important part of its risk management, is established based on the risks faced by the Group. The Group has designed procedures to safeguard its assets against unlawful use, maintain proper accounting records to provide reliable financial information for internal use or for publication, and to ensure the Group's compliance with applicable laws, rules and regulations. Nonetheless, the systems are designed to provide reasonable but not absolute assurance against any misstatement or loss.



(Chart 2: COSO internal control management framework)

Internal Audit

The Group has established an internal audit department to be responsible for independent supervision. Management has developed measures for improvement in view of the vulnerabilities and weaknesses identified during the internal audit, which are followed up by the comprehensive monitoring center on a regular basis to ensure the timely implementation of the relevant measures for improvement.

Review of Risk Management and Internal Control System

During the year, the Board, through the audit committee, conducted a review of the risk management and internal control systems of the Group for the financial year ended 31 December 2022, covering the Group and its regional offices. Material and important aspects of control, including financial, operation and compliance areas, were reviewed, and the changes in natures and severity of major risks as well as the Group's ability to cope with the changes in its business were taken into account.

The audit committee has reviewed the resources, staff qualifications and experience of the Company on accounting, internal audit and financial reporting functions as well its staff training programs and budget and confirmed the adequacy of the same.

Reference is made to the announcements of the Company dated 22 March 2022, 22 July 2022 and 15 February 2023 in relation to the enforcement of the Group's deposits pledge of approximately RMB 13.4 billion (the "**Pledge**") by relevant banks. The Company has established an independent investigation committee (the "**Independent Committee**") to conduct an independent investigation on the Pledge. The Independent Committee stated in the findings of the independent investigation that the Pledge reflects the deficiencies in the Group's internal control system. Please refer to the announcement of the Company dated 15 February 2023 for a summary of such deficiencies.

The Board confirms that the findings of the independent investigation reflect deficiencies in the Group's internal control system, mainly including:

(a) there was the issue of non-compliance of the relevant deposit certificate pledge guarantee proposals and contracts with the internal control management system, and that the relevant internal approval was ultimately made by Evergrande Group instead of the Group;

(b) in terms of seal and file management, the subsidiaries of the Group involved in the Pledges did not establish an independent seal and file management system, and its company-level chops were under Evergrande Group's de facto control;

(c) the subsidiaries of the Group involved in the Pledges relied on the contract management center of Evergrande Group to review material contracts, which shows that the Group lacks the necessary independent risk assessment procedures or systems for external pledge guarantee and use of funds;

(d) none of the deposit certificate pledge guarantees involved in the Pledges was created based on the actual business needs of the Group itself.

Based on the findings of the investigation, the Independent Investigation Committee recommended that the domestic subsidiaries of the Group adopt the following measures in relation to their corporate governance and compliance management:

(a) enhance the implementation and enforcement of existing systems to ensure their effectiveness;

(b) establish an independent seal and file management system, regularly inspect and supervise the implementation of the filing work, and standardize the management of files;

(c) set up necessary and independent risk assessment procedures or systems, conduct necessary due diligence on entities such as contracting parties, and adopt corresponding level of risk prevention measures for material transactions;

(d) optimize the procedures for passing resolutions, decision-making and approval of material matters such as investment and external guarantees in the existing management system, improve the approval system for large-amount payments, standardize the approval and signing process of material contracts, and form an effective check and balance mechanism to ensure due supervision, authorization and approval;

(e) strengthen the training of senior management personnel, improve their risk identification ability, and strengthen their risk prevention awareness;

(f) when necessary, appoint other relevant professional institutions to assist in improving corporate governance and compliance management; and

(g) strictly abide by the Listing Rules and the relevant requirements for information disclosure thereunder, conduct independent internal control evaluations, and establish sufficient internal controls and procedures to fulfill the information disclosure obligations under the Listing Rules.

The Company has engaged an internal control consultant to conduct a comprehensive review of the Group's internal control and risk management system, and the Company will follow the recommendations of the internal control consultant and implement enhanced internal control and risk management system.

At the same time, in order to further strengthen the internal control environment, the Company will adopt the following measures to avoid potential violations of the Listing Rules in the future:

(a) the internal audit department shall conduct regular review on the major internal control points to strengthen the implementation and enforcement of the internal control system;

(b) remind Directors, senior management and relevant personnel of the Group the importance of complying with the internal control procedures and increase their awareness on relevant aspects; and

(c) provide regular trainings and seminars for all Directors, senior management and relevant personnel of the Group.

Having considered the findings of the internal control review and the remedial measures taken by the Group, the audit committee and the Board are of the view that the Group's internal controls and processes (including systems, processes and control implementation) are largely in place and also enable the relevant internal control risks to be controlled at a reasonable level.

Anti-fraud System

The Company has in place whistleblowing procedures to enable employees, customers and suppliers to make anonymous reports of misconduct or other matters related to the Company.

The Group strictly prohibits any form of corruption, bribery, extortion, fraud and money laundering. The Group has established a supervisory function for the coordination and establishment of the Company's anti-fraud system. The supervisory function is responsible for conducting investigations on any reports, and providing guidance to the headquarter of the Group, personnel and units to promote integrity.

Framework for Disclosure of Inside Information

The Company has put in place a framework for the handling and disclosure of inside information in compliance with the SFO. The framework sets out the procedures and internal controls, including but not limited to establishing controls for monitoring business and corporate developments and events so that any potential inside information is promptly identified and escalated, restricting access to inside information to a limited number of employees on a need-to-know basis, and ensuring employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality, for the handling and dissemination of inside information in a timely manner so as to allow all the shareholders and stakeholders to assess the latest position of the Group.

Audit Committee

Currently, the audit committee comprised three members, namely Ms. Wen Yanhong, chairman of the committee, Mr. Peng Liaoyuan and Mr. Guo Zhaohui, who are all independent non-executive Directors. The audit committee adopted the written terms of reference which were basically the same as those set forth in the code provision D.3.3 of the Corporate Governance Code. The audit committee is principally responsible for the following duties, inter alia:

- to provide recommendations on the appointment, reappointment and removal of external auditors to the Board, approve the remuneration and terms of engagement of the external auditors and handle any issues related to the resignation or dismissal of the auditors;

- to review and monitor whether the external auditors are independent and objective and whether the audit procedures are effective in accordance with applicable standards;
- to formulate and implement policies for the engagement of external auditors for the provision of non-audit services;
- to monitor the integrity of the financial statements, the annual reports and accounts and the interim reports of the Company, and review the material financial reporting judgements therein;
- to review the financial control, internal control and risk management systems of the Company;
- to discuss the internal control and risk management systems with the management and to ensure that the management has discharged its duties of setting up an effective internal control and risk management system;
- to review the financial and accounting policies and practices of the Group; and
- to review the external auditors' letter to the management, any material queries that the auditors made to the management in respect of the accounting records, financial accounts or systems of control as well as the management's response.

During the year ended 31 December 2022, the Audit Committee held a total of 5 meetings. The number of meetings attended by each member is set out in the section headed "Record of meetings attended by the Directors" above. The Audit Committee performed the following significant work, including recommending the delay of the publication of the Group's results for the year ended 31 December 2021, reviewing the Group's compliance procedures, connected transactions, remuneration of external auditors, the Company's resources, staff qualifications and experience in relation to its accounting, internal audit and financial reporting functions, training plans and budgets for its staff, and confirmed that all of the above were adequate. There was no disagreement between the Audit Committee and the Board on the selection of the Company's external auditors.

For the year ended 31 December 2022, the emolument of the external auditor of the Company for the annual audit of the financial statements of the Company amounted to RMB4.5 million. During the year ended 31 December 2022, the remuneration of the Group's external auditor for non-audit services was RMB2.0 million.

Remuneration Committee

The remuneration committee's terms of reference were basically the same as those set forth in code provision E.1.2 of the Corporate Governance Code. The majority of the members of the remuneration committee were independent non- executive Directors. Currently, the members of the remuneration committee include Mr. Guo Zhaohui as chairman of the committee, Ms. Wen Yanhong and Mr. Hu Liang. The remuneration committee is principally responsible for the following duties:

- to make recommendations and suggestions to the Board in respect of the remuneration policy and structure of the Directors and senior management of the Company and the establishment of formal and transparent procedures for developing such remuneration policy;
- to determine the specific remuneration packages of all executive Directors and senior management;
- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- to review and approve payments to the executive Directors regarding compensation for their loss or termination of office or appointment, to ensure relevant terms of the contracts, and that the compensation is fair and not excessive for the Company;
- to review and approve the arrangements involved in the termination or dismissal of Directors due to misconduct, to ensure that those arrangements are determined according to the relevant terms of the contracts, and that the compensation is reasonable and appropriate; and
- to ensure that no Director or any of his associates is involved in deciding his/her own remuneration.

During the year ended 31 December 2022, 2 meetings were convened by the remuneration committee. The attendance of each member is set out in the section headed "Attendance Record of Directors" above. The remuneration committee considered the policy for the remuneration of executive Directors, reviewed and recommended to the Board the remuneration package of the Directors and the independent non-executive Directors, assessed the performance of the executive Directors, and reviewed and approved the terms of the service contracts of executive Directors.

During the year ended 31 December 2022, none of the Directors had waived or agreed to waive any emoluments.

In accordance with code provision E.1.5 of the Corporate Governance Code, the remuneration by band for senior management (excluding directors) for the year ended 31 December 2022 is set out below:

Annual remuneration by band	Number of individuals
HK$1,000,001 to HK$2,000,000	2
HK$nil to HK$1,000,000	1

Nomination Committee

The nomination committee's terms of reference were basically the same as those set forth in code provision B.3.1 of the Corporate Governance Code. The majority of the members of the nomination committee were independent non-executive Directors. Currently, the members of the nomination committee are Mr. Duan Shengli as the chairman of the committee, Mr. Peng Liaoyuan and Mr. Guo Zhaohui.

The nomination committee is principally responsible for the following duties:

- to review the structure, size and composition (including skills, diversity, knowledge and experience) of the Board on a regular basis, and make recommendations and suggestions to the Board on any proposed changes;
- to identify individuals with suitable qualifications and diversity to serve as members of the Board, and select and nominate the relevant persons to serve as Directors or make recommendations and suggestions to the Board in this regard;
- to appraise the independence of the independent non-executive Directors in accordance with the provisions of applicable laws, regulations and rules; and
- to make recommendations and suggestions to the Board regarding the appointment and reappointment of Directors by the Company and succession plan for Directors.

During the year ended 31 December 2022, 2 meetings were convened by the nomination committee. The attendance of each member is set out in the section headed "Attendance Record of Directors" above. The nomination committee considered the structure, size and composition of the Board, including the skills, knowledge, experience and diversity, made recommendations to the Board on the Directors standing for re-election at the annual general meeting, assessed the independence of independent non-executive Directors.

Nomination Policy and Procedures

In the nomination of a new Director to the Board, the nomination committee will consider potential new candidates openly from time to time having regard to the strategic needs of the Company and the Board. The potential pool of candidates include (but without limitation) local and overseas academia, Hong Kong and overseas listed companies directors, executives and experts in the relevant fields.

The nomination committee will consider the candidates based on merit having regard to the experience, skills and expertise as well as the overall board diversity, and make recommendations to the Board as appropriate.

Board Diversity Policy

The Board has also adopted a "Board Diversity Policy" to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The nomination committee reviews the Board Diversity Policy as appropriate to ensure the continued effectiveness of the Board.

The Board currently consists of eight Directors, of whom two are female and six are male, aged between 35 and 54. By reference to the qualifications, work experience and background of the Directors, the Board considers that it has achieved diversity in terms of gender, age, educational background, industry experience and professional experience. The Nomination Committee will monitor the implementation of the Board's diversity policy and all measurable objectives from time to time to ensure the effectiveness of the policy and make recommendations to the Board on any revision to the policy as and when necessary.

The Board aims to maintain at least the current proportion of female members. The Company will ensure that gender diversity is taken into account in the recruitment of middle and senior management and that sufficient resources are available to provide appropriate training and functional development to maintain gender diversity in the pipeline of potential successors to the Board.

Staff diversity

As of 31 December 2022, the gender balance of the Group's staff (including senior management) is set out below:

	As of 31 December 2022	
	Number of persons	Percentage of total staff
Male staff	**46,363**	**64.3%**
Female staff	**25,713**	**35.7%**

The Board considers that there is an appropriate gender balance in the Group's workforce. The Group promotes equality and diversity in human resources management and encourages gender diversity at all levels of work. The Group has established training plans to nurture corporate talent and develop a broad range of diverse and skilled and experienced staff. The Group will continue to look for opportunities to increase the proportion of female staff.

During the year ended 31 December 2022, the Board has not been made aware of any factor or circumstance that make it more challenging or less relevant for staff, including senior management, to achieve gender diversity.

Securities Transactions by the Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix 10 of the Listing Rules as the guidelines for Directors' dealings in the securities of the Company. Following specific enquiries of all the Directors, each Director confirmed that he/she had complied with the required standards as set out in the Model Code in relation to his/her securities dealings for the year ended 31 December 2022.

Directors' Responsibilities for the Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner.

Save as disclosed in the section headed "Risk of continuing as a going concern" in the "Management Discussion and Analysis" in this annual report, the Directors were not aware of any material uncertainties which may cast significant doubt upon the Company's ability to continue as a going concern.

The auditor's statement on its reporting responsibilities in respect of the Company's financial statements is set out in the Independent Auditor's Report on pages 62 to 70 of this annual report.

Dividend Policy

The Company has adopted a dividend policy (the "**Dividend Policy**") where the Company would, where the situation allows, declare dividends to shareholders every year and may declare special dividends from time to time. In deciding whether to propose a dividend and in determining the dividend amount, the Board will take into consideration the Group's distributable profits generated during the year, the financial situation and liquidity of the Group, the investment needs and the retained profits that should be set aside for future development goals. While sharing the profit with shareholders, the Company will also maintain sufficient reserves to meet its liabilities and to ensure the implementation of the Group's strategy for future development. The payment of dividend is also subject to any restrictions under the laws of Cayman Islands, the laws of Hong Kong and the Articles.

Relationship with Controlling Shareholders

The Company has received, from each of Dr. Hui Ka Yan, Xin Xin (BVI) Limited, China Evergrande Group, Anji (BVI) Limited, Shengjian (BVI) Limited and CEG Holdings (BVI) Limited (together the "**Undertaking Controlling Shareholders**") an annual declaration on the compliance with the deed of non-competition (the "**Deed**") entered into by each of them in favour of the Company pursuant to which each of the Undertaking Controlling Shareholders has unconditionally undertaken to the Company that it/he will not directly or indirectly participate in, hold any right or interest, or otherwise be involved in any business which may compete with that of the Group. The independent non-executive Directors have reviewed and were satisfied that each of the Undertaking Controlling Shareholders has complied with the Deed for the year ended 31 December 2022.

Amendments to the Company's Constitutional Documents

During the year ended 31 December 2022, the Company has not amended its memorandum of association or its articles of association. The latest version of the documents is available on the Company's website (www.evergrandeservice.com) and the website of the Stock Exchange (www.hkexnews.hk).

Shareholders' Rights

Right to convene an extraordinary general meeting ("EGM") (including the right of making proposals/moving resolutions at the EGM)

Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up share capital of the Company carrying the right of voting at the general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving resolutions at the EGM. Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving resolutions at the EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at 15th Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong, for the attention of the Company Secretary.

If within 21 days of the deposit of the Requisition the Board has not notified the Eligible Shareholders and fails to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Articles, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board to convene such meeting shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Right to Nominate Directors for Election at General Meetings

If a shareholder wishes to propose a person other than a Director of the Company for election as a Director, the shareholder must deposit a written notice (the "**Notice**") to the principal place of business of the Company in Hong Kong at 15th Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong, or the branch share registrar of the Company, Computershare Hong Kong Investor Services Ltd., at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for the attention of the Company Secretary. The Notice must state clearly the name of the shareholder(s) and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned (not the person to be nominated).

The Notice must also be accompanied by a letter of consent signed by the person nominated to be elected on his/her willingness to be elected as a Director. The period for lodgment of the Notice will commence no earlier than the day after the despatch of the notice by the Company of the general meeting appointed for the election of Directors of the Company and end no later than seven(7) days prior to the date of such general meeting.

The Notice will be verified by the Company's branch share registrar and upon their confirmation that the request is proper and in compliance with the rules of procedures, the Company Secretary will ask the nomination committee of the Company (the "**Nomination Committee**") and the Board of the Company to consider to include the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

Disclaimers

The contents of the section headed "Shareholders' Rights" in this report are for reference only and in compliance with disclosure requirements, which do not represent and shall not be regarded as legal or other professional advice to the shareholders. Shareholders should seek their independent legal or other professional advice as to their rights as shareholders of the Company. The Company disclaims any liability for all liabilities and losses incurred by the shareholders in reliance upon any contents of the section headed "Shareholders' Rights".

Shareholder Communication Policy

The Company has established a shareholder communication policy to ensure that shareholders have equal and timely access to corporate information. Corporate information will be communicated to shareholders through the Company's corporate communications, annual general meetings and other general meetings that may be held, as well as disclosures filed with the Stock Exchange. Shareholders may access information published by the Company through the Stock Exchange's website (www.hkexnews.com) or the Investor Relations section of the Company's website (www.evergrandeservice.com). Shareholders may also make enquiries to the Company and provide comments and suggestions to the Board through the channels mentioned in the "Investor Relations" section below. The Company will respond to shareholders' enquiries as soon as practicable after receipt. Based on the above, the Board considers that the Company's shareholder communication policy remained effective during the year.

Investor Relations

The Company emphasises communication with institutional investors so as to enhance the transparency of the Company, and stresses the importance of channels to collect and respond to the opinions of institutional investors.

During the year under review, the Company communicated and liaised with its shareholders and investors through various channels, including corporate communications, publication of announcements on the Stock Exchange's website and the Company's website, and responding to shareholders' enquiries.

Shareholders, investors and the media can make enquiries with us by the following methods:

By telephone: (852) 2287 9208
By post: 15th Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong
By email: IR@evergrandeservice.com

Report of the Directors

The Directors is pleased to present the annual report together with the audited financial statements of the Group for the year ended 31 December 2022.

Principal Activities

The Company is one of the largest and fastest-growing integrated property management service enterprise in the PRC. It is an all-round property corporate and manages a diverse portfolio of properties (including mid-to-high-end residential properties, office buildings and commercial properties), and has been contracted to manage other types of properties (such as industrial parks, healthcare complexes, themed towns and schools, etc.).

Business Review

General

A review of the business of the Group for the year ended 31 December 2022, discussion on the future development in the Group's business, description of possible business risks and uncertainties that the Group may be facing are provided in the Chairman's Statement on pages 4 to 7 and Management Discussion and Analysis on pages 8 to 18 of this annual report. An analysis of the key financial performance indicators of the Group and the key risks and uncertainties it faces are elaborated in the Management Discussion and Analysis on pages 8 to 18 of this annual report, and the financial risk management objectives and policies of the Group are set out in note 5 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2022 are set out on pages 58 to 60 of this annual report.

Compliance with Laws and Regulations

The Group has established procedures in place to ensure that its operations comply with applicable laws, rules and regulations. The Board is responsible to monitor the Group's policies and practices for achieving compliance with legal and other regulatory requirements, and such policies and practices will be regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operating units whenever necessary.

As far as the Company is aware, the Group has complied in all material respects with laws and regulations that have a significant impact on the Group's business and operations.

Environmental Policies and Performance

The Group is committed to the long-term sustainability of the environment and communities in which it operates. The Group complies with applicable environmental protection laws and regulations for its business operations, and has implemented relevant environmental protection measures in compliance with applicable laws and regulations of PRC. Further details on the environmental policies and performance of the Group are set out in the Environmental, Social and Governance Report for the year ended 31 December 2022 to be published separately.

Relationship with Stakeholders

The Group recognizes that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners. The Group provides systematic and extensive training programs to its employees to improve and enhance their technical and service skills, as well as to supplement their knowledge of industry quality standards and work place safety standard. Details are elaborated in the Management Discussion and Analysis on pages 8 to 18 of this annual report.

The Group is dedicated to develop good relationship with suppliers as long-term business partners to ensure stability of the Group's businesses. It reinforces business partnerships with suppliers by ongoing communication in a proactive and effective manner.

Customers satisfaction with services and products has a profound effect on the profitability of the Group. The Group is dedicated to foster a safe, convenient, healthy and caring community through its butlers who are on call round-the-clock. The customer-centric culture has guided the Group to forge ahead and explore new ways to better serve its customers. For example, it has implemented a smart information platform that utilizes information and intelligent technologies to facilitate online interactions between its customers and butlers, which enhances customer experience, reduces its reliance on manual labor and improves operating efficiency.

Financial Statements

The results of the Group for the year are set out in the consolidated statement of profit and loss and other comprehensive income of the Group on page 71.

The state of affairs of the Group as at 31 December 2022 is set out in the consolidated statement of financial position on pages 72 and 73.

The cash flows of the Group for the year are set out in the Consolidated Statement of Cash Flows on page 75.

Share Capital

Details of the movement in share capital of the Company during the year are set out in note 25 to the consolidated financial statements on page 134.

Dividends

The Board does not recommend the payment of any final dividend for the year ended 31 December 2022. As at 31 December 2022, no shareholder of the Company had waived or agreed to waive any dividends or future dividends.

Reserves

Details of movements in the reserves of the Company during the year are set out in note 26 to the financial statements on pages 134 to 136.

As at 31 December 2022, the Company's reserve available for distribution amounted to approximately RMB-6,305.4 million. No dividend was proposed for the year.

Property and Equipment

The movements in property and equipment during the year are set out in note 17 to the financial statements on pages 119 and 120. 。

Major Customers and Suppliers

The largest customer and the five largest customers of the Group accounted for approximately 0.9% and 3.4% respectively of the Company's revenue for the year ended 31 December 2022.

For the year ended 31 December 2022, the total amount of purchases made by the Company from the largest and the five largest suppliers accounted for approximately 1.9% and 7.3% of the Company's total amount for the year.

As far as the Company is aware, none of the Directors, their associates and shareholders who are interested in more than 5% of the share capital of the Company had any interest in the five largest suppliers and customers noted above.

Directors

The Directors who held office during the year ended 31 December 2022 and up to the date of this annual report were:

Executive Directors

Mr. Duan Shengli *(appointed on 22 July 2022)*
Mr. Hu Liang
Mr. Wang Zhen
Mr. Lu Peimei *(appointed on 22 July 2022)*
Ms. Yu Fen *(appointed on 22 July 2022)*
Mr. Zhen Litao *(resigned on 22 July 2022)*
Mr. Zhao Changlong *(resigned on 22 July 2022)*
Ms. An Lihong *(resigned on 22 July 2022)*

Independent Non-executive Directors

Mr. Peng Liaoyuan *(appointed on 9 February 2022)*
Ms. Wen Yanhong
Mr. Guo Zhaohui
Mr. Chan Chun Hung, Vincent *(resigned on 9 February 2022)*

The biographical details of the Directors and senior management are set out in the section headed "Profiles of Directors and Senior Management" of this annual report.

In accordance with article 84(1) of the Articles, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. Accordingly, Mr. Hu Liang, Mr. Wang Zhen, and Mr. Guo Zhaohui shall retire at the forthcoming AGM and, being eligible, will offer themselves for re-election at the AGM.

In accordance with article 83(3) of the Articles, any Director appointed to fill a casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the Board shall hold office until the next following AGM and shall then be eligible for re-election. Accordingly, each of Mr. Duan Shengli, Mr. Lu Peimei, Ms. Yu Fen, Mr. Peng Liaoyuan and Ms. Wen Yanhong shall retire at the forthcoming AGM and, being eligible, will offer themselves for re-election at the AGM.

Permitted Indemnity Provisions

The Articles provide that every Director is entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

The Group has taken out and maintained directors' liability insurance for the year ended 31 December 2022, which provides appropriate cover for the Directors. The permitted indemnity provision was in force during the year ended 31 December 2022 and remained in force as at the date of this annual report for the benefit of the Directors.

Management Contracts

During the year ended 31 December 2022, no management or administration contract concerning the management of the whole or substantial part of any business of the Company was entered into, or subsisted at the end of the year.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts

There were no contracts of significance in relation to the Group's business, to which any member of the Group was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

Directors' Interests in Competing Businesses

None of the Directors and their respective associates has an interest in any business which competes or may compete with the business in which the Group is engaged.

Share Option Scheme

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

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

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

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

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

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

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

The aggregate number of Shares which may be issued upon the exercise of all share options that may be granted under the Share Option Scheme and all outstanding share options granted and yet to be exercised under the other share option schemes of the Company at the beginning and the end of the year ended 31 December 2022 is 10,810,811,000 Shares.

The Share Option Scheme shall be valid and effect for a period of 10 years commencing from the date of its adoption up to 9 May 2031. As at the date of this annual report, the remaining life of the Share Option Scheme is approximately 7 years and 11 months. No options have been granted by the Company under the Share Option Scheme from the date of its adoption to 31 December 2022.

Equity-linked Agreement

Save for the Share Option Scheme, no equity-linked agreement was entered into by the Company during the year ended 31 December 2022 or subsisted at the end of the year.

Directors' Benefits from Rights to Acquire Shares or Debentures

Save for the Share Option Scheme, at no time during the year was the Company, any of its holding companies or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Name of Director	Capacity in which interests are held	Number of Shares interested	Approximate percentage of shareholding [1]
Mr. Duan Shengli [2]	Beneficial owner	3,550,000	0.03%

Notes:

1. The calculation of the percentage is based on the total number of Shares in issue as at 31 December 2022.
2. Mr. Duan Shengli was appointed as an executive Director on 22 July 2022.

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

Name of Director	Name of associated corporation	Capacity in which interests are held	Number of shares or underlying shares	Approximate percentage of shareholding [1]
Mr. Duan Shengli [4]	China Evergrande Group	Beneficial owner	20,610,000[2]	0.16%
	China Evergrande New Energy Vehicle Group Limited	Beneficial owner	2,420,000	0.02%
Mr. Hu Liang	China Evergrande Group	Beneficial owner	3,300,000[3]	0.02%
Mr. Lu Peimei [4]	China Evergrande Group	Beneficial owner	300,000[3]	0.00%
Mr. Wang Zhen	China Evergrande Group	Beneficial owner	1,300,000[3]	0.01%
Ms. Yu Fen [4]	China Evergrande Group	Beneficial owner	1,750,000[3]	0.01%

Notes:

1. The calculation of the percentage is based on the total number of shares in issue of the respective associated corporation as at 31 December 2022.
2. Such interest included 10,000 shares in China Evergrande Group and 20,600,000 share options of China Evergrande Group.
3. Such interest was in the form of share options of China Evergrande Group.
4. Mr. Duan Shengli, Mr. Lu Peimei and Ms. Yu Fen were appointed as executive Directors on 22 July 2022.

Save as disclosed above, as at 31 December 2022, none of the Directors, chief executive of the Company or their respective associates had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Substantial Shareholders

So far as is known to any Director or chief executive of the Company, as at 31 December 2022, the following persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO or were otherwise notified to the Company and the Stock Exchange:

Name of shareholder	Capacity in which interests are held	Number of Shares interested	Approximate percentage of shareholding (1)
Dr. Hui Ka Yan	Interest in controlled corporation	5,590,229,000(2)	51.71%
Mrs. Hui	Spouse interest	5,590,229,000(3)	51.71%
Xin Xin (BVI) Limited	Interest in controlled corporation	5,590,229,000(4)	51.71%
China Evergrande Group	Interest in controlled corporation and beneficial owner	5,590,229,000(5)	51.71%
Anji (BVI) Limited	Interest in controlled corporation	5,383,074,000(6)	49.79%
Shengjian (BVI) Limited	Interest in controlled corporation	5,383,074,000(6)	49.79%
CEG Holdings (BVI) Limited	Beneficial owner	5,383,074,000(6)	49.79%

Notes:

1. The calculation of the percentage is based on the total number of Shares in issue as at 31 December 2022.

2. Such shares were held by China Evergrande Group and its subsidiaries. Dr. Hui Ka Yan ("**Dr. Hui**") is the controlling shareholder of China Evergrande Group and is deemed to be interested in such shares under the SFO.

3. Mrs. Hui is the spouse of Dr. Hui and is deemed to be interested in the same interest of Dr. Hui in the Company under the SFO.

4. Xin Xin (BVI) Limited is a company wholly owned by Dr. Hui and is the direct controlling shareholder of China Evergrande Group. Xin Xin (BVI) Limited is deemed to be interested in the shares held by China Evergrande Group in the Company under the SFO.

5. Of the 5,590,229,000 Shares, 5,383,074,000 Shares were held by China Evergrande Group through its subsidiaries and 207,155,000 Shares were held directly by China Evergrande Group.

6. CEG Holdings (BVI) Limited is directly owned as to 50% by China Evergrande Group and as to 50% by Shengjian (BVI) Limited. Shengjian (BVI) Limited is wholly owned by Anji (BVI) Limited, which is in turn wholly owned by China Evergrande Group. By virtue of the SFO, Shengjian (BVI) Limited and Anji (BVI) Limited and China Evergrande Group are deemed to be interested in the Shares held by CEG Holdings (BVI) Limited.

Subsidiaries

Details of the Company's principal subsidiaries at 31 December 2022 are set out in note 38 to the financial statements on pages 154 and 155.

Profit Guarantee

Reference is made to the announcement of the Company dated 29 January 2021 (the "**Acquisition Announcement**").

On 29 January 2021, the Group acquired 100% of the equity interests in 寧波市雅太酒店物業服務有限公司 (Ningbo Yatai Hotel Property Services Co., Ltd.*) (the "**Target Company**", together with its subsidiaries, the "**Target Group**"), a company established in the PRC principally engaged in the property management business, for a total consideration of RMB1.5 billion.

All the shareholders of the Target Company (the "**Vendors**") warrant that the Target Group will achieve annual total revenue of RMB2 billion and net profit of RMB120 million for the year 2021; and total revenue of RMB2.3 billion and net profit of RMB140 million for the year 2022. The above performance undertaking is calculated yearly and may be consolidated after the end of the performance undertaking period.

The Target Group's gross operating income and annual net profit (excluding property management contracts and customer relationship amortisation) for 2022 amounted to RMB2.33 billion and RMB0.15 billion respectively, exceeding the 2022 performance target by RMB30 million and RMB10 million respectively.

Accordingly, 30% of the net profit in excess of such net profit will be treated as an incentive for the vendor and the remaining net profit will be distributed in proportion to the target company's shareholding.

For details, please refer to the Acquisition Announcement.

Continuing Connected Transactions

During the year, the Group had the following transactions and arrangements with connected persons (as defined in the Listing Rules) of the Company which constituted continuing connected transactions for the Company and are required to be reported in this annual report in compliance with the disclosure requirements under Chapter 14A of the Listing Rules:

1. Car Parking Space Leasing

On 19 November 2020, the Company entered into a master car parking space leasing agreement (the "**2020 Master Car Parking Space Leasing Agreement**") with China Evergrande Group, pursuant to which the Group will lease from the subsidiaries, joint ventures and associates of China Evergrande Group (the "**Evergrande Associates**") certain car parking spaces (the "**Car Parking Spaces**") situated in the residential and commercial properties developed by the Evergrande Associates and managed by the Group for subleasing to residents and tenants in such residential and commercial properties. The 2020 Master Car Parking Space Leasing Agreement had a term commencing from the Listing Date until 31 December 2022.

The rent to be paid by the Group for the lease of the Car Parking Spaces was determined after arm's length negotiations with reference to, among others, the prevailing market rent of car parking spaces in similar locations and similar properties and the number and occupancy rate of the Car Parking Spaces leased by the Group from the Evergrande Associates.

It was estimated that the maximum amounts of rent fee payable by the Group for the leasing of the Car Parking Spaces for the year ended 31 December 2022 would not exceed RMB175.4 million. During the year, the total transaction amount under the Master Car Parking Space Leasing Agreement was approximately RMB30.9 million.

As the 2020 Master Car Parking Spaces Lease Agreement expired on 31 December 2022 and it is expected that the Group will continue to enter into similar transactions from time to time thereafter, the Group and China Evergrande Group have renewed the Master Car Parking Spaces Lease Agreement on 30 December 2022 (the "**2023 Master Car Parking Spaces Lease Agreement**") for a term of 3 years commencing from 1 January 2023 to 31 December 2025. The respective annual caps for the transactions contemplated under the 2023 Master Car Parking Spaces Lease Agreement for the three years ending 31 December 2025 are RMB477.8 million, RMB488.4 million and RMB493.7 million respectively. Please refer to the announcement of the Company dated 30 December 2022 for further details of the Transactions.

2. Procurement of Goods and Services

On 19 November 2020, the Company entered into a master procurement agreement (the "**Master Procurement Agreement**") with China Evergrande Group, pursuant to which the Group agreed to procure from the Evergrande Associates certain goods and services, including but not limited to (i) maintenance materials and parts for use in the Group's operations; (ii) office and communication equipment; (iii) staff uniforms and other consumables; and (iv) gardening services (the "**Procurement**"). The Master Procurement Agreement had a term commencing from the Listing Date until 31 December 2022.

The fee to be paid by the Group for the Procurement was determined after arm's length negotiations with reference to (i) the catalogue prices (if available) of goods from the Evergrande Associates and other independent third-party suppliers; and (ii) the prevailing market price of similar goods and services (having taken into account the scope of services and the anticipated operational costs including but not limited to labor costs and costs of materials).

It was estimated that the maximum amounts of fees payable by the Group for the Procurement for the year ended 31 December 2022 would not exceed RMB193.6 million. During the year, the total transaction amount under the Master Procurement Agreement was approximately RMB83.5 million.

3. Recreation Center Operational Management Services

On 19 November 2020, the Company entered into a master recreation center operational management services agreement (the "**Master Recreation Center Operational Management Services Agreement**") with China Evergrande Group, pursuant to which the Group agreed to provide operational management services (the "**Recreation Center Operational Management Services**") with respect to recreation centers situated in the residential and commercial properties developed and owned by the Evergrande Associates. The Master Recreation Center Operational Management Services Agreement had a term commencing from the Listing Date until 31 December 2022.

The fee to be charged for the Recreation Center Operational Management Services was determined after arm's length negotiations with reference to the prevailing market rate (having taken into account the location and condition of the recreation centers, the scope of services and the anticipated operational costs including but not limited to labor costs, administrative costs and costs of materials).

It was estimated that the maximum amounts of service fee payable to the Group in relation to the Recreation Center Operational Management Services for the year ended 31 December 2022 would not exceed RMB26.2 million. During the year, the total transaction amount under the Master Recreation Center Operational Management Services Agreement was approximately RMB4.7 million.

4. Property Transaction Assistance Services

On 19 November 2020, the Company entered into a master property transaction assistance services agreement (the "**Master Property Transaction Assistance Services Agreement**") with China Evergrande Group, pursuant to which the Group agreed to provide transaction assistance services in respect of (i) the leasing to third parties of properties (excluding car parking spaces) owned by the Evergrande Associates for commercial use; and (ii) the sales to third parties of the car parking spaces situated in residential and commercial properties developed by the Evergrande Associates (the "**Property Transaction Assistance Services**"). The Master Property Transaction Assistance Services Agreement had a term commencing from the Listing Date until 31 December 2022.

The fee to be charged for the Property Transaction Assistance Services was determined after arm's length negotiations with reference to (i) the rental and GFA of the properties to be leased through the Property Transaction Assistance Services, (ii) the selling price and number of car parking spaces to be sold through the Property Transaction Assistance Services; (iii) the scope of the Property Transaction Assistance Services; and (iv) a certain service fee calculated at a rate which is comparable to the prevailing market rate paid by the Evergrande Associates to other independent property transaction assistance service providers for similar services.

It was estimated that the maximum amounts of service fee payable to the Group in relation to the Property Transaction Assistance Services for the year ended 31 December 2022 would not exceed RMB192.3 million. During the year, the total fee paid under the Master Property Transaction Assistance Services Agreement was approximately RMB29.9 million.

5. Property Management and Related Services

On 19 November 2020, the Company entered into a master property management and related services agreement (the "**2020 Master Property Management and Related Services Agreement**") with China Evergrande Group, pursuant to which the Group agreed to provide to the Evergrande Associates property management and related services, including but not limited to (i) property management services for unsold properties and properties owned by the Evergrande Associates; (ii) pre-delivery services including (a) management and maintenance services for construction sites, show flats and property sales centers and preliminary planning and design consultancy services at the pre-delivery stage, (b) pre-delivery cleaning services, and (c) pre-delivery inspection services; and (iii) repair and maintenance services during the warranty period of residential and commercial properties developed by the Evergrande Associates (the "**Property Management and Related Services**"). The 2020 Master Property Management and Related Services Agreement had a term commencing from the Listing Date until 31 December 2022.

The fees to be charged for the Property Management and Related Services was determined after arm's length negotiations with reference to the prevailing market price (having taken into account the location and condition of the property, the scope of services and the anticipated operational costs including but not limited to labor costs, administrative costs and costs of materials), historical transaction amounts and the prices charged by the Group for providing comparable services to Independent Third Parties.

It was estimated that the maximum amounts of service fee payable to the Group in relation to the Property Management and Related Services for the year ended 31 December 2022 would not exceed RMB6,534.3 million. During the year, the total transaction amount under the Master Property Management and Related Services Agreement was approximately RMB60.0 million.

As the 2020 Master Property Management and Related Services Agreement expired on 31 December 2022 and it is expected that the Group will continue to enter into similar transactions from time to time thereafter, the Group and China Evergrande Group have renewed the Master Property Management and Related Services Agreement dated 30 December 2022 (the "**2023 Master Property Management and Related Services Agreement**") for a period of 3 years commencing from 1 January 2023 to 31 December 2025. The respective annual caps for the transactions contemplated under the 2023 Master Property Management and Related Services Agreement for the three years ending 31 December 2025 are RMB478.5 million, RMB457.5 million and RMB487.1 million respectively. Please refer to the announcement of the Company dated 30 December 2022 for further details of the Transactions.

China Evergrande Group is the holding company of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under each of (i) 2020 Car Parking Spaces Leasing Agreement; (ii) Master Procurement Agreement; (iii) Master Recreation Center Operational Management Services Agreement; (iv) Master Property Transaction Assistance Services Agreement; (v) 2020 Property Management and Related Services Master Agreement; (vi) 2023 Master Car Parking Spaces Leasing Agreement and (vii) 2023 Master Property Management and Related Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Confirmations

Pursuant to Rule 14A.55 of the Listing Rules, all independent non-executive Directors have reviewed the above continuing connected transactions as set out above and confirmed that they were entered into:

1. in the ordinary and usual course of business of the Group;
2. on normal commercial terms or better; and
3. in accordance with the respective agreements governing the above-mentioned continuing connected transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Furthermore, in accordance with Rule 14A.56 of the Listing Rules, the Group has engaged its auditors to report on the Group's continuing connected transactions. The auditors of the Group have issued a letter to the Board confirming that nothing has come to their attention that causes them to believe that the above continuing connected transactions:

1. have not been approved by the Board;
2. have exceeded the respective caps;
3. have not been entered into in accordance with the terms of the relevant agreements governing such transactions; and

4. were not in accordance with the pricing policies of the Group where such transactions involved the provision of goods or services by the Group.

Related Party Transactions

Details of the related party transactions of the Group for the year ended 31 December 2022 are disclosed in note 35 to the consolidated financial statements of the Group. Save as disclosed above, during the year under review, none of the related party transactions constituted a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

Controlling Shareholders' Interests in Contracts of Significance

Saved as disclosed in this annual report, neither the Company nor any of its subsidiaries entered into any significant contracts with the controlling shareholders of the Company or any of its subsidiaries for the year ended 31 December 2022.

Employee and Remuneration Policy

As at 31 December 2022, the Group employed a total of 72,076 employees. The Group recruits and promotes individuals based on merit and their development potentials. Remuneration package offered to all employees including Directors is determined with reference to their performance and the prevailing salary levels in the market. The Company has also adopted the Share Option Scheme to incentivize selected eligible participants including, among others, employees and directors of the Group, for their contribution or potential contribution to the Group. Details of the Share Option Scheme are set out in the section headed "Share Option Scheme" above.

Commitments

Details of commitments are set out in note 32 to the financial statements on page 143.

Independence Confirmation

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The board of Directors is satisfied with the independence of each of the independent non-executive Directors.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance. Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 24 to 43.

Foreign Exchange Risks

Details of the foreign exchange risks are set out in note 5.1.1(i) to the financial statements on page 99.

Purchase, Sale and Redemption of Shares

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Disclosure Pursuant to Rule 13.20 of the Listing Rules

So far as the Directors are aware, there were no circumstances which would give rise to a disclosure obligation under Rule 13.20 of the Listing Rules in relation to the Company's advance to an entity.

Events after the Reporting Period

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

Independent investigation

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

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

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

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

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

Resumption guidance from Stock Exchange

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

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

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

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

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

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

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

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

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

Change of auditor

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

Financial Summary

A summary of the results, assets and liabilities of the Group for the past five years is set out on page 156.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands requiring the Company to offer new shares to the existing shareholders of the Company in proportion to their respective shareholders if new shares are issued.

Tax Relief

The Board is not aware of any tax relief or exemption available to the shareholders of the Company due to their holding of the Company's securities.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained a sufficient public float as required under the Listing Rules.

Auditors

Save as disclosed under the section headed "Events after the Reporting Period" above, there had been no change in auditor of the Company during the year ended 31 December 2022 or any of the preceding three years, with the Company's auditor for 2020 being PwC and the Company's auditor for 2021 and 2022 being Prism, and a resolution will be proposed at the forthcoming AGM for the re-appointment of Prisms as the auditor of the Company.

On behalf of the Board
Duan Shengli
Chairman
Hong Kong, 5 June 2023

Independent Auditor's Report

TO THE SHAREHOLDERS OF EVERGRANDE PROPERTY SERVICES GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

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**") set out on pages 71 to 155, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF 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 *Code of Ethics for Professional Accountants* issued by HKICPA (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. As at 31 December 2022, the Group had net current liabilities and net liabilities of approximately RMB3,321,357,000 and RMB1,512,765,000 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addresses the key audit matter
1. Impairment assessment of goodwill and property management contracts and customer relationship	
Refer to note 18 to the consolidated financial statements and accounting policies on page 87. As at 31 December 2022, the Group's goodwill and property management contracts and customer relationship were RMB1,144,272,000 and RMB832,076,000 respectively.	Our procedures in relation to the managements judgements and estimates used in the impairment assessment of goodwill and property management contracts and customer relationship included: — Understand, evaluate and test internal controls over the impairment assessment of goodwill and property management contracts and customer relationship, and assess the inherent risks of material misstatements based on the degree of estimation uncertainty and level of other factors, such as complexity, subjectivity, change and susceptibility to management bias or fraud; — Evaluate the competency, capabilities and objectivity of the external valuer;

Key Audit Matter	How our audit addresses the key audit matter
As disclosed in note 18 to the consolidated financial statements, management assesses impairment of goodwill and property management contracts and customer relationships by estimating the recoverable amounts of the cash-generating units to which goodwill and property management contracts and customer relationships have been allocated. The value-in-use calculations require the Group to estimate the expected future cash flows of the cash-generating units, long-term growth rate and suitable discount rate. The Group engages an independent valuers to assist in the estimation. The key estimates involved in preparing the expected future cash flows include (i) expected growth rates of revenue; (ii) terminal growth rates and (iii) pre-tax discount rates. We have identified impairment of goodwill and property management contracts and customer relationships as a key audit matter due to the overall significance of the balances to the consolidated financial statements, and the significant degree of estimation made by the Group for the recoverable amount of the goodwill and property management contracts and customer relationship allocated to the cash-generating units.	– Challenge and evaluate the reasonableness of the key assumptions and input adopted by management through: (i) Evaluate the accuracy of historical cash flow forecasts, for example, comparing forecasts used last year with actual business performance in the current year; (ii) Evaluate the reasonableness of the key assumptions used in the cash flow forecasts, including expected growth rates of revenue by comparing with historial financial data and approved budgets; (iii) for terminal growth rates, we evaluate them with reference to long-term expected inflation rates based on our independent research; (iv) Evaluate the pre-tax discount rate with reference to comparable listed companies based on our industry knowledge and independent research;

Key Audit Matter	How our audit addresses the key audit matter
	– Perform sample testing of source data, such as approved budgets and publicly available market data and consider their reasonableness; — Evaluate the reasonableness of management's sensitivity analysis of key assumptions to understand the impact of reasonable changes in assumptions on recoverable amounts; and — Evaluate whether the judgements made and key assumptions selected in choosing the method would give rise to signs of potential management bias. Based on the above, we found that the significant management judgements and key assumptions used in the impairment assessment of goodwill and property management contracts and customer relationships are supported by the available evidence.

Key Audit Matter	How our audit addresses the key audit matter
2. Impairment assessment of trade and other receivables	
Refer to note 21 to the consolidated financial statement and accounting policies on page 89. As at 31 December 2022, the carrying amount of trade and other receivables was RMB3,199,307,000 and credit losses allowance of RMB108,832,000 was recognised in profit or loss for the year ended 31 December 2022. As the assessment of the expected credit loss allowance of trade and other receivables involves our significant management estimates, we have identified the expected credit losses of trade and other receivables as a key audit matter. As disclosed in note 21 to the consolidated financial statements, the management uses a provision matrix to calculate expected credit losses on trade receivables, with the provision rates determined based on the ageing of each debtor, which are considered to have similar loss patterns and take into account historical default rates and forward-looking information. For other receivables, the management measures the loss allowance equal to 12-month expected credit loss, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime expected credit losses. The assessment of whether lifetime expected credit losses should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.	Our procedures in relation to the management's judgements and estimates used in the expected credit losses assessment of trade and other receivables included: – Understand the Group's internal controls and evaluation procedures for expected credit losses on trade and other receivables, and assess the inherent risks of material misstatement based on the level of estimation uncertainty and other inherent risk factors, such as complexity and subjectivity;

Key Audit Matter	How our audit addressed the key audit matter
	— Evaluate the appropriateness of the methods used and the reasonableness of the key assumptions by: (i) Based on our understanding of the Group's business processes, credit control procedures and the credit risk characteristics of trade and other receivables, evaluate the appropriateness of debtors grouping; (ii) Refer to the credit information and historical settlement performance of debtors to evaluate the reasonableness of the key assumptions used to estimate loss rates, and corroborate management's explanations together with publicly available information and corroborating evidence; (iii) Refer to the understanding of the Group's business, industry and external macroeconomic data, challenge and evaluate management's assessment of debtors' financial condition, current market conditions and forward-looking factors; — Test on a sample basis the accuracy of management's aging analysis of trade receivables based on supporting documents; — Check the mathematical accuracy of the calculation of the loss allowance; and — Evaluate the adequacy of disclosures related to expected credit losses on trade and other receivables. Based on the above, we found that the key judgments and estimates made by management for the expected credit loss assessment of trade and other receivables are supported by available evidence.

OTHER INFORMATION CONTAINED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. Other information comprises the information included in the annual report other than the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The management assists the directors of the Company in fulfilling their responsibilities in overseeing the Group's consolidated financial reporting process.

AUDITORS' RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected, to influence the economic decisions that users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to estimate threats or safeguards applied.

From the matters communicated with the those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lee Kwok Lun.

Prism Hong Kong and Shanghai Limited
Certified Public Accountants

Lee Kwok Lun
Practising Certificate Number: P06294
Hong Kong
5 June 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	For the year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	8	**11,809,176**	13,193,464
Cost of sales		**(9,090,093)**	(9,529,531)
Gross profit		**2,719,083**	3,663,933
Other income	9	**156,763**	326,118
Other losses	10	**(3,791)**	(595,831)
Impairment losses on financial assets		**(108,832)**	(2,575,947)
Fair value gains on investment properties		**232**	5,153
Administrative and marketing expenses		**(777,358)**	(980,053)
Operating profit/(loss)		**1,986,097**	(156,627)
Fair value gains/(losses) on financial assets at fair value through profit or loss		**7,102**	(774)
Finance costs	13	**(56,202)**	(61,503)
Profit/(loss) before income tax		**1,936,997**	(218,904)
Income tax expenses	14	**(458,423)**	(169,880)
Profit/(loss) for the year		**1,478,574**	(388,784)
Profit/(loss) attributable to:			
– Owners of the Company		**1,422,679**	(316,294)
– Non-controlling interests		**55,895**	(72,490)
		1,478,574	(388,784)
Other comprehensive income			
Item that maybe reclassified subsequently to profit or loss			
Exchange difference arising on translation of financial statements of foreign operations		**2,849**	315
Total comprehensive income/(expenses) for the year		**1,481,423**	(388,469)
Total comprehensive income/(expenses) attributable to:			
– Owners of the Company		**1,425,528**	(315,979)
– Non-controlling interests		**55,895**	(72,490)
		1,481,423	(388,469)
Earnings/(loss) per share			
– Basic and diluted	15	**RMB0.13**	RMB(0.03)

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

Consolidated Statement of Financial Position

	Notes	As at 31 December 2022 RMB'000	2021 RMB'000
Assets			
Non-current assets			
Property and equipment	17	**57,680**	70,672
Right-of-use assets	28	**69,255**	188,423
Intangible assets	18	**1,986,971**	2,205,277
Investment properties	19	**40,253**	40,021
Investments accounted for using the equity method	20	**32,532**	29,240
Deferred income tax assets	30	**65,836**	147,966
		2,252,527	2,681,599
Current assets			
Trade and other receivables	21	**3,199,307**	2,713,914
Prepayments	22	**36,734**	34,376
Financial assets at fair value through profit or loss		**3,180**	5,489
Restricted cash	24	**88,044**	36,596
Cash and cash equivalents	23	**1,567,979**	1,130,154
		4,895,244	3,920,529
Total assets		**7,147,771**	6,602,128
Equity			
Share capital	25	**7,060**	7,060
Reserves	26	**(6,305,377)**	(6,824,318)
Retained earnings		**4,290,073**	2,950,707
Equity attributable to owners of the Company		**(2,008,244)**	(3,866,551)
Non-controlling interests	34	**495,479**	364,021
Total deficiency in equity		**(1,512,765)**	(3,502,530)

	Notes	As at 31 December 2022 RMB'000	2021 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	29	**66,667**	150,000
Lease liabilities	28	**124,784**	218,551
Other payables	27	**–**	54,018
Contingent consideration payables	33	**51,208**	58,310
Deferred income tax liabilities	30	**201,276**	253,081
		443,935	733,960
Current liabilities			
Contract liabilities	8	**2,688,029**	3,080,149
Trade and other payables	27	**4,925,270**	5,536,520
Current income tax liabilities		**278,068**	501,011
Lease liabilities	28	**142,201**	103,018
Borrowings	29	**183,033**	150,000
		8,216,601	9,370,698
Total liabilities		**8,660,536**	10,104,658
Total equity and liabilities		**7,147,771**	6,602,128

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

The consolidated financial statements on pages 71 to 155 were approved by the Board of Directors and signed on its behalf on 5 June 2023.

Duan Shengli
Director

Hu Liang
Director

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company					
	Share capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 31 December 2020 (as originally stated)	7,060	6,522,290	3,393,829	9,923,179	10,962	9,934,141
Prior year adjustment	–	(50,000)	–	(50,000)	–	(50,000)
Common control combinations	–	50,000	(77,531)	(27,531)	–	(27,531)
Balance at 1 January 2021 (restated)	7,060	6,522,290	3,316,298	9,845,648	10,962	9,856,610
Loss for the year	–	–	(316,294)	(316,294)	(72,490)	(388,784)
Currency translation differences	–	315	–	315	–	315
	–	315	(316,294)	(315,979)	(72,490)	(388,469)
Transactions with owners of the Company						
Acquisition of subsidiaries	–	–	–	–	425,312	425,312
Capital contribution by the shareholder of the subsidiary acquired under common control	–	50,000	–	50,000	–	50,000
Acquisition of subsidiaries under common control	–	(39,198)	–	(39,198)	–	(39,198)
Shareholders' equity transactions (Note 21)	–	(13,400,000)	–	(13,400,000)	–	(13,400,000)
Release of financial guarantee to ultimate holding company	–	50,000	–	50,000	–	50,000
Transfer to statutory reserves	–	49,297	(49,297)	–	–	–
Others	–	(57,022)	–	(57,022)	237	(56,785)
Balance at 31 December 2021	7,060	(6,824,318)	2,950,707	(3,866,551)	364,021	(3,502,530)
Balance at 1 January 2022	**7,060**	**(6,824,318)**	**2,950,707**	**(3,866,551)**	**364,021**	**(3,502,530)**
Profit for the year	**–**	**–**	**1,422,679**	**1,422,679**	**55,895**	**1,478,574**
Currency translation differences	**–**	**2,849**	**–**	**2,849**	**–**	**2,849**
	–	**2,849**	**1,422,679**	**1,425,528**	**55,895**	**1,481,423**
Transactions with owners of the Company						
Deemed disposal of equity interests in subsidiaries	**–**	**–**	**–**	**–**	**75,563**	**75,563**
Transfer to statutory reserves	**–**	**83,313**	**(83,313)**	**–**	**–**	**–**
Tax effect of equity transactions with ultimate holding company	**–**	**402,000**	**–**	**402,000**	**–**	**402,000**
Others	**–**	**30,779**	**–**	**30,779**	**–**	**30,779**
Balance at 31 December 2022	**7,060**	**(6,305,377)**	**4,290,073**	**(2,008,244)**	**495,479**	**(1,512,765)**

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

Consolidated Statement of Cash Flows

	Notes	For the year ended 31 December 2022 RMB'000	2021 RMB'000
Cash flows of operating activities			
Net cash generated from operations	31	**974,700**	4,668,344
PRC enterprise income tax paid		**(218,262)**	(184,948)
Net cash from operating activities		**756,438**	4,483,396
Cash flows of investing activities			
Purchases of financial assets at fair value through profit or loss		**–**	(2,554,226)
Purchases of property and equipment	17	**(32,837)**	(17,479)
Purchase of investments accounted for under the equity method		**(5,500)**	(7,462)
Purchases of intangible assets		**(1,359)**	(2,711)
Proceeds from disposal of joint ventures		**5,100**	613
Disposal of equipment		**19,127**	2,889
Interest received		**9,082**	208,710
Net payments for consideration payables for acquisition of subsidiaries		**(180,508)**	(1,101,795)
Sale of financial assets at fair value through profit or loss		**–**	2,729,431
Net cash used in investing activities		**(186,895)**	(742,030)
Cash flows of financing activities			
Enforcement of financial guarantees to ultimate holding company		**–**	(13,400,000)
Proceeds from borrowings		**49,700**	350,000
Repayments of borrowings		**(100,000)**	(121,738)
Principal portion of lease payments		**(67,683)**	(79,529)
Interest paid		**(14,450)**	(13,207)
Dividends paid		**–**	50,000
Net cash used in financing activities		**(132,433)**	(13,214,474)
Net increase/(decrease) in cash and cash equivalents		**437,110**	(9,473,108)
Cash and cash equivalents at beginning of year		**1,130,154**	10,605,396
Exchange gains/(losses) on cash and cash equivalents		**715**	(2,134)
Cash and cash equivalents at end of year		**1,567,979**	1,130,154

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

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 ("**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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 6.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

(iii) Going concern assumptions

As at 31 December 2022, the net current liabilities and net liabilities of the Group amounted to RMB3,321,357,000 and RMB1,512,765,000 respectively. The above matters indicated that the Group will need to secure a substantial amount of funds in the foreseeable future to finance these financial obligations under various contractual and other arrangements.

In view of the above circumstances, the Company have reviewed the Group's cash flow projections, which cover a period up to 30 June 2024. Taking into account the following actions during the year ended 31 December 2022 and plans and measures to be taken, the Group will have sufficient working capital to meet its financial obligations up to 30 June 2024.

- The Group is currently in discussion with China Evergrande Group regarding a proposal to repay the funds involved in the deposit certificate pledge guarantees of approximately RMB13,400,000,000 in total to the Group (the "**Case**"). The Case is a special case and certain measures in relation to the internal control system of the Group will be implemented. The Case will not have further significant impact on the Group's future operating cash flows;
- The Group has reached agreements with certain creditors (including trade payables, consideration payable for business combinations and related parties), agreeing to extend the repayment terms from one to four years. The directors of the Company consider that further extensions may be obtained if necessary; and
- The directors of the Company are currently exercising and will continue to exercise cost control in administrative and other expenses by further streamlining the Group's operations to improve the operating and financial position of the Group.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

(iii) Going concern assumptions (continued)

On the basis that all these measures can be implemented successfully, the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as they fall due and accordingly the consolidated financial statements for the year ended 31 December 2022 has been prepared on a going concern basis.

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

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying amounts of the assets to their net recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements of the Group for the year ended 31 December 2022.

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 2022 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, plant and equipment: Proceeds before intended use*
Amendment to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendment to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, HKAS 41

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.

3. APPLICATION OF NEW AND AMENDMENTS TO THE HKFRSs (continued)

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 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	*Insurance Contacts and related Amendments*[1]
Amendments to HKFRS 16	*Lease liability in a Sales and Leaseback*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*[2]
Amendments to HKAS 1	*Non-current liabilities with Covenants*[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Polices*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

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

2 Effective for annual periods beginning on or after 1 January 2024

3 Effective for annual period beginning on or after a date to be determined

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Principles of consolidation and equity accounting

4.1.1 Subsidiaries

Subsidiaries are entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated balance sheet respectively.

4.1.2 Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group, if any
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Business combination (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

4.3 Separate financial statements

In the Company's statement of financial position, the investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

4.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The CODM who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). Consolidated financial statements are presented in RMB, which is the Company's functional currency and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented as finance income/(costs). All other foreign exchange gains and losses are presented as other gains/(losses) on a net basis.

(c) *Group entities*

The results and financial positions of the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities of each balance sheet of the group entities are translated at the closing rate at the date of that balance sheet;
- income and expenses of each statement of profit or loss and other comprehensive income of the group entities are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken into equity holders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Property and equipment

Property and equipment is stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or, in case of leasehold improvements, and certain leased properties, the shorter lease term, as follows:

— Property	20 years
— Machinery	3-10 years
— Vehicles	3-10 years
— Furniture, fitting and equipment	3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses) – net" in the statement of comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Properties and land use right that are currently being constructed or developed for future use as investment property is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in profit or loss.

If an investment property becomes owner-occupied or commences to be further developed for sale, it is reclassified as property, plant and equipment and land use right or properties under development, and its fair value at the date of change in use becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss to the extent the impairment provision previous made.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 4.2. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("**CGUs**") for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) Property management contracts and customer relationship

Property management contracts and customer relationships acquired in business combinations are recognised at fair value at the acquisition date. The property management contracts and customer relationship have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives of the respective contracts. The expected useful lives of customer relationships is 10 years.

(c) Computer software

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to 3 years on a straight-line basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

4.10 Investments and other financial assets

4.10.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Investments and other financial assets (continued)

4.10.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

4.10.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

The Group only held debt instruments classified as financial assets at amortised costs.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

4.10.4 Impairment

The Group assesses on a forward looking basis the expected credit losses ("**ECL**") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment of other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

4.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

4.13 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

4.14 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and at banks.

4.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4.16 Trade and other payables

Trade and other payables represent liabilities for goods or services that have been acquired in the ordinary course of business from suppliers and amounts to be repaid from the Group to its counterparties. These amounts are classified as current liabilities if payment is due within 12 months or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid to the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that part or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4.18 Borrowing costs

All borrowing costs are recognised in the consolidated statements of comprehensive income in the period in which they incurred.

4.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised as “income tax expense” in the consolidated statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company’s subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Current and deferred income tax (continued)

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Employee benefits

(a) *Pension obligations*

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) *Housing funds, medical insurances and other social insurances*

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Employee benefits (continued)

(d) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

4.21 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 Revenue recognition

The Group provides property management services, value-added services to non-property owners and community value-added services. Revenue is recognised when the control of services or goods is transferred to the customer. Depending on the terms of the contracts and the laws that apply to the contract, control of services and goods may be transferred over time or at a point in time. The Group distinguishes whether the Group is a principal or an agent in the transactions with its customers. When the Group is acting as a principal, the associated revenue is recognised in gross amount and when the Group is acting as an agent, the associated revenue is recognised in net amount.

For property management services, the Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to bill and that corresponds directly with the value of performance completed. The Group primarily generate revenue from property management services income from properties managed under lump sum basis, the Group entitles to revenue at the value of property management services fee received or receivable.

Value-added services to non-property owners mainly include (i) preliminary property management services, which include cleaning, greening and repair and maintenance services and are billed on monthly basis and are recognised as revenue over time when such services are rendered; (ii) property inspection and pre-delivery cleaning services to property developers which are recognised as revenue when such services are rendered and accepted by the customer; and (iii) sales of the use rights of carpark spaces and rental of properties owned by property developers, which are recognised at a point in time when the underlying sales and rental contract are signed, respectively.

Community value-added services revenue mainly include (i) promotion and facilitation for third parties, which is recognised over time according to the services rendered; (ii) income from the provision of assistance in sales of products to third parties, which is recognised on a net basis when the products are transferred; (iii) rental income from carpark spaces leased from the Remaining Group; (iv) income from management of advertising and other miscellaneous activities in the public areas in the properties managed by the Group, which is recognised over the time when the services are rendered; (v) revenue from services provided to the property owners during leasing of their properties; and (vi) revenue from other community convenience services charged for each service provided and recognised when the relevant services are rendered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 Revenue recognition (continued)

If a contract contains multiple services, the transaction price is allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Incremental costs incurred to obtain a contact, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised.

When the difference between the transfer of the promised goods or services to customer and the payment by the customer is considered significant and implied financing components contained in certain contracts, the Group adjust the transaction price for the time value of money.

4.23 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.23 Earnings per share (continued)

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

4.24 Leases

A lease is recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.24 Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office equipment.

Rental income from operating leases where the Group is a lessor is recognised on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as rental income. The respective leased assets are included in the balance sheet based on their nature.

4.25 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

4.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

5.1.1 Market risk

(i) Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB since most of the operating entities are based in the PRC. The foreign exchange risk mainly arises from monetary assets of certain subsidiaries denominated in foreign currencies other than their functional currencies. The Group's foreign currency denominated monetary assets at the consolidated statement of financial position as at the year ended 31 December 2022 and 2021are as follows:

Monetary assets	2022 RMB'000	2021 RMB'000
– HK$	**39,235**	57,277
– US$	**13**	1,980
	39,248	59,257

As at 31 December 2022 and 2021, if RMB had strengthened/weakened by 5% against the relevant foreign currencies with all other variables held constant, post-tax profit for the year ended 31 December 2022 and 2021 would have been approximately RMB1,962,000 and RMB2,963,000 lower/ higher, respectively.

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk for certain interest-bearing cash at banks. Cash at banks at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

As at 31 December 2022 and 2021, if the interest rate on cash at banks and restricted cash increased/decreased by 0.5% with all other variables held constant, the Group's post-tax profits for the year would have been RMB8,260,000 higher/lower and RMB5,824,000 higher/lower, as a result of the increase/decrease in interests derived from cash at banks at variable rates.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.2 Credit risk

The Group is exposed to credit risk in relation to its trade and notes receivables, other receivables and cash deposits at banks. The carrying amounts of trade and notes receivables, other receivables and cash deposits at banks represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Risk management

For trade and other receivables, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for doubtful debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

(ii) Impairment

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the financial situation of individual property owner or the debtor
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor and individual property owner

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

*5.1.2 **Credit risk** (continued)*

(ii) Impairment (continued)

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses, where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and principal repayments are 180 days past due	Lifetime expected losses
Non-performing	Interest and principal repayments are 365 days past due	Lifetime expected losses

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.2 Credit risk (continued)

(ii) Impairment (continued)

Cash deposits at banks

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at banks with high credit rating. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Trade and notes receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade and notes receivables. To measure the expected credit losses, trade and notes receivables have been grouped based on shared credit risk characteristics. The expected credit losses also incorporate forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identifies money supply and change in total population in the PRC to prior year as the most relevant factors for forward looking adjustments for individual customers, and identified total population in the PRC and the percentage of broad money supply of gross domestic production as the most relevant factors for forward looking adjustments for both related and third party corporates customers, and accordingly adjusts the historical loss rates based on expected changes in these factors

As of 31 December 2022 and 2021, the loss allowance provision for the trade receivables from property owners was determined as follows. The expected credit losses below also incorporated forward looking information.

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Trade receivables from individual property owners							
At 31 December 2022							
Expected loss rate	4%	16%	42%	100%	100%	100%	
Gross carrying amount (RMB'000)	1,933,929	550,981	229,058	31,359	16,515	18,872	2,780,714
Loss allowance provision (RMB'000)	77,357	88,157	96,204	31,359	16,515	18,872	328,464

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.2 Credit risk (continued)

(ii) Impairment (continued)

Trade and notes receivable (continued)

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Trade receivables from individual property owners							
At 31 December 2021							
Expected loss rate	4%	16%	42%	100%	100%	100%	
Gross carrying amount (RMB'000)	1,373,880	201,994	70,839	33,329	16,898	15,389	1,712,329
Loss allowance provision (RMB'000)	54,955	32,319	29,752	33,329	16,898	15,389	182,642

As at 31 December 2022 and 2021, the Group used external data method to assess the ECL of receivables from related parties which are mainly property developers. The ECL rate was 99% (2021: 98%) for the trade and notes receivables from related parties. The loss allowance provision as at 31 December 2022 was RMB2,455,691,000 (2021: RMB2,440,150,000).

As at 31 December 2022 and 2021, the Group used external data method to assess the ECL of receivables from the third party corporate customers with gross carrying amount of RMB304,240,000 (2021: RMB492,078,000), considering it provided more valid information to its financial information users. The ECL rate for trade and notes receivables from such third party corporate customers was 8.5% (2021: 17%). The loss allowance provision as at 31 December was RMB25,869,000 (2021: RMB83,040,000).

Other receivables

The Group uses the expected credit loss model above to determine the expected loss provision for other receivables. As at 31 December 2022 and 2021, the Group has assessed the expected credit losses for other receivables for each category.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.2 *Credit risk (continued)*

(ii) Impairment (continued)

Other receivables (continued)

To measure the expected credit losses, other receivables have been grouped based on shared credit risk characteristics and the days past due.

As at 31 December 2022 and 2021, the loss allowance provision for trade and other receivables reconciles to the opening loss allowance for that provision as follows:

	Trade and notes receivables		Other receivables	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	22,223	91,595	21,733	135,551
Acquisition of subsidiaries	–	67,057	–	67,057
Impairment losses on financial assets	32,732	2,492,225	50,990	2,575,947
At 31 December 2021	54,955	2,650,877	72,723	2,778,555
Impairment losses on financial assets	22,402	81,790	4,640	108,832
At 31 December 2022	**77,357**	**2,732,667**	**77,363**	**2,887,387**

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.3 *Liquidity risk*

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2022					
Borrowings	193,492	72,801	–	–	266,293
Lease liabilities	151,751	71,906	46,997	14,307	284,961
Trade and other payables (excluding accrued payroll liabilities and other tax payables)	4,135,756	–	–	–	4,135,756
	4,480,999	144,707	46,997	14,307	4,687,010

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

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.4 Fair value measurement of financial instruments

(a) Fair value hierarchy

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

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2022				
Financial Assets				
Financial assets at fair value through profit or loss ("**FVTPL**")	–	–	**3,180**	**3,180**
Financial Liabilities				
Contingent consideration payables	–	–	**51,208**	**51,208**
At 31 December 2021				
Financial Assets				
Financial assets at FVTPL	–	–	5,489	5,489
Financial Liabilities				
Contingent consideration payables	–	–	58,310	58,310

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.4 Fair value measurement of financial instruments (continued)

(b) The following table presents the changes in level 3 financial instruments for the year ended 31 December 2022 and 2021:

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

5.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on the historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstance.

(a) Expected credit losses on receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed. Details of the key assumptions and inputs used are disclosed in Note 21.

(b) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Regarding the separate uncertain tax treatment for the enforcement of financial guarantees to the ultimate holding company, the Group considers the certain factors in determining the approach that better predicts the resolution of the uncertainty. The Group may reassess the judgement or estimates if the facts and circumstances on which the judgement or estimate was based change or as a result of new information that affects the judgement or estimate.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Estimation of goodwill and property management contracts and customer relationships impairment

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining whether goodwill is impaired requires an estimation of the recoverable amount of cash-generated units to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The calculation requires the Group to estimate the future cash flows expected to arise from cash-generated units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss/further impairment loss may arise.

The Group assesses whether there are any indicators of impairment for property management contracts and customer relationships in accordance with the accounting policies as disclosed in note 4.9 to the consolidated financial statements. In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the management has to assess whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence. If any such indication exists, the recoverable amounts of the asset would be determined as the greater of the fair value less costs of disposal and value in use, the calculations of which involve the use of estimates. Owing to inherent risk associated with estimations in the timing and amounts of the future cash flows and fair value less costs of disposal, the estimated recoverable amount of the asset may be different from the amount actually received and profit or loss could be affected by accuracy of the estimations.

(d) Estimation of the useful life of customer relationships identified in business combination

Customer relationship identified in the business combination on respective acquisition date is recognised as intangible assets. Customer relationship primarily related to the existing contracts of acquirees on the acquisition date. A large portion of the existing contracts of acquirees are with no specific expiration date. Based on past experience, termination or non-renewal of property management contracts with the property developers or property owners' association are uncommon. The Group thus estimates the useful life and determines the amortisation period of the customer relationship to be ten years based on the expected contract duration of the property management contracts.

7. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by 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 years ended 31 December 2022 and 2021, the Group is principally engaged in the provision of property management services and related value-added services in the PRC. 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 during the years ended 31 December 2022 and 2021.

As at 31 December 2022 and 2021, majority of the non-current assets of the Group were located in the PRC.

8. 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 2022 and 2021 is as follows:

	2022 RMB'000	2021 RMB'000
Property management services	**9,440,560**	9,101,820
Community value-added services	**2,280,523**	2,288,944
Value-added services to non-property owners	**88,093**	1,802,700
	11,809,176	13,193,464
Timing of revenue recognition		
– Over time	**11,255,221**	12,467,184
– At a point in time	**553,955**	726,280
	11,809,176	13,193,464

For the years ended 31 December 2022 and 2021, revenue provided by the Group to the fellow subsidiaries and joint ventures of China Evergrande Group contributed 1% and 21% of the Group's revenue, respectively.

Other than the fellow subsidiaries of the Company and the 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 2022 and 2021.

8. REVENUE (continued)

(a) Contract liabilities

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

	At 31 December		At 1 January
	2022	2021	2021
	RMB'000	RMB'000	RMB'000
Contract liabilities			
– Property management services	**2,654,505**	2,891,673	2,631,016
– Community value-added services	**33,524**	188,476	94,743
	2,688,029	3,080,149	2,725,759

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 decrease in contract liabilities in current year is mainly due to the decrease in prepayments for property service fees from customers as a result of the decrease in newly delivered areas during the year as compared with 2021.

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.

	2022	2021
	RMB'000	RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
– Property management services	**2,397,850**	2,374,190
– Community value-added services	**188,476**	94,743
	2,586,326	2,468,933

8. REVENUE (continued)

(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 2022 and 2021, there was no significant incremental costs to obtain a contract.

9. OTHER INCOME

	2022 RMB'000	2021 RMB'000
Government grants (Note a)	**119,653**	91,890
Income from overdue fine	**4,258**	7,002
Interest income	**9,082**	208,710
Share of profits and other comprehensive income in associates and joint ventures (Note 20)	**2,892**	4,307
Gain on bargaining purchase (Note 33)	**–**	460
Others	**20,878**	13,749
	156,763	326,118

(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.

10. OTHER LOSSES

	2022 RMB'000	2021 RMB'000
Net foreign exchange (gains)/losses	**(2,328)**	1,959
Impairment loss on goodwill	**–**	593,946
Impairment loss on other intangible assets	**6,119**	–
Gain on disposal of property and equipment	**–**	(74)
	3,791	595,831

11. EXPENSES BY NATURE

	2022 RMB'000	2021 RMB'000
Employee benefit expenses (Note 12)	**5,329,374**	5,767,308
Greening and cleaning expenses	**1,758,697**	1,825,662
Maintenance costs	**777,346**	821,284
Utilities	**522,792**	527,194
Short-term and low value lease expenses	**172,306**	310,452
Tax and other levies	**71,417**	102,419
Office expenses	**128,780**	129,383
Travelling and entertainment expenses	**43,578**	64,411
Costs of security	**66,268**	64,993
Depreciation and amortisation charges	**355,073**	386,151
Community activities expenses	**38,558**	51,886
Bank charges	**22,609**	25,983
Uniform costs	**13,356**	12,027
Auditors' remuneration	**4,500**	7,500
Services fee	**224,115**	245,293
Professional fees	**39,144**	18,619
Penalties	**41,724**	40,523
Cost of goods sold	**199,880**	64,235
Others	**57,934**	44,261
	9,867,451	10,509,584

12. EMPLOYEE BENEFIT EXPENSES

	2022 RMB'000	2021 RMB'000
Salaries, bonuses and other benefits	**4,870,730**	5,232,896
Contribution to pension scheme expenses (Note a)	**458,644**	534,412
	5,329,374	5,767,308

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

(b) Directors' and chief executive's emoluments

The remuneration of each director for the year ended 31 December 2022 is set out below:

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000	Contribution to pension scheme RMB'000	Total RMB'000
Executive directors					
Mr. Zhen Litao (vi)	101	560	134	19	814
Mr. Zhao Changlong (vi)	101	560	100	25	786
Mr. Hu Liang	180	960	279	42	1,461
Ms. An Lihong (vi)	101	405	–	–	506
Mr. Wang Zhen	180	–	–	–	180
Ms. Yu Fen (v)	–	840	41	42	923
Mr. Duan Shengli (v)	–	–	–	–	–
Mr. Lu Peimei (v)	–	–	–	–	–
Non-executive directors					
Mr. Chan Chun Hung (i)	44	–	–	–	44
Mr. Guo Zhaohui	412	–	–	–	412
Mr. Peng Liaoyuan (ii)	368	–	–	–	368
Ms. Wen Yanhong (iv)	412	–	–	–	412

12. EMPLOYEE BENEFIT EXPENSES (continued)

(b) Directors' and chief executive's emoluments (continued)

The remuneration of each director for the year ended 31 December 2021 is set out below:

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000	Contribution to pension scheme RMB'000	Total RMB'000
Executive directors					
Mr. Zhen Litao	90	2,300	3	17	2,410
Mr. Zhao Changlong	180	3,350	809	37	4,376
Mr. Hu Liang	180	1,916	230	39	2,365
Ms. An Lihong	180	1,328	114	30	1,652
Mr. Wang Zhen	180	868	15	17	1,080
Non-executive directors					
Mr. Chan Chun Hung (i)	330	–	–	–	330
Mr. Guo Zhaohui	330	–	–	–	330
Mr. Victor Huang (iii)	282	–	–	–	282
Ms. Wen Yanhong (iv)	49	–	–	–	49

(i) Mr. Chan Chun Hung resigned as a non-executive director of the Company on 9 February 2022.

(ii) Mr. Peng Liaoyuan was appointed as a non-executive director of the Company on 9 February 2022.

(iii) Mr. Victor Huang resigned as a non-executive director of the Company on 19 November 2021.

(iv) Ms. Wen Yanhong was appointed as a non-executive director of the Company on 19 November 2021.

(v) Ms.Yu Fen, Mr. Duan Shengli and Mr. Lu Peimei were appointed as executive directors of the Company on 22 July 2022.

(vi) Mr. Zhen Litao, Mr. Zhao Changlong and Ms. An Lihong resigned as the executive directors of the Company on 22 July 2022.

12. EMPLOYEE BENEFIT EXPENSES (continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2022 included one (2021:four) director, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individual is as follows:

	2022 RMB'000	2021 RMB'000
Salaries and other emoluments	**3,560**	1,488
Discretionary bonus	**1,248**	127
Pension fund contribution	**146**	89
	4,954	1,704

The emoluments of the remaining individual of the Group fell within the following bands:

	2022 Number of individuals	2021 Number of individuals
Emolument bands		
HK$1,000,000 to HK$1,500,000	**4**	–
HK$1,500,001 to HK$2,000,000	**–**	1

(d) Directors' retirement and termination benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries' undertaking during the years ended 31 December 2022 and 2021. No payment was made to the directors as compensation for early termination of appointment during the years ended 31 December 2022 and 2021.

(e) Consideration provided to their parties for making available directors' services

No payment was made to any former employers of the directors and former directors for making available the services of them as a director of the Company during the years ended 31 December 2022 and 2021.

(f) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no other loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors during the years ended 31 December 2022 and 2021.

12. EMPLOYEE BENEFIT EXPENSES (continued)

(g) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2022 and 2021.

13. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on borrowings	**14,450**	13,207
Interest on lease liabilities	**7,124**	17,574
Interest on consideration payables	**9,521**	17,455
Other finance costs (Note a)	**25,107**	13,267
	56,202	61,503

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

14. INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000
Current tax	**428,098**	256,371
Deferred tax	**30,325**	(86,491)
	458,423	169,880

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

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

14. INCOME TAX EXPENSE (continued)

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 2022 and 2021. Certain subsidiaries and branches of the Group in the PRC are located in western cities, and they are subject to a preferential income tax rate of 15% during the years ended 31 December 2022 and 2021. 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.

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group entities as follows:

	2022 RMB'000	2021 RMB'000
Profit/(loss) before income tax	**1,936,997**	(218,904)
Tax calculated at applicable corporate income tax rate of 25%	**484,249**	(54,726)
Tax effect of income not subject to tax	**(31,734)**	(24,515)
Tax effect of expenses of not deductible for taxation purposes	**26,958**	200,336
Tax effect of tax loss not recognised	**–**	64,930
Tax effect of different tax rates applicable to certain subsidiaries	**(21,050)**	(16,145)
	458,423	169,880

15. EARNING/(LOSS) PER SHARE

Basic earning/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares during the years ended 31 December 2022 and 2021.

The Company did not have any potential ordinary shares outstanding during the year ended 31 December 2022 and 2021. Diluted earning/(loss) per share is equal to basic earning/(loss) per share.

	2022	2021
Profit/(loss) attributable to owners of the Company (RMB'000)	**1,422,679**	(316,294)
Weighted average number of ordinary shares in issue (in thousands)	**10,810,811**	10,810,811
Basic and diluted earning/(loss) per share	**RMB0.13**	RMB(0.03)

16. DIVIDENDS

No dividend has been declared or paid by the Company for the years ended 31 December 2022 and 2021.

17. PROPERTY AND EQUIPMENT

	Property RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture, fitting and equipment RMB'000	Total RMB'000
As at 1 January 2022					
Cost	3,605	45,048	36,810	127,222	212,685
Accumulated depreciation	(249)	(31,782)	(17,894)	(92,088)	(142,013)
Opening net carrying amount	3,356	13,266	18,916	35,134	70,672
Additions	786	6,102	10,359	15,590	32,837
Disposals	–	(3,371)	(6,387)	(9,369)	(19,127)
Depreciation charge	(601)	(4,403)	(8,629)	(13,069)	(26,702)
Closing net carrying amount	3,541	11,594	14,259	28,286	57,680
As at 31 December 2022					
Cost	4,391	51,150	47,169	142,812	245,522
Accumulated depreciation	(850)	(39,556)	(32,910)	(114,526)	(187,842)
Net carrying amount	3,541	11,594	14,259	28,286	57,680

17. PROPERTY AND EQUIPMENT (continued)

	Property RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture, fitting and equipment RMB'000	Total RMB'000
As at 1 January 2021					
Cost	2,646	39,404	21,408	106,987	170,445
Accumulated depreciation	(114)	(29,180)	(11,552)	(75,499)	(116,345)
Opening net carrying amount	2,532	10,224	9,856	31,488	54,100
Additions	960	3,274	3,011	10,234	17,479
Acquisition of subsidiaries (Note 33)	–	2,379	12,425	12,771	27,575
Disposals	(1)	(9)	(34)	(2,771)	(2,815)
Depreciation charge	(135)	(2,602)	(6,342)	(16,588)	(25,667)
Closing net carrying amount	3,356	13,266	18,916	35,134	70,672
As at 31 December 2021					
Cost	3,605	45,048	36,810	127,222	212,685
Accumulated depreciation	(249)	(31,782)	(17,894)	(92,088)	(142,013)
Net carrying amount	3,356	13,266	18,916	35,134	70,672

Depreciation expenses were charged to the following categories in the consolidated statement of profit or loss and other comprehensive income:

	2022 RMB'000	2021 RMB'000
Cost of sales	**17,792**	16,990
Administrative expenses	**8,910**	8,677
	26,702	25,667

No property and equipment is restricted or pledged as security as at 31 December 2022 and 2021.

18. INTANGIBLE ASSETS

	Computer software RMB'000	Property management contracts and customer relationship RMB'000	Goodwill RMB'000	Total RMB'000
As at 1 January 2022				
Cost	20,365	1,195,199	1,755,428	2,970,992
Accumulated amortisaton 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
Year ended 31 December 2022				
Opening net carrying amount	14,018	1,029,777	1,161,482	2,205,277
Additions	1,359	–	–	1,359
Measurement period adjustment	–	–	(17,210)	(17,210)
Amortisation	(4,754)	(191,582)	–	(196,336)
Impairment	–	(6,119)	–	(6,119)
Closing net carrying amount	10,623	832,076	1,144,272	1,986,971
As at 31 December 2022				
Cost	21,724	1,195,199	1,738,218	2,955,141
Accumulated amortisation and impairment losses	(11,101)	(363,123)	(593,946)	(968,170)
Net carrying amount	10,623	832,076	1,144,272	1,986,971

18. INTANGIBLE ASSETS (continued)

	Computer software RMB'000	Property management contracts and customer relationship RMB'000	Goodwill RMB'000	Total RMB'000
As at 1 January 2021				
Cost	14,309	61,823	56,619	132,751
Accumulated amortisation	(1,795)	(2,273)	–	(4,068)
Net carrying amount	12,514	59,550	56,619	128,683
Year ended 31 December 2021				
Opening net carrying value	12,514	59,550	56,619	128,683
Acquisition of subsidiaries (Note 33)	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 book amount	14,018	1,029,777	1,161,482	2,205,277

18. INTANGIBLE ASSETS (continued)

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:

	2022 RMB'000	2021 RMB'000
Cost of sales	**191,582**	163,149
Administrative expenses	**4,754**	4,552
	196,336	167,701

(b) No intangible asset is restricted or pledged as security as at 31 December 2022 and 2021.

(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 33). Identifiable property management contract and customer relationship of RMB1,133,376,000 is recognised as intangible assets. The excess of the consideration of acquisition over proportion of the value of the acquired identifiable net assets of RMB1,698,809,000 is recorded as goodwill.

As the result of management assessment, impairment provision of RMB6,119,000 (2021: nil) was recognised on property management contracts and customer relationship for the year ended 31 December 2022 and no impairment provision was recognised on goodwill for the year ended 31 December 2022 (2021: RMB593,946,000).

The recoverable amount of the CGU has been determined by value-in-use calculations using cash flow projections based on financial budgets covering a five-year period approved by senior management. The management considered the calculation based on the current condition. The financial budgets are prepared based on a five-year business plan considering the past performance, achievement of the medium or long-term growth target. The financial budgets have also taken into consideration the developments of property management business in PRC, including changes in the customer mix as well as the resulting changes to expected costs and margins. It has also taken into consideration the result of the significant decrease in customers result from the adverse impact brought by COVID-19, the reasonable expectation of the business recovery from COVID-19 and the cost saving initiatives. The value-in-use calculations was reviewed by independent qualified valuer, Greater China Appraisal (Shanghai) Limited. The key assumptions used for the calculation are as follows:

18. INTANGIBLE ASSETS (continued)

	For the year ended 31 December 2022	For the year ended 31 December 2021
Expected growth rate of revenue	**-56.1%-4%**	-6.7%-14.9%
Pre-tax discount rate	**14%-17%**	14.5%-18.5%
Terminal growth rate	**2%**	2%-3%

The values assigned to the above key assumptions are consistent with external information sources.

If the expected growth rate applied in the cash flow projections of the CGUs had been 1% lower than the managements estimates, the value-in-use of the CGUs would be lower than estimated amount by approximately RMB125,737,000 (2021: RMB117,512,000).

If the pre-tax discount rate applied in the cash flow projections of the CGUs had been 1% higher than the management's estimates, the value-in-use of the CGUs would be lower than the estimated amount by approximately RMB126,700,000 (2021: RMB107,305,000).

If the terminal growth rate applied in the cash flow projections of the CGUs had been 1% lower than the management's estimates, the value-in-use of the CGUs would be lower than the estimated amount by approximately RMB60,898,000 (2021: RMB65,455,000).

19. INVESTMENT PROPERTIES

	Commercial properties RMB'000	Carparks RMB'000	Total RMB'000
As at 1 January 2021	–	–	–
Acquisition of a subsidiary (Note 33)	34,283	860	35,143
Fair value gain on investment properties	1,618	3,535	5,153
Disposal	–	(275)	(275)
As at 31 December 2021	35,901	4,120	40,021
Fair value gain/(loss) on investment properties	290	(58)	232
As at 31 December 2022	36,191	4,062	40,253

19. INVESTMENT PROPERTIES (continued)

(a) Valuation processes of the Group

The Group measures its investment properties at fair value. The fair value of the Group's investment properties has been determined on the basis of valuation carried out by an independent and professionally qualified valuer. Discussions of valuation processes and results are held between the management and the valuer at least once every six months, in line with the Group's interim and annual reporting dates.

Valuations were based on direct comparison approach is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

(b) Information about fair value measurements using significant unobservable inputs

Properties category	Fair value hierarchy	Fair value as at 31 December 2022 RMB'000	Valuation technique and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
Commercial properties	Level 3	**36,191**	Market comparison approach -by reference to average of recent transaction prices of similar properties, adjusted for nature, location and properties size	Adjusted price per square meter (RMB/sq.m.)	30,969-33,539	The higher the market unit rate, the higher the fair value
Carparks	Level 3	**4,062**	Market comparison approach -by reference to average of recent transaction prices of similar properties, adjusted for location	Adjusted price per square meter (RMB/sq.m.)	15,000	The higher the market unit rate, the higher the fair value

19. INVESTMENT PROPERTIES (continued)

(b) Information about fair value measurements using significant unobservable inputs (continued)

Properties category	Fair value hierarchy	Fair value as at 31 December 2021 RMB'000	Valuation technique and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
Commercial properties	Level 3	35,901	Market comparison approach -by reference to average of recent transaction prices of similar properties, adjusted for nature, location and properties size	Adjusted price per square meter (RMB/sq.m.)	28,604-30,100	The higher the market unit rate, the higher the fair value
Carparks	Level 3	4,120	Market comparison approach -by reference to average of recent transaction prices of similar properties, adjusted for location	Adjusted price per square meter (RMB/sq.m.)	15,000	The higher the market unit rate, the higher the fair value

(c) The following amounts have been recognised in the consolidated statement of profit or loss and other comprehensive income:

	2022 RMB'000	2021 RMB'000
Rental income	**1,319**	1,244
Direct operating expenses arising from investment properties that generate rental income	**(252)**	(248)
	1,067	996

19. INVESTMENT PROPERTIES (continued)

(d) The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	2022 RMB'000	2021 RMB'000
Not later than one year	**1,319**	1,244
Later than one year and not later than five years	**5,597**	5,434
Later than five years	**4,623**	6,105
	11,539	12,783

20. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	2022 RMB'000	2021 RMB'000
Investment in associates	**29,138**	20,635
Investment in joint ventures	**3,394**	8,605
	32,532	29,240

The amounts recognised in profit and loss are as follows:

	2022 RMB'000	2021 RMB'000
Share of total comprehensive income of associates	**3,003**	3,862
Share of total comprehensive (expenses)/income of joint ventures	**(111)**	445
	2,892	4,307

(a) Investments in associates

The movements of the investments in associates are as follows:

	2022 RMB'000	2021 RMB'000
As at 1 January	**20,635**	–
Additions	**5,500**	16,773
Share of total comprehensive income of associates	**3,003**	3,862
As at 31 December	**29,138**	20,635

20. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

(a) Investments in associates (continued)

Details of the principal associates as at the end of the reporting period are as follows:

Name of company	Form of entity	Place of incorporation and operation	Particulars of issued and paid up capital/registered capital	Proportion of ownership interest held by the Group	Principal activity
Shangrao Asia Pacific Property Services Limited* (上饒市亞太物業服務有限公司)	Limited liability company	PRC	RMB5,000,000	35%	Provision of property management services
Ningbo Jingsheng City Integrated Property Services Limited* (寧波市景勝城市綜合物業服務有限公司)	Limited liability company	PRC	RMB50,000,000	35%	Provision of property management services
Linhai Yucheng Property Services Limited* (臨海市昱誠物業服務有限公司)	Limited liability company	PRC	RMB5,000,000	49%	Provision of property management services
Ningbo Chunjiang Property Services Limited* (寧波春江物業服務有限公司)	Limited liability company	PRC	RMB10,000,000	30%	Provision of property management services
Jiangxi Taixin Health Care Services Limited* (江西泰心康護理服務有限公司)	Limited liability company	PRC	RMB2,000,000	49%	Provision of property management services

* English name for identification only

The associates were accounted for using the equity method in the consolidated financial statements.

There is no individually material associate which significantly affects the results and net assets of the Group as at 31 December 2022 and 2021.

20. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

(b) Investments in joint ventures

The movements of the investments in joint ventures are as follows:

	2022 RMB'000	2021 RMB'000
As at 1 January	**8,605**	–
Additions	**–**	8,160
Disposal	**(5,100)**	–
Share of total comprehensive (expenses)/income of joint ventures	**(111)**	445
As at 31 December	**3,394**	8,605

Details of the principal joint ventures as at the end of the reporting period are as follows:

Name of company	Form of entity	Place of incorporation and operation	Particulars of issued and paid up capital/registered capital	Proportion of ownership interest held by the Group	Principal activity
Qujing Hengyu Property Management Limited* (曲靖恒鈺物業管理有限公司)	Limited liability company	PRC	RMB1,000,000	51%	Provision of property management services
Hainan Hengchen Property Services Limited* (海南恒辰物業服務有限公司)	Limited liability company	PRC	RMB5,000,000	51%	Provision of property management services

* English name for identification only

The joint ventures were accounted for using the equity method in the consolidated financial statements.

There is no individually material joint venture which significantly affects the results and net assets of the Group as at 31 December 2022 and 2021.

21. TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables (note i)	**2,739,020**	1,999,699
Value added tax recoverable	**22,985**	51,412
Other receivables (note ii)	**437,302**	662,803
	3,199,307	2,713,914

(i) Trade receivables

	2022 RMB'000	2021 RMB'000
Trade receivables		
Related parties (Note 35)	**2,464,090**	2,499,704
Third parties	**3,084,954**	2,204,407
Notes receivables		
Related parties (Note 35)	**–**	1,420
Gross trade and notes receivables	**5,549,044**	4,705,531
Less: allowance for impairment of trade receivables		
– Related parties (Note 35)	**(2,455,691)**	(2,440,150)
– Third parties	**(354,333)**	(265,682)
	2,739,020	1,999,699

21. TRADE AND OTHER RECEIVABLES (continued)

(ii) Other receivables

	2022 RMB'000	2021 RMB'000
Ultimate holding company		
– Financial guarantees	**13,400,000**	13,400,000
Less:		
– Enforcement of financial guarantees pledged	**(13,400,000)**	(13,400,000)
	–	–
Other related parties (Note 35)	**11,770**	9,134
Third parties		
– Payments on behalf of property owners (Note c)	**296,749**	501,470
– Deposits	**153,044**	164,138
– Others	**53,102**	60,784
Gross other receivables	**514,665**	735,526
Less: allowance for impairment of other receivables		
– Third parties	**(77,363)**	(72,723)
Total other receivables	**437,302**	662,803

21. TRADE AND OTHER RECEIVABLES (continued)

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 2022 and 2021, the aging analysis of the trade and notes receivables based on date of revenue recognition were as follows:

	2022 RMB'000	2021 RMB'000
0 to 180 days	**3,002,519**	2,640,193
181-365 days	**729,450**	1,407,462
1 to 2 years	**1,343,503**	471,274
2 to 3 years	**375,846**	110,585
Over 3 years	**97,726**	76,017
	5,549,044	4,705,531

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

(d) As at 31 December 2022 and 2021, trade and other receivables were denominated in RMB and the fair value of trade and other receivables approximate their carrying amounts.

22. PREPAYMENTS

	2022 RMB'000	2021 RMB'000
Prepayments to suppliers		
Related parties (Note 35)	**1,581**	3,688
Third parties	**35,153**	30,688
	36,734	34,376

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represents cash at banks which earns interest at floating rates based on daily bank deposit rates and cash on hand. The carrying amounts of the cash and cash equivalents approximate their fair value.

	2022 RMB'000	2021 RMB'000
Cash at bank	**1,563,871**	1,128,159
Cash on hand	**4,108**	1,995
	1,567,979	1,130,154

(a) The carrying amounts of cash and cash equivalents were denominated in the following currencies:

	2022 RMB'000	2021 RMB'000
RMB	**1,528,731**	1,070,897
US$	**13**	1,980
HK$	**39,235**	57,277
	1,567,979	1,130,154

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

24. RESTRICED CASH

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

25. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares USD'000	Equivalent nominal value of ordinary shares RMB'000
Authorised:			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	100,000,000,000	10,000	70,000
Issued:			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	10,810,811,000	1,081	7,060

26. RESERVES

	Share premium RMB'000	Statutory reserves RMB'000 (Note a)	Capital reserves RMB'000	Exchange reserves RMB'000	Total RMB'000
Balance at 1 January 2022	5,944,185	421,071	(13,188,981)	(593)	(6,824,318)
Transfer to statutory reserve (Note a)	–	83,313	–	–	83,313
Tax effect of equity transactions with ultimate holding company	–	–	402,000	–	402,000
Currency translation difference	–	–	–	2,849	2,849
Others	–	–	30,779	–	30,779
Balance at 31 December 2022	5,944,185	504,384	(12,756,202)	2,256	(6,305,377)

26. RESERVES (continued)

	Share premium RMB'000	Statutory reserves RMB'000 (Note a)	Capital reserves RMB'000	Exchange reserves RMB'000	Total RMB'000
Balance at 31 December 2020 (as previously reported)	5,944,185	371,774	207,239	(908)	6,522,290
Common control combinations	–	–	50,000	–	50,000
Prior year adjustment	–	–	(50,000)	–	(50,000)
Balance at 1 January 2021 (as restated)	5,944,185	371,774	207,239	(908)	6,522,290
Transfer to statutory reserves (Note a)	–	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	–	–	(39,198)	–	(39,198)
Equity transactions with ultimate holding company	–	–	(13,400,000)	–	(13,400,000)
Release of financial guarantee to holding company	–	–	50,000	–	50,000
Currency translation difference	–	–	–	315	315
Others	–	–	(57,022)	–	(57,022)
Balance at 31 December 2021	5,944,185	421,071	(13,188,981)	(593)	(6,824,318)

26. RESERVES (continued)

(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.

27. TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payable (Note a)		
Related parties (Note 35)	**267,345**	225,530
Third parties	**1,646,059**	1,913,508
	1,913,404	2,139,038
Notes payable (Note a)		
Related parties (Note 35)	**–**	1,168
Third parties	**–**	1,909
	–	3,077
Accrued payroll	**574,926**	569,532
Other payable		
Amounts temporarily received from/on behalf of property owners or lessors (Note b)	**348,124**	723,767
Deposits	**337,690**	345,249
Other tax payables	**214,588**	419,829
Considerations payable for business combinations	**772,225**	839,278
Others	**764,313**	550,768
	2,436,940	2,878,891
	4,925,270	5,590,538
Less: Non-current portion	**–**	(54,018)
Current portion	**4,925,270**	5,536,520

27. TRADE AND OTHER PAYABLES (continued)

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

	2022 RMB'000	2021 RMB'000
Up to 1 year	**1,661,300**	2,070,749
1 to 2 years	**209,330**	57,149
2 to 3 years	**35,599**	7,726
More than 3 years	**7,175**	6,491
	1,913,404	2,142,115

(b) The amounts mainly represented utilities expenses temporarily collected from the property owners to be paid to related service providers and rental income collected from leases to be returned to the property owners.

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

28. LEASE

(a) Right-of-use assets

	2022 RMB'000	2021 RMB'000
As at 1 January		
Cost	**418,681**	62,268
Accumulated depreciation	**(230,258)**	(37,475)
Net carrying amount	**188,423**	24,793
As at 31 December		
Opening net book amount	**188,423**	24,793
Acquisition of subsidiaries (Note 33)	**–**	25,114
Additions	**63,573**	331,299
Termination	**(50,706)**	–
Depreciation	**(132,035)**	(192,783)
Closing net carrying amount	**69,255**	188,423
As at 31 December		
Cost	**346,955**	418,681
Accumulated depreciation	**(277,700)**	(230,258)
Net carrying amount	**69,255**	188,423

(b) Lease liabilities

	2022 RMB'000	2021 RMB'000
Current	**142,201**	103,018
Non-current	**124,784**	218,551
	266,985	321,569

28. LEASE (continued)

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

	2022 RMB'000	2021 RMB'000
Depreciation of right-of-use assets		
– Properties	**132,035**	192,783
Interest expenses (included in finance costs)	**7,124**	17,574
Expense relating to short-term and low-value leases (included in cost of sales and administrative expenses)	**172,306**	310,452

The total cash outflow for leases during the year ended 31 December 2022 and 2021 amounted to RMB122,434,000 and RMB305,671,000, respectively.

29. BORROWINGS

	2022 RMB'000	2021 RMB'000
Current	**183,033**	150,000
Non-current	**66,667**	150,000
	249,700	300,000

As at 31 December 2022, the Group's bank borrowings of RMB249,700,000 (2021: RMB 300,000,000) were secured by pledge of the Group's equity interest of certain subsidiaries and guaranteed by non-controlling interests.

The maturity of the borrowings is as follows:

	2022 RMB'000	2021 RMB'000
Within one year	**183,033**	150,000
1-2 years	**66,667**	100,000
Over 2 years	**–**	50,000
	249,700	300,000

29. BORROWINGS (continued)

The effective interest rates were as follows:

	2022 RMB'000	Effective weighted average rate 2022	2021 RMB'000	Effective weighted average rate 2021
Bank borrowings	249,700	6.11%	300,000	6.33%

30. DEFERRED INCOME TAX

The analysis of deferred tax is as follows:

	2022 RMB'000	2021 RMB'000
Deferred tax assets:		
To be recovered within 12 months	27,890	68,077
To be recovered after more than 12 months	37,946	79,889
	65,836	147,966

	2022 RMB'000	2021 RMB'000
Deferred tax liabilities:		
To be realised within 12 months	(40,788)	(47,895)
To be realised after more than 12 months	(160,488)	(205,186)
	(201,276)	(253,081)

30. DEFERRED INCOME TAX (continued)

The movement in deferred income tax without considering the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax assets- allowance on doubtful debts RMB'000	Deferred tax assets- tax losses RMB'000	Deferred tax assets- Others RMB'000	Deferred tax liabilities on amortisation of intangible assets RMB'000	Total RMB'000
As at 1 January 2021	33,043	47,012	256	(14,887)	65,424
Acquisition of subsidiaries	–	26,314	–	(283,344)	(257,030)
Credited to the consolidated statement of profit or loss and other comprehensive income	33,480	7,292	569	45,150	86,491
At 31 December 2021	66,523	80,618	825	(253,081)	(105,115)
(Charged)/credited to the consolidated statement of profit or loss and other comprehensive income	**(38,920)**	**(42,651)**	**(559)**	**51,805**	**(30,325)**
At 31 December 2022	**27,603**	**37,967**	**266**	**(201,276)**	**(135,440)**

According to CIT Law, a withholding income tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividends out of profits earned after 1 January 2008. A lower 5% withholding income tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty agreements between the relevant authorities of the PRC and Hong Kong.

As at 31 December 2022, the Group has unrecognised deferred income tax liabilities arising from undistributed profits from the Group's subsidiaries in the PRC to its immediate holding company. No provision has been made in respect of such withholding tax as the directors have confirmed that such profits will not be distributed in the foreseeable future. Unremitted earnings in this respect amounted to RMB3,049,872,000 (2021: RMB1,728,833,000).

31. CASH FLOW INFORMATION

(a) Cash generated from operations

	2022 RMB'000	2021 RMB'000
Profit/(loss) before income tax	**1,936,997**	(218,904)
Adjustments for:		
– Finance costs	**24,435**	48,236
– Depreciation of property and equipment (Note 17)	**26,702**	25,667
– Depreciation of right-of-use assets (Note 28(a))	**132,035**	192,783
– Amortisation of other intangible assets (Note 18)	**196,336**	167,701
– (Gains)/losses from disposal of property and equipment	**–**	(74)
– Impairment losses on financial assets	**108,832**	2,575,947
– Fair value change of investment properties	**(232)**	(5,153)
– Loss on disposal of investment properties	**–**	275
– Share of profit on investments accounted for equity method	**(2,892)**	(4,307)
– Fair value gain on financial assets at fair value through profit or loss	**2,309**	774
– Fair value change on contingent consideration payables	**(7,102)**	–
– Impairment loss recognised for goodwill and customer relationship	**6,119**	593,946
– Interest income	**(9,082)**	(208,710)
– Gain on bargaining purchase	**–**	(460)
– Measurement period adjustment for goodwill	**17,210**	–
Changes in working capital		
– Trade and other receivables	**(598,243)**	(34,682)
– Prepayment	**(2,358)**	(14,785)
– Contract liabilities	**(392,120)**	217,450
– Trade and other payables	**(412,798)**	(635,986)
– Restricted cash	**(51,448)**	1,968,626
	974,700	4,668,344

31. CASH FLOW INFORMATION (continued)

(b) Net debt reconciliation

	Borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2021	–	25,815	25,815
Acquisition of subsidiaries (Note 33)	71,738	26,410	98,148
Additions of leases	–	331,299	331,299
Accrued interest expenses	–	17,574	17,574
Cash flows	228,262	(79,529)	148,733
As at 31 December 2021	300,000	321,569	621,569
As at 1 January 2022	**300,000**	**321,569**	**621,569**
Addition of leases	**–**	**63,573**	**63,573**
Accrued interest expenses	**–**	**7,124**	**7,124**
Termination	**–**	**(57,598)**	**(57,598)**
Cash flows	**(50,300)**	**(67,683)**	**(117,983)**
As at 31 December 2022	**249,700**	**266,985**	**516,685**

32. COMMITMENTS

Capital commitments

Considerations to be paid for acquisitions of equity interests of subsidiaries from non-controlling interests contracted for but not yet completed as at 31 December 2022 and 2021 is as follows:

	2022 RMB'000	2021 RMB'000
Within one year	**300,000**	–
1 to 2 years	**–**	300,000
	300,000	300,000

33. 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 18) is recorded as goodwill.The directors of the Company consider that none of these subsidiaries acquired during the year was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition date was not disclosed. Details of the purchase considerations, the net assets acquired are as follows:

	RMB'000
Purchase consideration	
Total fair value of cash consideration	2,109,671
Contingent consideration payables (Note d)	58,310
	2,167,981
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and bank balances	217,407
Financial assets at fair value through profit or loss	181,468
Prepayments	5,862
Trade and other receivables	640,456
Property and equipment (Note 17)	27,575
Property management contracts and customer relationships (Note 18)	1,133,376
Other intangible assets (Note 18)	3,345
Right-of-use assets (Note 28)	25,114
Investment properties (Note 19)	35,143
Investments accounted for using the equity method	18,084
Deferred income tax assets	26,314
Borrowings	(71,738)
Contract liabilities	(136,940)
Trade and other payables	(710,061)
Current income tax liabilities	(190,707)
Lease liabilities	(26,410)
Deferred income tax liabilities	(283,344)
Total identifiable net assets	894,944

33. BUSINESS COMBINATION (continued)

	RMB'000
Total identifiable net assets	894,944
Less: non-controlling interests	(425,312)
Identifiable net assets attributable to the Group	469,632
Goodwill arising on acquisitions (Note 18)	1,698,809
Gain on bargaining purchase (Note 9)	(460)
Fair value of consideration	2,167,981

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

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

(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 revenue 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 net profit for the year ended 31 December 2021 would have been RMB2,833,144,000 and RMB48,567,000 respectively.

33. BUSINESS COMBINATION (continued)

(d) Contingent consideration payables

Contingent consideration payables represent the performance guarantee given by the vendors in relation to the business combination. Contingent consideration payables have been designated as financial liabilities upon initial recognition and is measured at fair value at the end of the reporting period.

Pursuant to the sale and purchase agreements in relation to the acquisition of six property management companies, the vendors have given the performance guarantee to the Group.

The details of the performance guarantee are as follows:

Vendor 1:

Financial year ending	Revenue RMB'000	Profit after tax RMB'000
31 December 2021	2,000,000	120,000
31 December 2022	2,300,000	140,000

During the year ended 31 December 2021, the actual audited revenue and profit after tax of the corresponding acquired subsidiary satisfied the performance guarantee.

Vendor 2:

Financial year ending	Revenue RMB'000	Profit after tax (excluding non-operating items) RMB'000
31 December 2021	424,490	24,530
31 December 2022	466,940	26,980
31 December 2023	513,630	29,680

During the year ended 31 December 2021, the actual audited revenue and profit after tax (excluding non-operating items) of the corresponding acquired subsidiary satisfied the performance guarantee.

33. BUSINESS COMBINATION (continued)

(d) Contingent consideration payables (continued)

Vendor 3:

Financial year ending	Revenue (include value-added tax) RMB'000	Profit after tax (excluding non-operating items) RMB'000
31 December 2021	190,000	18,000
31 December 2022	190,000	18,000

During the year ended 31 December 2022, after negotiation with the vendor, both parties agreed to withdrawal the related contingent consideration.

Vendor 4:

Financial year ending	Revenue RMB'000	Profit after tax (excluding non-operating items) RMB'000
31 December 2021	142,366	40,150
31 December 2022	156,603	44,165

Vendor 5:

Financial year ending	Revenue RMB'000	Profit after tax (excluding non-operating items) RMB'000
31 December 2021	80,120	5,958
31 December 2022	104,156	7,149
31 December 2023	135,403	8,579

During the year ended 31 December 2021, the actual audited revenue and profit after tax (excluding non-operating items) of the corresponding acquired subsidiary did not satisfy the performance guarantee.

33. BUSINESS COMBINATION (continued)

(d) Contingent consideration payables (continued)

Vendor 6:

Financial year ending	Revenue RMB'000	Profit after tax (excluding non-operating items) RMB'000
31 December 2021	14,876	2,400
31 December 2022	17,852	2,880

During the year ended 31 December 2021, the actual audited revenue and profit after tax (excluding non-operating items) of the corresponding acquired subsidiary did not satisfy the performance guarantee.

34. NON-CONTROLLING INTERESTS

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised statement of financial position	**Wuhan JBL Property Management Co., Ltd.***		**Ningbo Yatai Hotel Property Services Co., Ltd.***	
	2022 **RMB'000**	2021 RMB'000	**2022** **RMB'000**	2021 RMB'000
Current assets	**62,554**	62,465	**938,373**	903,362
Current liabilities	**13,317**	21,337	**854,587**	959,769
Net current assets/(liablities)	**49,237**	41,128	**83,786**	(56,407)
Non-current assets	**185,551**	216,414	**532,437**	638,406
Net assets	**234,788**	257,542	**616,223**	581,999

34. NON-CONTROLLING INTERESTS (continued)

Summarised statement of profit or loss and other comprehensive income	Wuhan JBL Property Management Co., Ltd.*		Ningbo Yatai Hotel Property Services Co., Ltd.*	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue	**171,274**	119,822	**2,330,292**	1,827,412
Profit for the year	**14,731**	22,222	**80,891**	3,568

* English name for identification purpose only

35. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties:

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

	2022	2021
	RMB'000	RMB'000
Revenue from rendering of services		
– Controlled by the Group's ultimate holding company	**93,169**	2,668,837
– Joint ventures of the Group's ultimate holding company	**47,354**	151,655
	140,523	2,820,492
Purchase of goods and services		
– Controlled by the Group's ultimate holding company	**83,539**	116,562
Leasing car parking spaces		
– Controlled by the Group's ultimate holding company	**30,910**	72,250

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

35. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties: (continued)

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 2022 to be approximately RMB1,034,292,000. 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:

The Group had the following balances with related parties:

	2022 RMB'000	2021 RMB'000
Trade receivables		
– Controlled by the Group's ultimate holding company	**2,354,584**	2,396,639
– Joint ventures of the Group's ultimate holding company	**109,506**	103,065
	2,464,090	2,499,704
Less: allowances for impairment of trade receivables (charged to profit or loss)	**(2,455,691)**	(2,440,150)
	8,399	59,554

	2022 RMB'000	2021 RMB'000
Other receivables		
– Controlled by the Group's ultimate holding company	**11,770**	9,134

35. RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties: (continued)

	2022 RMB'000	2021 RMB'000
Notes receivables		
– Controlled by the Group's ultimate holding company	–	1,420

	2022 RMB'000	2021 RMB'000
Prepayments		
– Controlled by the Group's ultimate holding company	**1,581**	3,688

	2022 RMB'000	2021 RMB'000
Trade payables		
– Controlled by the Group's ultimate holding company	**267,055**	225,481
– Joint ventures of the Group's ultimate holding company	**290**	49
	267,345	225,530

	2022 RMB'000	2021 RMB'000
Notes payables		
– Controlled by the Group's ultimate holding company	–	1,168

	2022 RMB'000	2021 RMB'000
Other payables		
– Controlled by the Group's ultimate holding company	**158,555**	179,016
– Joint ventures of the Group's ultimate holding company	**621**	540
	159,176	179,556

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

35. RELATED PARTY TRANSACTIONS (continued)

(c) Key management compensation

Compensations for key management other than those for directors as disclosed in Note 12 is set out below:

	2022 RMB'000	2021 RMB'000
Salaries, bonuses and other benefits	**1,984**	4,679
Contribution to pension scheme expenses	**104**	161
	2,088	4,840

36. EVENT AFTER 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 "**EVPS 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.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2022 RMB'000	2021 RMB'000
Assets			
Non-current asset			
Investments in subsidiaries	(a)	**–**	–
Current assets			
Amounts due from related parties		**–**	6,376
Other receivables		**6,965**	57,465
Prepayments		**676**	619
Cash and cash equivalents		**4,798**	19,915
		12,439	84,375
Total assets		**12,439**	84,375
Equity			
Equity attributable to shareholders of the Company			
Share capital		**7,060**	7,060
Reserves (Note (a))		**9,233,219**	9,233,219
Accumulated losses		**(9,331,607)**	(9,278,439)
Deficiency in equity		**(91,328)**	(38,160)
Liabilities			
Current liabilities			
Other payables		**103,767**	122,535
Total equity and liabilities		**12,439**	84,375

Note:

(a) As at 31 December 2022, investment in subsidiaries are carried at cost of approximately RMB9,102,506,000 (2021: RMB9,102,506,000), net of impairment loss of RMB9,102,506,000 (2021: RMB9,102,506,000) in respect of investment in subsidiaries.

(a) Movement of reserve of the Company

	Share premium RMB'000	Recapitalisation reserves RMB'000	Total RMB'000
Balance as at 1 January 2021, 31 December 2021, 1 January 2022 and December 31 2022	5,944,185	3,289,034	9,233,219

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries of the Group as at 31 December 2022 and 2021 and as at date of this report, are set out as follows:

Company Name	Place of incorporation/ registration and business	Form of business structure	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company				Principal activities
				Direct		Indirect		
				2022	2021	2022	2021	
Eagle Investment (BVI) Limited	BVI	Limited liability company	USD1	100%	100%	–	–	Investment holding
Knight Honour Global Limited	BVI	Limited liability company	USD1	–	–	100%	100%	Investment holding
Oriental Joy Group Limited	BVI	Limited liability company	USD1	–	–	100%	100%	Investment holding
Success Will Group Limited	Hong Kong	Limited liability company	HKD1,000	–	–	100%	100%	Investment holding
Fortune Ascent Management Limited	Hong Kong	Limited liability company	HKD1	–	–	100%	100%	Property management services
Jinbi Property Management Co., Ltd.* (金碧物業有限公司)	PRC	Limited liability company	RMB10,000,000,000	–	–	100%	100%	Property management services
Wuhan Jinbi Jiayuan Property Management Co., Ltd. * (武漢金碧嘉園物業管理有限公司)	PRC	Limited liability company	RMB3,000,000	–	–	100%	100%	Property management services
Guiyang Zhongyu Property Management Co., Ltd. * (貴陽中渝物業服務有限責任公司)	PRC	Limited liability company	RMB3,000,000	–	–	100%	100%	Property management services
Chongqing Tongjing Property Services Co., Ltd.* (重慶同景物業服務有限公司)	PRC	Limited liability company	RMB5,000,000	–	–	100%	100%	Property management services
Guiyang New Life Property Services Co., Ltd.* (貴陽新生活物業服務有限公司)	PRC	Limited liability company	RMB5,010,000	–	–	100%	100%	Property management services

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Company Name	Place of incorporation/ registration and business	Form of business structure	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company				Principal activities
				Direct		Indirect		
				2022	2021	2022	2021	
Ningbo Yatai Hotel Property Services Co., Ltd. * (寧波市雅太酒店物業服務有限公司)	PRC	Limited liability company	RMB66,370,000	**–**	–	**80%**	80%	Property management services
Shenzhen Futian Real Estate Development Co., Ltd.* (福田物業發展有限公司)	PRC	Limited liability company	RMB60,000,000			**100%**	100%	Property management services
Zhejiang Jindu Property Management Co., Ltd.* (浙江金都物業管理有限公司)	PRC	Limited liability company	RMB20,000,000	**–**	–	**100%**	100%	Property management services
Wuhan Jiebaili Property Management Co., Ltd.* (武漢杰佰利物業管理有限公司)	PRC	Limited liability company	RMB20,000,000	**–**	–	**70%**	70%	Property management services
Nanchang Tianxiang Property Management Co., Ltd.* (南昌市天翔物業管理有限公司)	PRC	Limited liability company	RMB82,700,000	**–**	–	**70%**	70%	Property management services
Taiyuan Lanjieshi Property Management Co., Ltd.* (太原藍潔仕物業管理有限公司)	PRC	Limited liability company	RMB5,180,000	**–**	–	**65%**	65%	Property management services
Chongqing Taiguang Real Estate Management Co., Ltd.* (重慶泰廣房地產管理有限公司)	PRC	Limited liability company	RMB500,000	**–**	–	**100%**	100%	Property management services

* English name for identification only

39. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issued by the board of directors on 5 June 2023.

Five-year Financial Summary

Consolidated Results

	2018 (RMB'000)	2019 (RMB'000)	2020 (RMB'000)	2021 (RMB'000)	**2022 (RMB'000)**
Revenue	5,903,226	7,332,722	10,781,578	13,193,464	**11,809,176**
Profit/(loss) before income tax	310,292	1,229,185	3,497,528	(218,904)	**1,936,997**
Income tax expense	(71,284)	(298,661)	(851,060)	(169,880)	**(458,423)**
Profit/(loss) for the year	239,008	930,524	2,646,468	(388,784)	**1,478,574**
Profit/(loss) attributable to:					
Shareholders of the Company	239,075	930,232	2,647,099	(316,294)	**1,422,679**
Non-controlling interests	(67)	292	(631)	(72,490)	**55,895**
	239,008	930,524	2,646,468	(388,784)	**1,478,574**
Earnings/(loss) per share for profit attributable to shareholders of the Company(Expressed in RMB per share)					
Basis	N/A	0.09	0.26	(0.03)	**0.13**
Dilution	N/A	0.09	0.26	(0.03)	**0.13**

Consolidated Financial Position

	2018 (RMB'000)	2019 (RMB'000)	2020 (RMB'000)	2021 (RMB'000)	**2022 (RMB'000)**
Non-current assets	138,740	149,752	287,887	2,681,599	**2,252,527**
Current assets	5,703,078	7,306,903	16,820,652	3,920,529	**4,895,244**
Current liabilities	5,036,741	5,669,448	7,225,728	9,370,698	**8,216,601**
Net current assets/(liabilities)	666,337	1,637,455	9,594,924	(5,450,169)	**(3,321,357)**
Total assets less current liabilities	805,077	1,787,207	9,882,811	(2,768,570)	**(1,068,830)**
Non-current liabilities	8,304	12,750	26,201	733,960	**443,935**
Equity attributable to shareholders of the Company	796,840	1,761,607	9,845,648	(3,866,551)	**(2,008,244)**
Non-controlling interests	(67)	12,850	10,962	364,021	**495,479**
Total equity/(deficiency in equity)	796,773	1,774,457	9,856,610	(3,502,530)	**(1,512,765)**

恒大物業
EVERGRANDE PROPERTY SERVICES