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Evergrande Property Services Group Limited

恒大物業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6666)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

Financial Summary

- For the year ended 31 December 2022, the Group had 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.

- As at 31 December 2022, the Group had a total contracted area of approximately 819 million square metres and an area under management of approximately 500 million square metres, maintaining its industry-leading management scale.

- The Board does not recommend the payment of any final dividend for the year ended 31 December 2022.

- The Group will endeavour to take reasonable measures to collect the various categories of receivables from the relevant parties in accordance with the relevant laws and applicable agreements, including, without limitation, receivable that have been provisioned for impairment, and receivable that have not yet been included in income because they do not meet the revenue recognition conditions. At the same time, the Group is in discussion with China Evergrande Group on the proposal to repay the funds involved in the deposit certificate pledge guarantees of approximately RMB13.4 billion, to actively safeguard the interests of the Group.

- The Group has focused on the "property services + living services" model to provide high-quality services to the proper owners and residents. In 2022, the Group's revenue from related parties was approximately RMB140.5 million, which only accounted for approximately 1.2% of the total revenue and the controlling shareholder's liquidity crisis basically did not have any significant impact on the Group's overall revenue.

Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Notes	For the year ended 31 December 2022 *RMB'000*	2021 *RMB'000*
Revenue	*5*	**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	*6*	**156,763**	326,118
Other losses	*7*	**(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		**(56,202)**	(61,503)
Profit/(loss)before income tax		**1,936,997**	(218,904)
Income tax expenses	*9*	**(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/(expense) for the year		**1,481,423**	(388,469)
Total comprehensive income/(expense) 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	*10*	**RMB0.13**	RMB(0.03)

Consolidated Statement of Financial Position

	Notes	As at 31 December 2022 RMB'000	2021 RMB'000
Assets			
Non-current assets			
Property and equipment		**57,680**	70,672
Right-of-use assets		**69,255**	188,423
Intangible assets		**1,986,971**	2,205,277
Investment properties		**40,253**	40,021
Investments accounted for using the equity method		**32,532**	29,240
Deferred income tax assets		**65,836**	147,966
		2,252,527	2,681,599
Current assets			
Trade and other receivables	*12*	**3,199,307**	2,713,914
Prepayments		**36,734**	34,376
Financial assets at fair value through profit or loss		**3,180**	5,489
Restricted cash		**88,044**	36,596
Cash and cash equivalents		**1,567,979**	1,130,154
		4,895,244	3,920,529
Total assets		**7,147,771**	6,602,128
Equity			
Share capital	*13*	**7,060**	7,060
Reserves		**(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		**495,479**	364,021
Total deficiency in equity		**(1,512,765)**	(3,502,530)

		As at 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
Liabilities			
Non-current liabilities			
Borrowings		**66,667**	150,000
Lease liabilities		**124,784**	218,551
Other payables	*14*	**–**	54,018
Contingent consideration payables		**51,208**	58,310
Deferred income tax liabilities		**201,276**	253,081
		443,935	733,960
Current liabilities			
Contract liabilities	*5*	**2,688,029**	3,080,149
Trade and other payables	*14*	**4,925,270**	5,536,520
Current income tax liabilities		**278,068**	501,011
Lease liabilities		**142,201**	103,018
Borrowings		**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

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.

(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 directors of the Company have reviewed the Group's cash flow projections, which cover a period up to 30 June 2024. The directors are of the opinion that, taking into account the following actions during the year ended 31 December 2022 and plans and measures to be taken, the Group will have sufficient working capital to meet its financial obligations up to 30 June 2024 .

– The Group is currently in discussion with China Evergrande Group regarding a proposal to repay the funds involved in the deposit certificate pledge guarantees of approximately RMB13,400,000,000 in total to the Group (the "**Case**"). The Case is a special case and certain measures in relation to the internal control system of the Group will be implemented. The Case will not have further significant impact on the Group's future operating cash flows;

– The Group has reached agreements with certain creditors (including trade payables, consideration payable for business combinations and related parties), agreeing to extend the repayment terms from one to four years. The directors of the Company consider that further extensions may be obtained if necessary; and

– The directors of the Company are currently exercising and will continue to exercise cost control in administrative and other expenses by further streamlining the Group's operations to improve the operating and financial position of the Group.

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

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*[2]
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*[2]

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. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker (the "**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

During the year ended 31 December 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.

5. REVENUE

Revenue mainly comprises of proceeds from property management services and related value-added services. An analysis of the Group's revenue by category for the years ended 31 December 2022 and 2021 is as follows:

	2022	2021
	RMB'000	*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 and joint ventures of China Evergrande Group, the Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue during the years ended 31 December 2022 and 2021.

(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

(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.

6. OTHER INCOME

	2022	2021
	RMB'000	*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	**2,892**	4,307
Gain on bargaining purchase *(Note 15)*	**–**	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.

7. OTHER LOSSES

	2022	2021
	RMB'000	*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

8. EXPENSES BY NATURE

	2022	2021
	RMB'000	*RMB'000*
Employee benefit expenses	**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
Service 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

9. INCOME TAX EXPENSES

	2022	2021
	RMB'000	*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 BVI were incorporated under the International Business Companies Act of the BVI and accordingly, are exempted from British Virgin Island income tax.

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

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the 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.

10. 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 years 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	**RMB 0.13**	RMB (0.03)

11. DIVIDENDS

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

12. TRADE AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*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	2021
	RMB'000	*RMB'000*
Trade receivables		
Related parties *(Note 16)*	**2,464,090**	2,499,704
Third parties	**3,084,954**	2,204,407
Notes receivables		
Related parties *(Note 16)*	**–**	1,420
Gross trade and notes receivables	**5,549,044**	4,705,531
Less: allowance for impairment of trade receivables		
– Related parties *(Note 16)*	**(2,455,691)**	(2,440,150)
– Third parties	**(354,333)**	(265,682)
	2,739,020	1,999,699

(ii) Other receivables

	2022	2021
	RMB'000	*RMB'000*
Ultimate holding company		
– Financial guarantee	**13,400,000**	13,400,000
Less:		
– Enforcement of financial guarantee pledged	**(13,400,000)**	(13,400,000)
	–	–
Other related parties *(Note 16)*	**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)
	437,302	662,803

(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	2021
	RMB'000	*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.

13. SHARE CAPITAL

	Number of ordinary shares	**Nominal value of ordinary shares**	**Equivalent nominal value of ordinary shares**
		USD'000	*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

14. TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payable *(Note a)*		
Related parties *(Note 16)*	**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 16)*	**–**	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

(a) As at 31 December 2022 and 2021, the ageing analysis of the trade and notes payables based on goods and services received were are follows:

	2022	2021
	RMB'000	*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.

15. 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 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	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	27,575
Property management contracts andcustomer relationships	1,133,376
Other intangible assets	3,345
Right-of-use assets	25,114
Investment properties	35,143
Investments accounted for using the equity method	18,084
Deferred income tax assets	26,314
Borrowings	(71,738)
Contract liabilities	(136,940)
Trade and other payables	(710,061)
Current income tax liabilities	(190,707)
Lease liabilities	(26,410)
Deferred income tax liabilities	(283,344)
Total identifiable net assets	894,944

	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	1,698,809
Gain on bargaining purchase (Note 6)	(460)
Fair value of the 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 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.

16. 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.

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:

Other than that was disclosed in Note 12(d), the Group had the following balances with related parties.

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

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

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

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

	2022	2021
	RMB'000	*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.

(c) Key management compensation:

Compensations for key management other than directors is set out below:

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

17. EVENT AFTER THE REPORTING PERIOD

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

As per the Proposed Restructuring, shares in the Company ("**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 note ("**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.

SUMMARY OF INDEPENDENT AUDITORS' REPORT

The following is a summary of the independent auditor's report on the consolidated financial statements of Evergrande Property Services Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") for the year ended 31 December 2022 issued by its external auditor, Prism Hong Kong and Shanghai Limited ("**Prism**"):

OPINION

We have audited the consolidated financial statements of Evergrande Property Services Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**"), which comprise the consolidated statement of financial position as at 31 December 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 consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in accordance 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 ("**HKSA**") issued by the HKICPA. Our responsibilities under those standards are further described in 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 UNCERTAINTIES RELATING TO CONTINUING AS A 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.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I am pleased to present the results of the Group for the year ended 31 December 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 RMB1,478.6million. 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. 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**		2021		
		Revenue ***(RMB'000)***	**Percentage**	Revenue *(RMB'000)*	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	0.7%	-48.7%
	third party	**2,229,910**	**18.9%**	2,190,216	16.6%	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**	**79.9**	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% 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 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 recovery of payment 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 leased 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 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 taxes 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 the restricted share capital of Evergrande Insurance Agency Co., Ltd., deposits for the provision of property management services as required by local government authorities and funds for litigation preservation of some subsidiaries.

As at 31 December 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 China (the "**PRC**") government's regulations on the industry where the Group belongs.

Business risks

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

Foreign exchange risks

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

Risk of continuing as a going concern

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

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 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 implementing a 3-year campus recruitment programme for management trainees, trainings for new employees and key talent trainings. The Group organizes and conducts trainings on various professional skills, general aptitude, management ability and corporate culture in accordance with our business development needs and employee career planning, in order to improve the comprehensive quality and work capabilities of employees.

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

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 the pledge of 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.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS 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.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2022.

SHARE OPTION SCHEME

The share option scheme was approved and adopted by the shareholders of the Company at the extraordinary general meeting of the Company held on 10 May 2021. No share options have been granted from the adoption of the share option scheme until 31 December 2022.

EVENTS AFTER THE REPORTING PERIOD

For details of events after the reporting period, please refer to the section headed “Events After the Reporting Period” in the Company’s annual results announcement for the year ended 31 December 2021 published on the same date.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as the Company’s corporate governance code. For the year ended 31 December 2022, the Company had complied with all the applicable code provisions of the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct securities transactions by the Directors. The Company has made specific enquiry of all the Directors and they have confirmed that they have complied with the requirements set out in the Model Code throughout the year ended 31 December 2022.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2022.

ANNUAL GENERAL MEETING

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

AUDIT COMMITTEE

In accordance with the requirements of the CG Code and the Listing Rules, the Company has established an audit committee (the "**Audit Committee**") comprising three independent non-executive Directors, namely, Ms. Wen Yanhong (Chairman), Mr. Peng Liaoyuan and Mr. Guo Zhaohui. The Audit Committee and the management of the Company have considered and reviewed the accounting principles and practices adopted by the Group and have discussed matters relating to risk management, internal control and financial reporting, including the review of the consolidated audited financial statements of the Group for the year ended 31 December 2022. The financial information, including the comparative figures, have been reviewed by the Audit Committee.

SCOPE OF WORK OF PRISM

The Group's auditor, Prism, have reconciled the figures set out in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes of the Group for the year ended 31 December 2022 as set out in this results announcement with the amounts set out in the Group's audited consolidated financial statements for that year. The work performed by Prism in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Prism on this results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange (https://www.hkexnews.hk) and the website of the Company (http://www.evergrandeservice.com). The annual report of the Company for the year ended 31 December 2022 containing all the information required under the Listing Rules will be despatched to shareholders of the Company and will be made available for review on the same websites in due course.

CONTINUED SUSPENSION OF SECURITIES TRADING

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

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

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

Hong Kong, 5 June 2023

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