2021
ANNUAL REPORT

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

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Corporate Information

Board of Directors

Executive Directors

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

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Authorized Representatives

Mr. Duan Shengli
Mr. Fong Kar Chun, Jimmy

Company Secretary

Mr. Fong Kar Chun, Jimmy

Headquarters and Principal Place of Business in the PRC

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

Principal Place of Business in Hong Kong

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

Registered Office

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 2021.

Review for 2021

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

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

With 26 years of experience, the Group has always been guided by the needs of its customers and aims to satisfy them, insisting on high quality and sustainable development. In 2021, we continued to maintain our strategic determination to refine our service fundamentals around the dual high standard of "high satisfaction rate + high renewal rate" to enhance property owners' satisfaction and users' loyalty, build up a good reputation and solidify the fundamentals of the Company's operation; in respect of value-added services to non-property owners, due to the impact of the liquidity crisis of related parties since the second half of the year, the Group had made proactive adjustments to its value-added services to non-property owners and significantly reduced the provision of display units services and maintenance and warranty services to related parties to ensure the Company's sound operation; in respect of community value-added services, the Company vigorously expanded its community value-added businesses and achieved rapid growth in such businesses as venue services, car parking space leasing, real estate agency, community group purchase and housekeeping services, further releasing the Company's potential for diversified development.

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

Outlook for 2022

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

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

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

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

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

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

Management Discussion and Analysis

Financial Review

Revenue

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

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

(i) Property management services

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

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

(ii) Community value-added services

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

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

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

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

Costs

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

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

Gross profit and gross profit margin

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

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

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

1. In respect of property management services, the Group adjusted the revenue recognition rhythm for some related party businesses with uncertainty of recovery of payment due to prudent considerations, and therefore some revenue was not recognized in the current year, and some newly acquired companies had low gross profit margins, resulting in a decrease in the Group's gross profit margin for property management services by approximately 6.7 percentage points from approximately 33.6% in 2020 to approximately 26.9% in 2021.

2. In respect of community value-added services, in order to build up its long-term development capability, the Group further promoted its self-operated model in its property agency and rental and sales businesses, which led to an increase in operating costs, while the Group dug deeper into the needs of property owners and continued to enrich its product categories, and the scale of the purchase and sales business with relatively lower gross profit increased, which lowered the overall gross profit margin of the community value-added business. The Group's community value-added services gross profit margin decreased by approximately 8.0 percentage points from approximately 52.8% (restated) in 2020 to approximately 44.8% in 2021.

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

Administrative and marketing expenses

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

Other income

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

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

Other losses

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

Income tax expenses

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

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

Loss/profit for the year

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

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

Property and equipment

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

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

Right-of-use assets

The Group's right-of-use assets mainly comprise assets such as offices and staff quarters leased by the Group. As at 31 December 2021, the Group's right-of-use assets were approximately RMB188.4 million, representing an increase of approximately RMB163.6 million as compared with approximately RMB24.8 million (restated) as at 31 December 2020, mainly arising from the business expansion consolidation.

Intangible assets

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

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

Trade and other receivables

During the year, the Group's provision for impairment of receivables from related parties increased significantly as compared with 2020 due to the slowdown of the Group's related party repayments and after taking into account the credit risk, the trade receivables decreased by approximately RMB1,827.9 million from approximately RMB3,827.6 million (restated) as at 31 December 2020 to approximately RMB1,999.7 million as at 31 December 2021. The Group will endeavour to take reasonable measures to collect the receivables from the relevant parties in accordance with the relevant laws and applicable agreements and actively safeguard the interests of the Group.

Other receivables other than trade receivables increased by approximately RMB345.5 million from approximately RMB368.7 million (restated) as at 31 December 2020 to approximately RMB714.2 million as at 31 December 2021, mainly due to the increase in other receivables arising from the acquisition of the companies.

Trade and other payables

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

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

Contract liabilities

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

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

Liquidity and financial resources

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

Of the Group's total bank deposits and cash, restricted bank deposits of approximately RMB36.6 million (31 December 2020: approximately RMB2,005.2 million (restated)) mainly represented 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 2021, the Group's net current liabilities amounted to approximately RMB5,450.2 million (31 December 2020: net current assets of approximately RMB9,594.9 million (restated)). The Group's current ratio (current assets/current liabilities) amounted to approximately 0.4 times (31 December 2020: approximately 2.3 times (restated)).

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

Major risks and undertainties

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

Industry risks

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

Business risks

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

Foreign exchange risks

The business of the Group is mainly located in China. Save for bank deposits denominated in foreign currencies, there is no major direct exchange rate fluctuation risk faced by the Group. During the 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 2021, the Group pledged 80% of the equity interest of its subsidiary, Ningbo Yatai Hotel Property Services Co., Ltd. ("**Ningbo Yatai Hotel Property**"), as the pledge of a bank loan.

Contingent liabilities

As at 31 December 2021, the Group had contingent liabilities of performance guarantee reward and profit sharing of both parties during the guarantee period agreed in the equity transfer agreement.

Employee and Remuneration Policy

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

The employees were remunerated in accordance with the Group's remuneration and welfare policies with reference to the positions of employees, performance, profitability of the Company, industry level and market environment.

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

STAFF TRAINING AND DEVELOPMENT

Based on the three-level training mechanism of "headquarters-region-project", the Group is committed to 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 3 million hours of training and an average of 42.83 hours of training per person.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associated Companies and Joint Ventures

Acquisition of shares in Ningbo Yatai Hotel Property

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

Acquisition of shares in Shenzhen Futian Property

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

Acquisition of shares in Wuhan JBL Property

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

Acquisition of shares in Zhejiang Jindu Property

On 17 March 2021, the Group signed an equity transfer agreement for the acquisition of 100% interests in Zhejiang Jindu Property at a consideration of approximately RMB252.0 million, which was determined after arm's length negotiation, and the change of equity ownership and business registration for the 100% equity interests was completed on 19 April 2021.

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

On 27 April 2021, the Group signed an equity transfer agreement for the acquisition of 100% interests in Evergrande Insurance Agency Co., Ltd. at a consideration of approximately RMB39.2 million, which was determined after arm's length negotiation, and the change of equity ownership and business registration for the 100% equity interests was completed on 29 April 2021.

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

Proceeds from the Global Offering

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

For the year ended 31 December 2021, the Group used the proceeds of approximately RMB1,932.6 million for strategic acquisitions and investments, development of the Group's value-added services, upgrading of information systems and equipment, and recruitment and development of talents, and used the proceeds of approximately RMB254.1 million to support the Group's operations, in line with the use of proceeds as set out in the prospectus of the Company dated 23 November 2020. For the year ended 31 December 2021, the Group deposited approximately RMB3,123.9 million of the proceeds into banks as deposits for third party pledge guarantees, which were enforced by the relevant banks. As of 31 December 2021, the remaining unutilized proceeds from the Global Offering of the Company amounted to approximately RMB483.3 million.

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 the 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 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 13 November 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 23 September 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 recognises 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 set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") (the "**Corporate Governance Code**")[1], and has complied with all the code provisions of the Corporate Governance Code during the year ended 31 December 2021.

Composition of the Board

During the year ended 31 December 2021 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 *(appointed on 8 July 2021 and 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 *(appointed on 19 November 2021)*
Mr. Guo Zhaohui
Mr. Chan Chun Hung, Vincent *(resigned on 9 February 2022)*
Mr. Victor Huang *(resigned on 19 November 2021)*

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1 A new Corporate Governance Code came into effect on 1 January 2022 and the requirements under the new Corporate Governance Code apply to corporate governance reports for financial years commencing on or after 1 January 2022. As this corporate governance report is for the year ended 31 December 2021, the Corporate Governance Code described in this report shall refer to the Corporate Governance Code in effect during the year ended 31 December 2021.

Biographical details of the current members of the Board are set out on page 18 to 21 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 2021, 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.

For the year ended 31 December 2021, 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 A.2.1 of the Corporate Governance Code (which has been renumbered as code provision C.2.1 since 1 January 2022), 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 A.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

Seven Board meetings were convened by the Company during the year ended 31 December 2021. 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 2021 is set out below:

	Number of meetings attended/Number of meetings held				
Director	General Meeting	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Zhen Litao *(Note 1)*	0/0	4/4	—	—	2/2
Mr. Zhao Changlong *(Note 2)*	2/2	3/3	—	—	1/1
Mr. Hu Liang	2/2	7/7	—	3/3	—
Mr. Wang Zhen	2/2	7/7	—	—	—
Ms. An Lihong *(Note 3)*	2/2	5/7	—	—	—
Mr. Chan Chun Hung, Vincent *(Note 4)*	2/2	5/7	2/2	—	3/3
Mr. Victor Huang *(Note 5)*	2/2	4/6	2/2	2/2	—
Mr. Guo Zhaohui	2/2	5/7	2/2	3/3	3/3
Ms. Wen Yanhong *(Note 6)*	0/0	1/1	0/0	1/1	—

Notes:

(1) Mr. Zhen Litao was appointed as executive Director chairman of the Board and chairman of the nomination committee on 8 July 2021 and resigned from the above positions on 22 July 2022.

(2) Mr. Zhao Changlong ceased to act as chairman of the nomination committee on 8 July 2021 and resigned as executive Director on 22 July 2022.

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

(4) Mr. Chan Chun Hung, Vincent resigned as independent non-executive Director and member of each of the audit committee and nomination committee on 9 February 2022.

(5) Mr. Victor Huang resigned as independent non-executive Director, chairman of the audit committee and member of the remuneration committee on 19 November 2021.

(6) Ms. Wen Yanhong was appointed as independent non-executive Director, chairman of the audit committee and member of the remuneration committee on 19 November 2021.

Directors' Training

Directors should participate in appropriate continuing professional development to develop and refresh their knowledge and skills. During the year ended 31 December 2021, 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 A.6.5 of the Corporate Governance Code (which has been renumbered as code provision C.1.4 since 1 January 2022).

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)

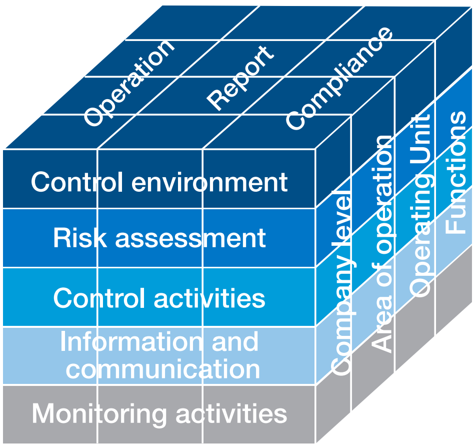
- ✓ **Risk management reviews are carried out in accordance with the established review frequency** - the above key elements are reviewed in accordance with the frequency of the Group's risk management assessment and reporting (at least once a year) and the Risk Management Manual of the Group.

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 comprehensive review of the risk management and internal control systems of the Group for the financial year ended 31 December 2021, 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 confirmed that the findings of the Independent Investigation reflect the deficiencies in the Group's internal control system, which mainly include:

(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 as at the date of this annual report.

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 C.3.3 of the Corporate Governance Code (which has been renumbered as code provision D.3.3 since 1 January 2022). 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 2021, two meetings of the audit committee were held. The attendance of each member is set out in the section headed "Attendance Record of Directors" above. The audit committee reviewed the Group's annual results and annual report for the year ended 31 December 2020, interim results and interim report for the six months ended 30 June 2021, financial statements, compliance procedures, connected transactions, remuneration of external auditor, 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. The audit committee and the Board had no disagreement in relation to the selection of the Company's external auditor.

For the year ended 31 December 2021, the emolument of the external auditor of the Company for the annual audit and review of the financial statements of the Company amounted to RMB7.5 million. For the year ended 31 December 2021, no fees were payable to the external auditor of the Company in respect of non-audit services.

Remuneration Committee

The remuneration committee's terms of reference were basically the same as those set forth in code provision B.1.2 of the Corporate Governance Code (which has been renumbered as code provision E.1.2 since 1 January 2022). 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 2021, three 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 2021, none of the Directors had waived or agreed to waive any emoluments.

In accordance with code provision B.1.5 of the Corporate Governance Code (which has been renumbered as code provision E.1.5 since 1 January 2022), the remuneration by band for senior management (excluding Directors) for the year ended 31 December 2021 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 A.5.2 of the Corporate Governance Code (which has been renumbered as code provision B.3.1 since 1 January 2022). 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 2021, three 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 considered 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 Diversity Poicy and any measurable objectives from time to time to ensure the effectiveness of the policy, and make recommendations to the Board on any amendments to the policy as and when necessary.

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 2021.

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 64 to 73 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 2021.

Amendments to the Company's Constitutional Documents

During the year ended 31 December 2021, the Company has not amended its memorandum of association or its articles of association. The latest version of the constitutional 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".

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 Directors and senior management of the Company participated in several roadshows and investment meetings. Additionally, the Company released information and responded to questions from the media through press conferences and the Company's website, and communicated with the media on a regular basis.

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 2021.

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 enterprise 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 2021, 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 6 and Management Discussion and Analysis on pages 7 to 17 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 7 to 17 of this annual report, and the financial risk management objectives and policies of the Group are set out in note 6 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 2021 are set out on pages 58 to 62 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 2021 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 7 to 17 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 74.

The state of affairs of the Group as at 31 December 2021 is set out in the consolidated statement of financial position on pages 75 and 76.

The cash flows of the Group for the year are set out in the Consolidated Statement of Cash Flows on page 78.

Share Capital

Details of the movement in share capital of the Company during the year are set out in note 26 to the consolidated financial statements on page 145 and 146.

Dividends

The Board does not recommend the payment of any final dividend for the year ended 31 December 2021. As at 31 December 2021, 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 27 to the financial statements on page 147 to 149.

As at 31 December 2021, the Company's reserve available for distribution amounted to approximately RMB-6,824.3 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 18 to the financial statements on pages 130 and 131.

Major Customers and Suppliers

The largest customer and the five largest customers of the Group accounted for approximately 1.2% and 4.9% respectively of the Company's revenue for the year ended 31 December 2021.

For the year ended 31 December 2021, the total amount of purchases made by the Company from the largest and the five largest suppliers accounted for approximately 1.3% and 5.0% of the Company's total purchases 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 2021 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 *(appointed on 8 July 2021 and 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 *(appointed on 19 November 2021)*
Mr. Guo Zhaohui
Mr. Chan Chun Hung, Vincent *(resigned on 9 February 2022)*
Mr. Victor Huang *(resigned on 19 November 2021)*

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 2021, which provides appropriate cover for the Directors. The permitted indemnity provision was in force during the year ended 31 December 2021 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 2021, 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 offer, 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 2021 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 2021.

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 2021 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 2021, 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. Zhen Litao[2]	Beneficial owner	2,880,000	0.03%

Notes:

1. *The calculation of the percentage is based on the total number of Shares in issue as at 31 December 2021.*

2. *Mr. Zhen Litao resigned as Director on 22 July 2022.*

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

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

Notes:

1. *The calculation of the percentage is based on the total number of shares in issue of the respective associated corporation as at 31 December 2021.*

2. *Such interest included 5,108,000 shares in China Evergrande Group and 20,600,000 share options of China Evergrande Group.*

3. *Such interest was in the form of share options of China Evergrande Group.*

4. *Mr. Zhen Litao, Mr. Zhao Changlong and Ms. An Lihong resigned as Directors on 22 July 2022.*

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

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

Notes:

1. *Based on the amount of debentures in the same class in issue as at 31 December 2021.*
2. *Mr. Zhen Litao resigned as Director on 22 July 2022.*

Save as disclosed above, as at 31 December 2021, 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 2021, the following persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO or were otherwise notified to the Company and the Stock Exchange:

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

Notes:

1. *The calculation of the percentage is based on the total number of Shares in issue as at 31 December 2021.*

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 6,290,229,000 Shares, 6,083,074,000 Shares were held by China Evergrande Group through its subsidiaries and 207,155,000 Shares were held directly by China Evergrande Group.*

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 2021 are set out in note 40 to the financial statements on page 170 and 171.

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.

Net profit and operating revenue for the guaranteed period represent the entire legal net profit and operating revenue of the Target Group based on the amount of net profit and operating revenue in its annual audit report, as confirmed in writing by the Vendors and the Group. As confirmed in writing by both parties, the Target Group's total operating revenue and annual net profit (excluding property management contracts and customer relationship amortization) for 2021 were approximately RMB2.01 billion and RMB120 million respectively, exceeding the 2021 performance targets by RMB0.01 billion and RMB0.00 billion respectively.

Accordingly, 30% of such exceeded net profit shall be applied as reward for the Vendors and the remaining net profit for the year 2021 shall be distributed in accordance with the shareholding of the parties in the Target Company.

For details, please refer to the Acquisition Announcement.

Connected Transaction

On 27 April 2021, 恒大恒康物業有限公司 (Evergrande Hengkang Property Co., Ltd.*), a wholly-owned subsidiary of the Company, and 恒大互聯網集團有限公司 (Evergrande Internet Group Co., Ltd.*) ("**Evergrande Internet**") entered into a share transfer agreement (the "**Share Transfer Agreement**"), pursuant to which the Group acquired 100% of the equity interests in Evergrande Insurance Agency Co., Ltd., a company established in the PRC principally engaged in insurance agency services, for the total consideration of RMB39,198,300. Evergrande Internet is a wholly-owned subsidiary of Evergrande Group Limited, which is an indirect wholly-owned subsidiary of China Evergrande Group. China Evergrande Group is a controlling shareholder of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. As Evergrande Internet is a subsidiary of China Evergrande Group, the entering into of the Share Transfer Agreement constitutes connected transaction for the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 27 April 2021.

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 "**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 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 2021 would not exceed RMB146.2 million. During the year, the total transaction amount under the Master Car Parking Space Leasing Agreement was approximately RMB72.3 million.

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 2021 would not exceed RMB169.0 million. During the year, the total transaction amount under the Master Procurement Agreement was approximately RMB116.6 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 2021 would not exceed RMB20.1 million. During the year, the total transaction amount under the Master Recreation Center Operational Management Services Agreement was approximately RMB17.1 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 2021 would not exceed RMB157.6 million. During the year, the total fee paid under the Master Property Transaction Assistance Services Agreement was approximately RMB112.9 million.

5. Property Management and Related Services

On 19 November 2020, the Company entered into a master property management and related services agreement (the "**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 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 2021 would not exceed RMB5,305.7 million. During the year, the total transaction amount under the Master Property Management and Related Services Agreement was approximately RMB2,608.9 million.

China Evergrande is a controlling shareholder of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions under each of the (i) Master Car Parking Space Leasing Agreement; (ii) Master Procurement Agreement; (iii) Master Recreation Center Operational Management Services Agreement; (iv) Master Property Transaction Assistance Services Agreement; and (v) Master Property Management and Related Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing.

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 2021 are disclosed in note 37 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 2021.

Employee and Remuneration Policy

As at 31 December 2021, the Group employed a total of 73,381 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 34 to the financial statements on page 157.

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 23 to 41.

Foreign Exchange Risks

Details of the foreign exchange risks are set out in note 6.1.1(i) to the financial statements on page 109.

Purchase, Sale or Redemption of the Company's Listed Securities

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

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.

Disclosure Pursuant to Rule 13.51B of the Listing Rules

With effect from October 2021, the Director's fee of the independent non-executive Directors were changed. Details of the revised Director's fee as at the date of this annual report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:–

Director	Revised Directors' fee (HK$ per month)
Mr. Peng Liaoyuan	42,000
Ms. Wen Yanhong	42,000
Mr. Guo Zhaohui	42,000

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.

Delayed release of results for 2021

In view of the material change in the operating conditions of China Evergrande Group, a connected party of the Company, the auditors are unable to complete the audit process as scheduled and the Company is unable to publish its audited results for the year ended 31 December 2021 on or before 31 March 2022 in accordance with Rule 13.49(1) of the Listing Rules. For details, please refer to the Company's announcement dated 21 March 2022 in relation to the expected delay in the publication of the audited results for 2021 and the announcement dated 20 June 2022 in relation to the resumption of trading guidelines and updated information.

Deposits pledge guarantees enforced by the banks

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

Suspension of trading in shares

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

Independent investigation

Reference is made to the announcements of the Company dated 29 March 2022, 22 July 2022 and 15 February 2023 in relation to the independent investigation and 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 whom Ms. Wen Yanhong is the chairman of the Independent Investigation Committee.

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

The Company released the key findings of the Independent Investigation on 15 February 2023. According to the findings of the Independent Investigation, during the period 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 Announcements for details of the independent investigation.

Resumption guidance from Stock Exchange

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

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

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

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

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

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

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

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

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

Review of the internal control system

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

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

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

Change of compliance advisor

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

Appointment and Resignation of Directors

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

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

Renewal of continuing connected transactions

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

Change of auditor

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

Financial Summary

A summary of the results, assets and liabilities of the Group for the past five years is set out on page 172.

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 2021 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

上會柏誠

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 74 to 171, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *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. The Group experienced a loss of approximately RMB388,784,000 for the year ended 31 December 2021 and had net current liabilities and net liabilities of approximately RMB5,450,169,000 and RMB3,502,530,000 respectively as of that date. These conditions, together with the other matters set out in note 2 to the consolidated financial statements, indicate that there are material uncertainties that may affect the Group's ability to continue as a going concern. The Group is implementing various measures to improve its liquidity. On the basis that all these measures can be successfully implemented, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as they fall due and accordingly, the consolidated financial statements have been prepared on a going concern basis. In respect of this matter, our opinion has not been modified.

EMPHASIS OF MATTER

Enforcement of pledge of the Group's fixed deposits

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

OTHER MATTERS

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

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

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 addressed the key audit matter
1. Impairment assessment of goodwill and property management contracts and customer relationship	
Refer to note 19 to the consolidated financial statement and accounting policies on pages 96 to 97.	
As at 31 December 2021, the Group's goodwill and property management contracts and customer relationship were RMB1,161,482,000 and RMB1,029,777,000, respectively.	Our procedures in relation to the management's judgements and estimates used in the impairment assessment of goodwill and property management contracts and customer relationship included: — Understand, evaluate and test the internal controls over the impairment assessment of goodwill and property management contracts and customer relationship, and assess the inherent risk of material misstatement based on the degree of estimation uncertainty and level of other factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud; — Evaluate the competency, capabilities and objectivity of external valuer;

Key audit matter	How our audit addressed the key audit matter
As disclosed in Note 19 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 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 importance of the balances to the consolidated financial statements and the significant degree of estimation made by the Group for the recoverable amounts 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 in prior 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 rate of revenue by comparing with historical 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 addressed 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 judgments 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 judgments and key assumptions used in the impairment assessment of goodwill and property management contracts and customer relationships are supported by available evidence.

Key audit matter	How our audit addressed the key audit matter
2. Impairment assessment of trade and other receivables	
Refer to note 22 to the consolidated financial statements and accounting policies on pages 98 to 99. As at 31 December 2021, the carrying amount of trade and other receivables was RMB2,713,914,000 and credit loss allowance of RMB2,575,947,000 was recognised in profit or loss for the year ended 31 December 2021. In addition, the enforcement of financial guarantee to ultimate holding company of the Company of RMB13,400,000,000 was debited to the capital reserve during the year ended 31 December 2021. As the assessment of the expected credit loss allowance of trade and other receivables involves our significant management estimates, we have identified expected credit losses of trade and other receivables as a key audit matter. As disclosed in note 22 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 aging 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 loss 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 risk 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 addresses 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. The 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 this 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 the 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 the 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.

AUDITOR'S RESPONSIBILITIES 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 of 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.

- Assess the appropriateness of the accounting policies adopted and the reasonableness of the 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	Year ended 31 December 2021 RMB'000	2020 RMB'000 (Restated)
Revenue	9	**13,193,464**	10,781,578
Cost of sales		**(9,529,531)**	(6,765,689)
Gross profit		**3,663,933**	4,015,889
Other income	10	**326,118**	154,755
Other losses	11	**(595,831)**	(46,221)
(Impairment losses)/reversal of impairment losses on financial assets		**(2,575,947)**	35,730
Fair value gains on investment properties		**5,153**	–
Administrative and marketing expenses		**(980,053)**	(644,951)
Operating (loss)/profit		**(156,627)**	3,515,202
Fair value losses on financial assets at fair value through profit or loss		**(774)**	–
Finance costs	14	**(61,503)**	(17,674)
(Loss)/profit before income tax		**(218,904)**	3,497,528
Income tax expenses	15	**(169,880)**	(851,060)
(Loss)/profit for the year		**(388,784)**	2,646,468
(Loss)/profit attributable to:			
– Owners of the Company		**(316,294)**	2,647,099
– Non-controlling interests		**(72,490)**	(631)
		(388,784)	2,646,468
Other comprehensive income/(expense)			
Item that may be reclassified subsequently to profit or loss			
Exchange difference arising on translation of financial statements of foreign operations		**315**	(1,142)
Total comprehensive (expense)/income for the year		**(388,469)**	2,645,326
Total comprehensive (expense)/income attributable to:			
– Owners of the Company		**(315,979)**	2,645,957
– Non-controlling interests		**(72,490)**	(631)
		(388,469)	2,645,326
(Loss)/earnings per share			
– Basic and diluted	16	**RMB(0.03)**	RMB0.26

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 2021 RMB'000	2020 RMB'000 (Restated)
Assets			
Non-current assets			
Property and equipment	18	**70,672**	54,100
Right-of-use assets	30	**188,423**	24,793
Intangible assets	19	**2,205,277**	128,683
Investment properties	20	**40,021**	–
Investments accounted for using the equity method	21	**29,240**	–
Deferred income tax assets	32	**147,966**	80,311
		2,681,599	287,887
Current assets			
Trade and other receivables	22	**2,713,914**	4,196,305
Prepayments	23	**34,376**	13,729
Financial assets at fair value through profit or loss		**5,489**	–
Restricted cash	25	**36,596**	2,005,222
Cash and cash equivalents	24	**1,130,154**	10,605,396
		3,920,529	16,820,652
Total assets		**6,602,128**	17,108,539
Equity			
Share capital	26	**7,060**	7,060
Reserves	27	**(6,824,318)**	6,522,290
Retained earnings		**2,950,707**	3,316,298
Equity attributable to owners of the Company		**(3,866,551)**	9,845,648
Non-controlling interests	36	**364,021**	10,962
(Deficiency in equity)/total equity		**(3,502,530)**	9,856,610

	Notes	As at 31 December 2021 RMB'000	2020 RMB'000 (Restated)
Liabilities			
Non-current liabilities			
Borrowings	31	**150,000**	–
Lease liabilities	30	**218,551**	11,314
Other payables	28	**54,018**	–
Contingent consideration payables	33	**58,310**	–
Deferred income tax liabilities	32	**253,081**	14,887
		733,960	26,201
Current liabilities			
Contract liabilities	9	**3,080,149**	2,725,759
Trade and other payables	28	**5,536,520**	4,196,587
Financial guarantee contract	29	**–**	50,000
Current income tax liabilities		**501,011**	238,881
Lease liabilities	30	**103,018**	14,501
Borrowings	31	**150,000**	–
		9,370,698	7,225,728
Total liabilities		**10,104,658**	7,251,929
Total equity and liabilities		**6,602,128**	17,108,539

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

The consolidated financial statements on pages 74 to 171 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 (Note 26)	Combined capital RMB'000 (Note 27)	Reserves RMB'000 (Note 27)	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 31 December 2019 (as previously reported)	–	105,751	267,885	1,387,971	1,761,607	12,850	1,774,457
Common control combination (Note 2)	–	–	50,000	(76,631)	(26,631)	–	(26,631)
Balance at 1 January 2020 (restated)	–	105,751	317,885	1,311,340	1,734,976	12,850	1,747,826
Profit for the year	–	–	–	2,647,099	2,647,099	(631)	2,646,468
Currency translation differences	–	–	(1,142)	–	(1,142)	–	(1,142)
	–	–	(1,142)	2,647,099	2,645,957	(631)	2,645,326
Transactions with owners of the Company							
Prior year adjustment (Note 4)	–	–	(50,000)	–	(50,000)	–	(50,000)
Issue of ordinary shares	7	–	–	–	7	–	7
Capitalisation issue	6,519	–	(6,519)	–	–	–	–
Issue of shares in connection with the Listing	534	–	6,038,289	–	6,038,823	–	6,038,823
Costs related to the issue of shares	–	–	(87,585)	–	(87,585)	–	(87,585)
Acquisition of subsidiaries of the Group from the Remaining Group during the Reorganisation	–	(105,751)	31,558	–	(74,193)	(12,317)	(86,510)
Acquisition of subsidiaries	–	–	–	–	–	11,060	11,060
Dividends to the Remaining Group	–	–	–	(362,337)	(362,337)	–	(362,337)
Transfer to statutory reserve	–	–	279,804	(279,804)	–	–	–
Balance at 31 December 2020 (restated)	7,060	–	6,522,290	3,316,298	9,845,648	10,962	9,856,610
Balance at 1 January 2021 (as previously reported)	7,060	–	6,522,290	3,393,829	9,923,179	10,962	9,934,141
Prior year adjustment (Note 4)	–	–	(50,000)	–	(50,000)	–	(50,000)
Common control combination (Note 2)	–	–	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 then shareholder of the subsidiary acquired under common control	–	–	50,000	–	50,000	–	50,000
Acquisition of a subsidiaries under common control	–	–	(39,198)	–	(39,198)	–	(39,198)
Release of financial guarantee to ultimate holding company (Note 29)	–	–	50,000	–	50,000	–	50,000
Shareholders' equity transactions (Note 22)	–	–	(13,400,000)	–	(13,400,000)	–	(13,400,000)
Transfer to statutory reserve	–	–	49,297	(49,297)	–	–	–
Others	–	–	(57,022)	–	(57,022)	237	(56,785)
As at 31 December 2021	7,060	–	(6,824,318)	2,950,707	(3,866,551)	364,021	(3,502,530)

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

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2021 RMB'000	2020 RMB'000 (Restated)
Cash flows of operating activities			
Net cash generated from operations	33	**4,668,344**	4,130,616
PRC enterprise income tax paid		**(184,948)**	(1,003,568)
Net cash from operating activities		**4,483,396**	3,127,048
Cash flows of investing activities			
Purchases of property and equipment	18	**(17,479)**	(17,951)
Proceeds from disposal of property and equipment		**2,889**	40
Purchases of intangible assets		**(2,711)**	(11,639)
Purchases of investments accounted for under the equity method		**(7,462)**	–
Proceeds from disposal of joint ventures and associates		**613**	–
Net payments for consideration payables for acquisition of subsidiaries	35	**(1,101,795)**	(54,751)
Purchases of financial assets at fair value through profit or loss		**(2,554,226)**	–
Sales of financial assets at fair value through profit or loss		**2,729,431**	–
Interest received		**208,710**	46,230
Decrease in amounts due from related parties, net		**–**	994,794
Net cash (used in)/from investing activities		**(742,030)**	956,723
Cash flows of financing activities			
Enforcement of financial guarantees to ultimate holding company		**(13,400,000)**	–
Proceeds from issue of ordinary shares for the listing		**–**	6,038,823
Payments for the costs related to the issue of shares		**–**	(85,492)
Proceeds from borrowings		**350,000**	–
Repayments of borrowings		**(121,738)**	(2,950)
Interest paid		**(13,207)**	(441)
Principal portion of lease payments		**(79,529)**	(18,683)
Contribution from the then shareholders of a subsidiary		**50,000**	–
Payments for the acquisition of subsidiaries during the reorganisation		**–**	(86,510)
Dividends paid		**–**	(7,329)
Net cash (used in)/from financing activities		**(13,214,474)**	5,837,418
Net (decrease)/increase in cash and cash equivalents		**(9,473,108)**	9,921,189
Cash and cash equivalents at beginning of year		**10,605,396**	685,685
Exchange losses on cash and cash equivalents		**(2,134)**	(1,478)
Cash and cash equivalents at end of year		**1,130,154**	10,605,396

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 (the "**HKICPA**") and disclosure requirements of the HKCO.

(ii) Historical cost convention

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

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. 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 7.

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

(iii) Going concern assumptions

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

In view of the above circumstances, the 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 2021 and plans and measures to be taken, the Group will have sufficient working capital to meet its financial obligations up to 30 June 2024.

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

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

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

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 2021 has been prepared on a going concern basis.

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

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

(iv) Application of business combination under common control

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

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

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

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

(iv) Application of business combination under common control (continued)

As at 1 January 2020

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

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

(iv) Application of business combination under common control (continued)

As at 1 January 2020 (continued)

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

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

(iv) Application of business combination under common control (continued)

As at 31 December 2020

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

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

(iv) Application of business combination under common control (continued)

As at 31 December 2020 (continued)

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

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

(iv) Application of business combination under common control (continued)

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2020

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

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

(iv) Application of business combination under common control (continued)

Consolidated statement of profit or loss and other comprehensive income (continued)

For the year ended 31 December 2020 (continued)

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

3. APPLICATION OF NEW AND AMENDMENTS TO THE HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*

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

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 3	*Reference to the Conceptual Framework*[1]
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	*Insurance Contacts*[2]
Amendments to HKFRS 17	*Insurance Contacts*[2,5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2,4]
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]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	Onerous Contacts – Cost of Fulfilling a Contract[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, HKAS 41[1]

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

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

3 No mandatory effective date yet determined but available for adoption

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

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

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

4. PRIOR YEAR ADJUSTMENTS

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

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

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

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

(ii) The correspond cash and cash equivalent amounting to RMB2,000,000,000 was reclassified to restricted cash.

The effects of the above restatements are disclosed in note 2(iv) to the consolidated financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Principles of consolidation and equity accounting

5.1.1 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.

5.1.2 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.2 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.

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.2 Business combination (continued)

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at fair value at subsequent reporting dates, with the corresponding gain or loss being 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.

5.2.1 Merger accounting for business combination involve entities under common control

The consolidated financial statements include the financial statements items of the combining entities or businesses in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period unless the combining entities or businesses first came under common control at a later date.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.3 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.

5.4 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.

5.5 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.5 Foreign currency translation (continued)

(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 statement of financial position of the group entities are translated at the closing rate at the date of that statement of financial position;
- 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.

5.6 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

5.6 Property and equipment (continued)

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 losses" in the consolidated statement of profit or loss and other comprehensive income.

5.7 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 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 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 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.8 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 5.2. 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 CGUs or groups of CGUs 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 relationships

Property management contracts and customer relationship 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.

5.9 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.9 Impairment of non-financial assets (continued)

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.

5.10 Investments and other financial assets

5.10.1 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.

5.10.2 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.10 Investments and other financial assets (continued)

5.10.3 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.

5.10.4 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.

ECL 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.10 Investments and other financial assets (continued)

5.10.4 ***Impairment*** (continued)

Impairment of other receivables are measured as either 12-month ECL or lifetime ECL, 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 ECL.

5.11 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.

5.12 Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "5.10.4 Impairment of investments and other financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

5.13 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.14 Cash and cash equivalents

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

5.15 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.

5.16 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.

5.17 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.18 Borrowing costs

All borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they incurred.

5.19 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 statement of profit of loss and other 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

(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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.19 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

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.

5.20 Employee benefits

(a) Pension obligations

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the People's Republic of China (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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.20 Employee benefits (continued)

(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.

(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 consolidated statement of financial position.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.21 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.

5.22 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.22 Revenue recognition (continued)

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.

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.22 Revenue recognition (continued)

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.

5.23 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.

(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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.24 Interest income

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

5.25 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.25 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 consolidated statement of financial position based on their nature.

5.26 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.

5.27 Transaction with owners of the Company

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

5.28 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 profit or loss and other comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

6. FINANCIAL RISK MANAGEMENT

6.1 Financial risk factors

6.1.1 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 31 December 2021 and 2020 are as follows:

Monetary assets	2021 RMB'000	2020 RMB'000
– HK$	**57,277**	78,573
– US$	**1,980**	3,431
	59,257	82,004

As at 31 December 2021 and 2020, 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 2021 and 2020 would have been approximately RMB2,963,000 and RMB4,100,000 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 2021 and 2020, 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 RMB5,824,000 higher/lower and RMB47,278,000 higher/lower, as a result of the increase/decrease in interests derived from cash at banks at variable rates.

6. FINANCIAL RISK MANAGEMENT (continued)

6.1 Financial risk factors (continued)

6.1.2 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

6. FINANCIAL RISK MANAGEMENT (continued)

6.1 Financial risk factors (continued)

6.1.2 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.

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.

6. FINANCIAL RISK MANAGEMENT (continued)

6.1 Financial risk factors (continued)

6.1.2 Credit risk (continued)

(ii) Impairment (continued)

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 at 31 December 2021 and 2020, 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 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

6. FINANCIAL RISK MANAGEMENT (continued)

6.1 Financial risk factors (continued)

6.1.2 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 2020							
Expected loss rate	2.7%	7.4%	15.8%	32%	58%	100%	
Gross carrying amount (RMB'000)	823,078	202,142	80,235	40,974	20,923	22,137	1,189,489
Loss allowance provision (RMB'000)	22,223	14,958	12,677	13,112	12,135	22,137	97,242

As at 31 December 2021 and 2020, the Group used external data method to assess the ECL of receivables from related parties which are mainly property developers. The ECL rate was 98% (2020: 0.5%) for the trade and notes receivables from related parties. The loss allowance provision as at 31 December 2021 was RMB2,440,150,000 (2020: RMB11,105,000).

As at 31 December 2021 and 2020, the Group used external data method to assess the ECL of receivables from the third party corporate customers with gross carrying amount of RMB492,078,000 (2020: RMB311,659,000), 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 17% (2020: 1.8%). The loss allowance provision as at 31 December 2021 was RMB83,040,000 (2020: RMB5,471,000).

Other receivables

The Group uses the expected credit loss model above to determine the expected loss provision for other receivables. As at 31 December 2021 and 2020, the Group has assessed the expected credit losses for other receivables for each category.

6. FINANCIAL RISK MANAGEMENT (continued)

6.1 Financial risk factors (continued)

6.1.2 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 2021 and 2020, the loss allowance provision for trade and notes receivables and other receivables reconciles to the opening loss allowance for that provision as follows:

	Trade receivables		Other receivables	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	23,453	130,311	17,517	171,281
(Reversal of impairment losses on)/impairment losses on financial assets	(1,230)	(38,716)	4,216	(35,730)
At 31 December 2020	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**

6. FINANCIAL RISK MANAGEMENT (continued)

6.1 Financial risk factors (continued)

6.1.3 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 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**
At 31 December 2020 (restated)					
Lease liabilities	15,954	8,079	8,079	194	32,306
Financial guarantee contracts	50,000	–	–	–	50,000
Trade and other payables (excluding accrued payroll liabilities and other tax payable	3,616,491	–	–	–	3,616,491
	3,682,445	8,079	8,079	194	3,698,797

6. FINANCIAL RISK MANAGEMENT (continued)

6.1 Financial risk factors (continued)

6.1.4 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 2021				
Financial Assets				
Financial assets at fair value through profit or loss ("**FVPL**")	–	–	5,489	5,489
Financial Liabilities				
Contingent consideration payables	–	–	58,310	58,310

6. FINANCIAL RISK MANAGEMENT (continued)

6.1 Financial risk factors (continued)

6.1.4 *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 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

6.2 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.

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated 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 22.

(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.

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.

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Estimation of goodwill and property management contracts and customer relationship 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 or 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 5.9 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 relationship identified in business combination

Customer relationship identified in the business combination (Note 35) 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.

8. 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 year ended 31 December 2021, the Group is principally engaged in the provision of property management services and related value-added services in the PRC. 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 2021 and 2020.

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

9. REVENUE

Revenue mainly comprises of proceeds from property management services and related value-added services. An analysis of the Group's revenue by category for the years ended 31 December 2021 and 2020 is as follows:

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

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

9. REVENUE (continued)

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

(a) Contract liabilities

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

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

ii. ***Significant changes in contract liabilities***

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

iii. ***Revenue recognised in relation to contract liabilities***

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

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

9. 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 2021 and 2020, there was no significant incremental costs to obtain a contract.

10. OTHER INCOME

	2021 RMB'000	2020 RMB'000 (Restated)
Government grants (Note a)	**91,890**	92,779
Income from overdue fine	**7,002**	10,393
Interest income	**208,710**	46,230
Share of profits and other comprehensive income in associates and joint ventures (Note 21)	**4,307**	–
Gain on bargaining purchase (Note 35)	**460**	–
Others	**13,749**	5,353
	326,118	154,755

(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.

11. OTHER LOSSES

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

12. EXPENSES BY NATURE

	2021 RMB'000	2020 RMB'000 (Restated)
Employee benefit expenses (Note 13)	**5,767,308**	3,873,885
Greening and cleaning expenses	**1,825,662**	1,453,054
Maintenance costs	**821,284**	673,062
Utilities	**527,194**	488,200
Short-term and low value lease expenses	**310,452**	143,084
Tax and other levies	**102,419**	94,669
Office expenses	**129,383**	89,528
Listing expenses	**—**	65,772
Travelling and entertainment expenses	**64,411**	54,977
Costs of security	**64,993**	54,343
Depreciation and amortisation charges	**386,151**	42,993
Community activities expenses	**51,886**	31,485
Bank charges	**25,983**	18,164
Uniform costs	**12,027**	8,116
Consultancy fees	**—**	7,899
Auditors' remuneration	**7,500**	4,245
Services fee	**245,293**	262,985
Professional fees	**18,619**	–
Penalties	**40,523**	–
Cost of goods sold	**64,235**	–
Others	**44,261**	44,179
	10,509,584	7,410,640

13. EMPLOYEE BENEFIT EXPENSES

	2021 RMB'000	2020 RMB'000 (Restated)
Salaries, bonuses and other benefits	**5,232,896**	3,816,606
Contribution to pension scheme expenses (Note a)	**534,412**	57,279
	5,767,308	3,873,885

(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 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 (i)	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 (ii)	330	–	–	–	330
Mr. Guo Zhaohui (ii)	330	–	–	–	330
Mr. Victor Huang (ii) & (iii)	282	–	–	–	282
Ms. Wen Yanhong (iv)	49	–	–	–	49

13. EMPLOYEE BENEFIT EXPENSES (continued)

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

The remuneration of each director for the year ended 31 December 2020 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. Zhao Changlong	49	2,320	637	–	3,006
Mr. Hu Liang	49	2,040	647	3	2,739
Mr. Wang Zhen	49	2,008	312	3	2,372
Ms. An Lihong	49	1,024	409	3	1,485
Non-executive directors					
Mr. Chan Chun Hung (ii)	40	–	–	–	40
Mr. Victor Huang (ii) & (iii)	40	–	–	–	40
Mr. Guo Zhaohui (ii)	40	–	–	–	40

(i) Mr. Zhen Litao was appointed as an executive director on 8 July 2021.

(ii) Mr. Chan Chun Hung, Vincent, Mr. Victor Huang and Mr. Guo Zhaohui were appointed as the non-executive directors of the Group on 13 November 2020.

(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.

13. 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 2021 included four (2020: four) directors, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individual is as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other emoluments	**1,488**	1,465
Discretionary bonus	**127**	400
Pension fund contribution	**89**	3
	1,704	1,868

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

	2021 Number of individuals	2020 Number of individuals
Emolument bands		
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**–**	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 2021 and 2020. No payment was made to the directors as compensation for early termination of appointment during the years ended 31 December 2021 and 2020.

13. EMPLOYEE BENEFIT EXPENSES (continued)

(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 2021 and 2020.

(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 2021 and 2020.

(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 2021 and 2020.

14. FINANCE COSTS

	2021 RMB'000	2020 RMB'000 (Restated)
Interest on borrowings	**13,207**	441
Interest on lease liabilities	**17,574**	1,998
Interest on consideration payables	**17,455**	–
Other finance costs (Note a)	**13,267**	15,235
	61,503	17,674

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.

15. INCOME TAX EXPENSES

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

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

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

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate is 25% for the years ended 31 December 2021 and 2020. Certain subsidiaries and branches of the Group in the PRC are located in western cities, and they are subject to a preferential income tax rate of 15% during the years ended 31 December 2021 and 2020. The subsidiaries and branches of the Group located in Hainan Province are qualified to enjoy the preferential income tax rate of 15% since 1 January 2020.

15. INCOME TAX EXPENSES (continued)

The tax on the Group's (loss)/profit 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:

	2021 RMB'000	2020 RMB'000 (Restated)
(Loss)/profit before income tax	**(218,904)**	3,497,528
Tax calculated at applicable corporate income tax rate of 25%	**(54,726)**	874,382
Tax effect of income not subject to tax	**(24,515)**	(23,195)
Tax effect of expenses of not deductible for taxation purposes	**200,336**	59,507
Tax effect of tax loss not recognised	**64,930**	–
Tax effect of different tax rates applicable to certain subsidiaries and branches	**(16,145)**	(59,634)
	169,880	851,060

16. (LOSS)/EARNING PER SHARE

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

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

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

17. DIVIDENDS

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

18. 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 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 35)	—	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

18. 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 2020					
Cost	2,276	35,574	19,923	94,865	152,638
Accumulated depreciation	–	(23,496)	(8,535)	(63,412)	(95,443)
Opening net carrying amount (originally stated)	2,276	12,078	11,388	31,453	57,195
Common control combination	–	28	–	748	776
Opening net carrying amount (restated)	2,276	12,106	11,388	32,201	57,971
Additions	–	3,874	1,856	12,221	17,951
Acquisition of subsidiaries	370	58	270	102	800
Disposals	–	(8)	(36)	(190)	(234)
Depreciation charge	(114)	(5,806)	(3,622)	(12,846)	(22,388)
Closing net carrying amount	2,532	10,224	9,856	31,488	54,100
As at 31 December 2020					
Cost	2,646	39,404	21,408	106,987	170,445
Accumulated depreciation	(114)	(29,180)	(11,552)	(75,499)	(116,345)
Net carrying amount	2,532	10,224	9,856	31,488	54,100

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

	2021 RMB'000	2020 RMB'000 (Restated)
Cost of sales	**16,990**	16,425
Administrative expenses	**8,677**	5,963
	25,667	22,388

No property and equipment is restricted or pledged as securities as at 31 December 2021 and 2020.

19. INTANGIBLE ASSETS

	Computer software RMB'000	Property management contracts and customer relationship RMB'000	Goodwill RMB'000	Total RMB'000
As at 1 January 2021				
Cost	14,309	61,823	56,619	132,751
Accumulated amortisation	(1,795)	(2,273)	–	(4,068)
Net carrying amount	12,514	59,550	56,619	128,683
Year ended 31 December 2021				
Opening net carrying amount	12,514	59,550	56,619	128,683
Acquisition of subsidiaries (Note 35)	3,345	1,133,376	1,698,809	2,835,530
Additions	2,711	—	—	2,711
Amortisation	(4,552)	(163,149)	—	(167,701)
Impairment	—	—	(593,946)	(593,946)
Closing net carrying amount	14,018	1,029,777	1,161,482	2,205,277
As at 31 December 2021				
Cost	20,365	1,195,199	1,755,428	2,970,992
Accumulated amortisation and impairment losses	(6,347)	(165,422)	(593,946)	(765,715)
Net carrying amount	14,018	1,029,777	1,161,482	2,205,277

19. 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 2020				
Cost	1,311	–	–	1,311
Accumulated amortisation	(878)	–	–	(878)
Opening net carrying amount (originally stated)	433	–	–	433
Common control combination	1,098	–	–	1,098
Opening net carrying amount (restated)	1,531	–	–	1,531
Additions	11,639	–	–	11,639
Acquisition of subsidiaries	–	61,823	56,619	118,442
Amortisation	(656)	(2,273)	–	(2,929)
Closing net carrying amount	12,514	59,550	56,619	128,683
As at 31 December 2020	14,309	61,823	56,619	132,751
Cost				
Accumulated amortisation	(1,795)	(2,273)	–	(4,068)
Net carrying amount	12,514	59,550	56,619	128,683

19. 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:

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

(b) No intangible asset is restricted or pledged as securities as at 31 December 2021 and 2020.

(c) Property management contracts and customer relationship and goodwill

During the year ended 31 December 2021, the Group acquired seven property management companies at a total consideration of RMB2,167,981,000 (Note 35). Identified property management contract and customer relationship of RMB1,133,376,000 is recognised as intangible assets. The excess of the consideration of acquisition over proportion of the value of the acquired identifiable net assets of RMB1,698,809,000 is recorded as goodwill. Valuation had been carried out by an independent valuer to determine the fair value of the relevant intangible assets.

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

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

19. INTANGIBLE ASSETS (continued)

(c) Property management contracts and customer relationship and goodwill (continued)

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, CHFT Advisory And Appraisal Ltd. (華坊諮詢評估有限公司). The key assumptions used for the calculation are as follows:

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

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

19. INTANGIBLE ASSETS (continued)

(c) Property management contracts and customer relationship and goodwill (continued)

If the expected 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 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 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 RMB65,455,000.

20. INVESTMENT PROPERTIES

	Commercial properties RMB'000	Carparks RMB'000	Total RMB'000
As at 1 January 2021	–	–	–
Acquisition of a subsidiary (Note 35)	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

(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, 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.

20. INVESTMENT PROPERTIES (continued)

(b) The following table gives information about how the fair values of the investment properties as at 31 December 2021 are determined:

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:

	2021 RMB'000	2020 RMB'000
Rental income	1,244	–
Direct operating expenses arising from investment properties that generate rental income	(248)	–
	996	–

20. INVESTMENT PROPERTIES (continued)

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

	2021 RMB'000	2020 RMB'000
Not later than one year	1,244	–
Later than one year and not later than five years	5,434	–
Later than five years	6,105	–
	12,783	–

21. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	2021 RMB'000	2020 RMB'000
Investment in associates	20,635	–
Investment in joint ventures	8,605	–
	29,240	–

The amounts recognised in profit and loss are as follows:

	2021 RMB'000	2020 RMB'000
Share of profits of associates	3,862	–
Share of profits of joint ventures	445	–
	4,307	–

21. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

(a) Investments in associates

The movements of the investments in associates are as follows:

	2021 RMB'000	2020 RMB'000
As at 1 January	–	–
Additions	16,773	–
Share of total comprehensive income of associates	3,862	–
As at 31 December	20,635	–

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 2021.

21. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

(b) Investments in joint ventures

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

	2021 RMB'000	2020 RMB'000
As at 1 January	–	–
Additions	8,160	–
Share of total comprehensive income of joint ventures	445	–
As at 31 December	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
Shijiazhuang Guoheng Property Services Limited * (石家莊國恒物業服務有限公司)	Limited liability company	PRC	RMB20,000,000	51%	Provision of property management services
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 2021.

22. TRADE AND OTHER RECEIVABLES

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

(i) Trade receivables

	2021 RMB'000	2020 RMB'000 (Restated)
Trade receivables		
Related parties (Note 37)	**2,499,704**	1,681,775
Third parties	**2,204,407**	1,495,758
Notes receivables		
Related parties (Note 37)	**1,420**	758,465
Third parties	**–**	5,390
Gross trade and notes receivables	**4,705,531**	3,941,388
Less: allowance for impairment of trade receivables		
– Related parties (Note 37)	**(2,440,150)**	(11,105)
– Third parties	**(265,682)**	(102,713)
	1,999,699	3,827,570

22. TRADE AND OTHER RECEIVABLES (continued)

(ii) Other receivables

	2021 RMB'000	2020 RMB'000 (Restated)
Ultimate holding company		
– Financial guarantees (Note d)	13,400,000	–
Less:		
– Enforcement of financial guarantees pledged (Note d)	(13,400,000)	–
	–	–
Other related parties (Note 37)	9,134	–
Third parties		
– Payments on behalf of property owners (Note c)	501,470	333,524
– Deposits	164,138	27,096
– Others	60,784	19,501
Gross other receivables	735,526	380,121
Less: allowance for impairment of other receivables charged to profit or loss		
– Third parties	(72,723)	(21,733)
	662,803	358,388

Note:

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

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

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

22. TRADE AND OTHER RECEIVABLES (continued)

Note: (continued)

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

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

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

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

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

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

23. PREPAYMENTS

	2021 RMB'000	2020 RMB'000 (Restated)
Prepayments to suppliers:		
– Related parties (Note 37)	**3,688**	4,666
– Third parties	**30,688**	9,063
	34,376	13,729

24. 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.

	2021 RMB'000	2020 RMB'000 (Restated)
Cash at bank	**1,128,159**	10,602,168
Cash on hand	**1,995**	3,228
	1,130,154	10,605,396

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

	2021 RMB'000	2020 RMB'000 (Restated)
RMB	**1,070,897**	10,523,392
US$	**1,980**	3,431
HK$	**57,277**	78,573
	1,130,154	10,605,396

(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.

25. 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; and (v) deposits held by financial institutions for financial guarantee contracts.

26. SHARE CAPITAL

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

* Less than RMB1,000

26. SHARE CAPITAL (continued)

Notes:

(a) On 13 March 2020, the Company was incorporated in the Cayman Islands with an authorised share capital of USD50,000 divided into 5,000,000 ordinary shares of USD0.01 each. Upon the incorporation of the Company, one share was issued at par to its then shareholder. On 20 July 2020, the share was transferred to CEG Holdings, intermediate holding company, at a consideration of USD0.01.

(b) On 27 July 2020, each of the issued and unissued shares of USD0.01 each was subdivided into 100 shares of USD0.0001 each. Accordingly, the one issued share of the Company held by CEG Holdings was subdivided into 100 shares. On the same date, an additional 9,999,900 shares of USD0.0001 each were issued to CEG Holdings at par for cash as part of the reorganisation.

(c) Pursuant to the written resolutions of shareholders passed on 13 November 2020, conditional on the share premium account of the Company being credited as a result of the global offering, the Company capitalise an amount of US$999,000 standing to the credit of the share premium account by applying such sum towards the paying up in full at par a total of 9,990,000,000 shares for issue and allotment to holders of shares whose names appear on the register of members of the Company on the date of passing such resolutions in proportion to their then existing respective shareholdings.

(d) On 2 December 2020, the Company issued 810,811,000 ordinary shares at a price of HK$8.80 per shares during the listing on The Main Board of the Stock Exchange. Gross proceeds from the issue amounted to HK$7,135,137,000 (equivalent to RMB6,038,823,000). After deducting the underwriting fees and other capitalised listing expenses, net proceeds from the issue amounted to RMB5,951,238,000, of which, RMB534,000 was recorded as share capital and RMB5,950,704,000 was recorded as share premium (Note 27).

27. RESERVES

	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 (Note 2)	–	–	50,000	–	50,000
Prior year adjustments (Note 4)	–	–	(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 (Note 2)	–	–	(39,198)	–	(39,198)
Release of financial guarantee to ultimate holding company (Note 22d)	–	–	50,000	–	50,000
Equity transactions with ultimate holding company (Note 22)	–	–	(13,400,000)	–	(13,400,000)
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)

27. 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 2019 (as previously reported)	–	91,970	281,432	234	373,636
Common control combination (Note 2)	–	–	50,000	–	50,000
Balance at 1 January 2020 (as restated)	–	91,970	331,432	234	423,636
Prior year adjustments (Note 4)	–	–	(50,000)	–	(50,000)
Transfer to statutory reserves (Note a)	–	279,804	–	–	279,804
Acquisition of subsidiaries from the remaining group during the reorganisation (Note b)	–	–	(74.193)	–	(74,193)
Capitalisation issue (Note 26 (c))	(6,519)	–	–	–	(6,519)
Issue of shares in connection with the Company's listing (Note 26(d))	6,038,289	–	–	–	6,038,289
Costs related to the issue of shares (Note 26 (d))	(87,585)	–	–	–	(87,585)
Currency translation difference	–	–	–	(1,142)	(1,142)
Balance at 31 December 2020 (as restated)	5,944,185	371,774	207,239	(908)	6,522,290

(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. RESERVES (continued)

(b) Capital reserves

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

28. TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000 (Restated)
Trade payables (Note a)		
Related parties (Note 37)	**225,530**	113,703
Third parties	**1,913,508**	1,475,176
	2,139,038	1,588,879
Notes payables (Note a)		
Related parties (Note 37)	**1,168**	3,757
Third parties	**1,909**	844,528
	3,077	848,285
Accrued payroll	**569,532**	390,487
Other payables		
Amounts temporarily received from/on behalf of property owners or lessors (Note b)	**723,767**	586,707
Deposits	**345,249**	322,528
Other tax payables	**419,829**	189,609
Considerations payable for business combinations	**839,278**	–
Others	**550,768**	270,092
	2,878,891	1,368,936
	5,590,538	4,196,587
Less: Non-current liabilities portion	**(54,018)**	—
Current liabilities portion	**5,536,520**	4,196,587

28. TRADE AND OTHER PAYABLES (continued)

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

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

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

(c) As at 31 December 2021 and 2020, trade and other payables were denominated in RMB and the carrying amounts of trade and other payables approximate their fair values.

29. FINANCIAL GUARANTEE CONTRACT

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

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

29. FINANCIAL GUARANTEE CONTRACT (continued)

(ii) During the year ended 31 December 2021, the Group has provided RMB13,400,000,000 financial guarantee contracts to the ultimate holding company, which was enforced during the year. Details refer to note 22 to the consolidated financial statements.

30. LEASE

(a) Right-of-use assets

	2021 RMB'000	2020 RMB'000 (Restated)
As at 1 January		
Cost	**62,268**	46,242
Accumulated depreciation	**(37,475)**	(19,799)
Net carrying amount	**24,793**	26,443
As at 31 December		
Opening net carrying amount	**24,793**	26,443
Acquisition of subsidiaries (Note 35)	**25,114**	–
Additions	**331,299**	16,026
Depreciation	**(192,783)**	(17,676)
Closing net carrying amount	**188,423**	24,793
As at 31 December		
Cost	**418,681**	62,268
Accumulated depreciation	**(230,258)**	(37,475)
Net carrying amount	**188,423**	24,793

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

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

30. LEASE (continued)

(b) Lease liabilities

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

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

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

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

31. BORROWINGS

	2021 RMB'000	2020 RMB'000
Current	150,000	–
Non-current	150,000	–
	300,000	–

As at 31 December 2021, the Group's bank borrowings of RMB300,000,000 (2020: nil) 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:

	2021 RMB'000	2020 RMB'000
Within one year	150,000	–
1-2 years	100,000	–
Over 2 years	50,000	–
	300,000	–

The effective interest rates were as follows:

	2021 RMB'000	Effective weighted average rate 2021 RMB'000	2020 RMB'000	Effective weighted average rate 2020 RMB'000
Bank borrowings	300,000	6.33%	–	–

32. DEFERRED INCOME TAX

The analysis of deferred tax is as follows:

	2021 RMB'000	2020 RMB'000 (Restated)
Deferred tax assets:		
To be recovered within 12 months	**68,077**	28,169
To be recovered after more than 12 months	**79,889**	52,142
	147,966	80,311

	2021 RMB'000	2020 RMB'000 (Restated)
Deferred tax liabilities:		
To be realised within 12 months	**(47,895)**	(2,434)
To be realised after more than 12 months	**(205,186)**	(12,453)
	(253,081)	(14,887)

32. 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 Amortisation on intangible assets RMB'000	Total RMB'000
As at 1 January 2020	41,933	24,188	159	–	66,280
Acquisition of subsidiaries	–	–	–	(15,455)	(15,455)
(Charged)/credited to the consolidated statement of profit or loss and comprehensive income	(8,890)	22,824	97	568	14,599
At 31 December 2020	33,043	47,012	256	(14,887)	65,424
Acquisition of subsidiaries (Note 35)	–	26,314	–	(283,344)	(257,030)
Credited to the consolidated statement of profit or loss and comprehensive income	33,480	7,292	569	45,150	86,491
At 31 December 2021	66,523	80,618	825	(253,081)	(105,115)

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 2021, 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 in Hong Kong. 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 RMB1,728,833,000 (2020: RMB3,741,549,000).

32. DEFERRED INCOME TAX (continued)

As of the end of the reporting period, no deferred tax assets has been recognised in respect of aggregate unused tax losses of RMB259,719,000 (2020: nil) of certain subsidiaries of the Group due to the unpredictability of future profit stream of these subsidiaries.

33. CASH FLOW INFORMATION

(a) Cash generated from/(used in) operations

	2021 RMB'000	2020 RMB'000 (Restated)
(Loss)/profit before income tax	**(218,904)**	3,497,528
Adjustments for:		
– Finance costs	**48,236**	2,439
– Depreciation of property and equipment (Note 18)	**25,667**	22,388
– Depreciation of right-of-use assets (Note 30(a))	**192,783**	17,676
– Amortisation of other intangible assets (Note 19)	**167,701**	2,929
– (Gains)/losses from disposal of property and equipment	**(74)**	194
– Impairment of/(reverse of allowance for impairment losses) on financial assets	**2,575,947**	(35,730)
– Interest income	**(208,710)**	(46,230)
– Fair value change of investment properties	**(5,153)**	–
– Loss on disposal of investment properties	**275**	–
–Share of profit on investments accounted for equity method	**(4,307)**	–
–Fair value loss on financial assets at fair value through profit or loss	**774**	–
– Impairment loss recognised for goodwill	**593,946**	
– Exchange losses	**–**	336
– Gain on bargaining purchase	**(460)**	—
Changes in working capital		
– Trade and other receivables	**(34,682)**	1,111,422
– Prepayment	**(14,785)**	–
– Contract liabilities	**217,450**	440,051
– Trade and other payables	**(635,986)**	1,117,733
– Restricted cash	**1,968,626**	(2,000,120)
	4,668,344	4,130,616

33. CASH FLOW INFORMATION (continued)

(b) Net debt reconciliation

	Borrowings RMB'000	Lease liabilities RMB'000 (Restated)	Total RMB'000 (Restated)
As at 1 January 2020	2,950	26,474	29,424
Additions of leases	–	16,026	16,026
Accrued interest expenses	–	1,998	1,998
Cash flows	(2,950)	(18,683)	(21,633)
As at 31 December 2020	–	25,815	25,815
As at 1 January 2021	**–**	**25,815**	**25,815**
Acquisition of subsidiaries (Note 35)	**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**

34. COMMITMENTS

Capital commitments

Considerations to be paid for acquisitions of equity interests of subsidiaries from non-controlling interests (2020: acquisition of subsidiaries) contracted for but not yet completed as at 31 December 2021 and 2020 is as follows:

	2021 (RMB'000)	2020 (RMB'000)
1 to 2 years	**300,000**	37,929

35. 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 19) is recorded as goodwill.

35. BUSINESS COMBINATION (continued)

During September to November 2020, the Group acquired five property management companies at an aggregate cash consideration of RMB106,023,000. Identified property management contract and customer relationship of RMB61,823,000 is recognised as intangible assets. The excess of the consideration of acquisition and proportion of the value of the acquired identifiable net assets of RMB56,619,000 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
Total consideration transferred	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 18)	27,575
Property management contracts and customer relationships (Note 19)	1,133,376
Other intangible assets (Note 19)	3,345
Right-of-use assets (Note 30)	25,114
Investment properties (Note 20)	35,143
Investments accounted for using the equity method	18,084
Deferred income tax assets (Note 32)	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 (Note 32)	(283,344)
Total identifiable net assets	894,944

35. 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 (Note 19)	1,698,809
Gain on bargaining purchase (Note 10)	(460)
Fair value of total purchase consideration	2,167,981

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

	RMB'000
Total considerations transferred	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 year	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.

35. BUSINESS COMBINATION (continued)

(c) Revenue and profit contribution

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

(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

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

35. 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

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

35. 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

36. 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.* 2021 RMB'000	Ningbo Yatai Hotel Property Services Co., Ltd.* 2021 RMB'000
Current assets	62,465	903,362
Current liabilities	21,337	959,769
Net current assets/(liabilities)	41,128	(56,407)
Non-current assets	216,414	638,406
Net assets	257,542	581,999

36. NON-CONTROLLING INTERESTS (continued)

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

* English name for identification purpose only

37. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties:

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

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

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

37. 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 2021 is approximately RMB417,735,000. No revenue is recognised in respect of the property management services delivered to, while the Group will endeavour to take reasonable measures to collect the receivables from the relevant parties in accordance with the relevant laws and applicable agreements to actively safeguard the interests of the Group.

(b) Balances with related parties:

Other than that disclosed in Note 22(d), the Group had the following balances with related parties.

	2021 RMB'000	2020 RMB'000
Trade receivables		
– Controlled by the Group's ultimate holding company	**2,396,639**	1,625,055
– Joint ventures of the Group's ultimate holding company	**103,065**	56,720
	2,499,704	1,681,775
Less: allowances for impairment of trade receivables (charged to profit or loss)	**(2,440,150)**	(11,105)
	59,554	1,670,670

37. RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties: (continued)

	2021 RMB'000	2020 RMB'000
Other receivables		
– Controlled by the Group's ultimate holding company	**9,134**	—

	2021 RMB'000	2020 RMB'000
Notes receivables		
– Controlled by the Group's ultimate holding company	**1,420**	736,169
– Joint ventures of the Group's ultimate holding company	**—**	22,296
	1,420	758,465

	2021 RMB'000	2020 RMB'000
Prepayments		
– Controlled by the Group's ultimate holding company	**3,688**	4,666

	2021 RMB'000	2020 RMB'000
Trade payables		
– Controlled by the Group's ultimate holding company	**225,481**	113,570
– Joint ventures of the Group's ultimate holding company	**49**	133
	225,530	113,703

37. RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties: (continued)

	2021 RMB'000	2020 RMB'000
Notes payables		
– Controlled by the Group's ultimate holding company	**1,168**	3,757

	2021 RMB'000	2020 RMB'000
Other payables		
– Controlled by the Group's ultimate holding company	**179,016**	96,943
– Joint ventures of the Group's ultimate holding company	**540**	508
	179,556	97,451

	2021 RMB'000	2020 RMB'000 (Restated)
Financial guarantee contracts		
– Controlled by the Group's ultimate holding company	**–**	50,000

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

(c) Key management compensation

Compensations for key management other than those for directors as disclosed in Note 13 is set out below

	2021 RMB'000	2020 RMB'000
Salaries, bonuses and other benefits	**4,679**	4,567
Contribution to pension scheme expenses	**161**	130
	4,840	4,697

38. EVENT AFTER THE REPORTING PERIOD

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

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

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2021 RMB'000	2020 RMB'000
Assets			
Non-current asset			
Investments in subsidiaries	(a)	—	9,102,560
Current assets			
Amounts due from related parties		6,376	8,434
Other receivables		57,465	—
Prepayments		619	611
Cash and cash equivalents		19,915	75,642
		84,375	84,687
Total assets		84,375	9,187,247
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		(9,278,439)	(93,099)
(Deficiency in equity)/total equity		(38,160)	9,147,180
Liabilities			
Current liabilities			
Amounts due to related parties		—	9,728
Other payables		122,535	30,339
		122,535	40,067
Total equity and liabilities		84,375	9,187,247

Note:

(a) As at 31 December 2021, investments in subsidiaries are carried at cost of approximately RMB9,102,560,000 (31 December 2020: RMB9,102,560,000), impairment loss of approximately RMB9,102,560,000 (2020: Nil) in respect of investments in subsidiaries has been recognised in profit or loss.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Movement of reserve of the Company

	Share premium RMB'000	Recapitalisation reserves RMB'000	Total RMB'000
As at 1 January 2020	–	–	–
Acquisition of the Spin-off business during the reorganisation	–	3,289,034	3,289,034
Capitalisation issue	(6,519)	–	(6,519)
Issue of shares in connection with the Listing	6,038,289	–	6,038,289
Costs related to the issue of shares	(87,585)	–	(87,585)
Balance as at 31 December 2020, 1 January 2021 and December 31 2021	5,944,185	3,289,034	9,233,219

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries of the Group as at 31 December 2021 and 2020 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		
				2021	2020	2021	2020	
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

40. 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			
				2021	2020	2021	2020	
Ningbo Yatai Hotel Property Services Co., Ltd.* (寧波市亞太酒店物業管理有限公司)	PRC	Limited liability company	RMB66,370,000	–	–	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%	–	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%	–	Property management services
Wuhan Jiebaili Property Management Co., Ltd.* (武漢傑佰利物業管理有限公司)	PRC	Limited liability company	RMB20,000,000	–	–	70%	–	Property management services
Nanchang Tianxiang Property Management Co., Ltd.* (南昌天翔物業管理有限公司)	PRC	Limited liability company	RMB82,700,000	–	–	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%	–	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%	–	Property management services

* English name for identification only

41. 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

	2017 (RMB'000)	2018 (RMB'000)	2019 (RMB'000)	2020 (RMB'000) (restated)	**2021 (RMB'000)**
Revenue	4,399,356	5,903,226	7,332,722	10,781,578	**13,193,464**
Profit/(loss) before income tax	136,942	310,292	1,229,185	3,497,528	**(218,904)**
Income tax expense	(30,378)	(71,284)	(298,661)	(851,060)	**(169,880)**
Profit/(loss) for the year	106,564	239,008	930,524	2,646,468	**(388,784)**
Profit/(loss) attributable to:					
Shareholders of the Company	106,564	239,075	930,232	2,647,099	**(316,294)**
Non-controlling interests	–	(67)	292	(631)	**(72,490)**
	106,564	239,008	930,524	2,646,468	**(388,784)**
Earnings/(loss) per share for profit attributable to shareholders of the Company(Expressed in RMB per share)					
Basis	N/A	N/A	0.09	0.26	**(0.03)**
Dilution	N/A	N/A	0.09	0.26	**(0.03)**

Consolidated Financial Position

	2017 (RMB'000)	2018 (RMB'000)	2019 (RMB'000)	2020 (RMB'000) (restated)	**2021 (RMB'000)**
Non-current assets	91,128	138,740	149,752	287,887	**2,681,599**
Current assets	3,611,241	5,703,078	7,306,903	16,820,652	**3,920,529**
Current liabilities	3,141,027	5,036,741	5,669,448	7,225,728	**9,370,698**
Net current assets/(liabilities)	470,214	666,337	1,637,455	9,594,924	**(5,450,169)**
Total assets less current liabilities	561,342	805,077	1,787,207	9,882,811	**(2,768,570)**
Non-current liabilities	4,704	8,304	12,750	26,201	**733,960**
Equity attributable to shareholders of the Company	556,638	796,840	1,761,607	9,845,648	**(3,866,551)**
Non-controlling interests	–	(67)	12,850	10,962	**364,021**
Total equity/(dificiency in equity)	556,638	796,773	1,774,457	9,856,610	**(3,502,530)**

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