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Evergrande Property Services Group Limited
恒大物業集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6666)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

FINANCIAL HIGHLIGHTS

- Operating revenue for the year ended 31 December 2020 (the “**current year**”) was approximately RMB10,509 million, representing a year-on-year growth of approximately 43.3%.
- Gross profit for the current year was approximately RMB4,006 million, representing a year-on-year growth of approximately 128.3%.
- Net profit for the current year was approximately RMB2,647 million, representing a year-on-year growth of approximately 184.5%.
- Profit attributable to shareholders for the current year was approximately RMB2,648 million, representing a year-on-year growth of approximately 184.7%.
- Contracted area for the current year was approximately 565 million sq.m., increased by approximately 59.4 million sq.m..
- Area under management was approximately 300 million sq.m., increased by approximately 62.6 million sq.m..

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
Revenue	4	10,508,859	7,332,722
Cost of sales	7	<u>(6,502,704)</u>	<u>(5,577,739)</u>
Gross profit		4,006,155	1,754,983
Administrative expenses	7	(629,385)	(515,061)
Reversal of/(allowance for) impairment losses on financial assets	7	35,742	(48,210)
Other income	5	149,786	66,550
Other losses	6	<u>(46,221)</u>	<u>(194)</u>
Operating profit		3,516,077	1,258,068
Finance costs	8	<u>(17,338)</u>	<u>(28,883)</u>
Profit before income tax		3,498,739	1,229,185
Income tax expenses	9	<u>(851,371)</u>	<u>(298,661)</u>
Profit for the year		<u>2,647,368</u>	<u>930,524</u>
Profit attributable to:			
– Owners of the Company		2,647,999	930,232
– Non-controlling interests		<u>(631)</u>	<u>292</u>
		<u>2,647,368</u>	<u>930,524</u>
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		<u>(1,142)</u>	<u>160</u>
Total comprehensive income for the year		<u>2,646,226</u>	<u>930,684</u>
Total comprehensive income attributable to:			
– Owners of the Company		2,646,857	930,392
– Non-controlling interests		<u>(631)</u>	<u>292</u>
		<u>2,646,226</u>	<u>930,684</u>
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic and diluted	10	<u>0.26</u>	<u>0.09</u>

CONSOLIDATED BALANCE SHEETS

		As at 31 December	
		2020	2019
	Note	RMB'000	RMB'000
Assets			
Non-current assets			
Property and equipment		53,855	57,195
Intangible assets		127,662	433
Right-of-use assets		23,084	25,844
Deferred income tax assets		56,902	66,280
		<u>261,503</u>	<u>149,752</u>
Current assets			
Trade and other receivables	12	4,186,287	5,256,799
Prepayments		12,213	15,968
Amounts due from related parties		–	1,349,686
Cash and cash equivalents		12,603,924	684,348
Restricted cash		222	102
		<u>16,802,646</u>	<u>7,306,903</u>
Total assets		<u>17,064,149</u>	<u>7,456,655</u>
Equity			
Equity attributable to owners of the Company			
Share capital	13	7,060	–
Reserves		6,522,290	373,636
Retained earnings		3,393,829	1,387,971
		<u>9,923,179</u>	<u>1,761,607</u>
Non-controlling interests		<u>10,962</u>	<u>12,850</u>
Total equity		<u>9,934,141</u>	<u>1,774,457</u>

		As at 31 December	
		2020	2019
	<i>Note</i>	RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities		10,613	12,750
Deferred income tax liabilities		14,888	–
		<u>25,501</u>	<u>12,750</u>
Current liabilities			
Contract liabilities		2,725,759	2,285,276
Trade and other payables	<i>14</i>	4,126,388	2,969,115
Current income tax liabilities		238,881	398,383
Lease liabilities		13,479	13,724
Borrowings		–	2,950
		<u>7,104,507</u>	<u>5,669,448</u>
Total liabilities		<u>7,130,008</u>	<u>5,682,198</u>
Total equity and liabilities		<u>17,064,149</u>	<u>7,456,655</u>

NOTES TO FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Evergrande Property Services Group Limited (the “**Company**” or “**Evergrande Property**”) 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 (the “**China Evergrande**”), 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 initial listing of the Company’s shares on the Main Board of the Stock Exchange (the “**Listing**”) constitutes a spin-off from China Evergrande (the “**Spin-Off**”). China Evergrande and its subsidiaries excluding the Group, are collectively referred to as the “**Remaining Group**” in these consolidated financial statements.

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 “**Spin-off Business**”).

The Company’s shares were listed on the Stock Exchange on 2 December 2020.

The outbreak of the 2019 Novel Coronavirus (the “**COVID-19**”) had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the property management industry. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the consolidated financial information is authorised for issue, COVID-19 does not have any material adverse impact on the financial position and operating result of the Group.

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

These consolidated financial statements have been approved for issue by the board of directors of the Company (the “**Board**”) on 16 March 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group has been prepared in accordance with Hong Kong Financial Reporting Standard (“**HKFRS**”) and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) (“**HKCO**”).

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis.

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

(iii) New standards, amendments and interpretations adopted by the Group

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2020:

- Definition of Material – Amendments to HKAS 1 and HKAS 8
- Definition of a Business – Amendments to HKFRS 3
- Interest Rate Benchmark Reform – Amendments to HKFRS 7, HKFRS 9 and HKAS 39
- Revised Conceptual Framework for Financial Reporting

(iv) New standards and amendments to standards that have been issued but are not effective

Certain new accounting standards and amendments to standards have been published that are not mandatory for the year ended 31 December 2020 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	COVID-19-Related Rent Concessions	1 June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 3	Update Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Costs of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018-2020 Cycle	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Combination	1 January 2022
HKFRS 17	Insurance Contract	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Hong Kong Interpretation 2 (2020)	Presentation of Financial Statements- Classification by Borrower of a Term Loan	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined

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

3 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 2020, 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 2020 and 2019.

As at 31 December 2020 and 2019, majority of the non-current assets of the Group were located in the PRC.

4 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 2020 and 2019 is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Property management services	6,321,505	4,612,212
Value-added services to non-property owners	2,923,216	2,147,527
Community value-added services	1,264,138	572,983
	<u>10,508,859</u>	<u>7,332,722</u>
Timing of revenue recognition		
– Over time	9,687,545	6,784,732
– At a point in time	821,314	547,990
	<u>10,508,859</u>	<u>7,332,722</u>

For the years ended 31 December 2020 and 2019, revenue provided by the Group to the Remaining Group and its joint ventures contributed 38% and 37% of the Group's revenue, respectively. Other than the Remaining Group and its joint ventures, 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 2020.

For the years ended 31 December 2020 and 2019, community value-added services included rental income from leasing the car parking spaces of RMB375,339,000 and RMB291,808,000.

5 OTHER INCOME

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Government grants (<i>Note a</i>)	90,203	50,887
Income from overdue fine	10,393	8,110
Interest income	45,735	3,590
Others	3,455	3,963
	<u>149,786</u>	<u>66,550</u>

(a) Government grants mainly consisted of additional input value-added tax deduction, tax refund for employment of retired soldiers and refund of paid unemployment insurance.

6 OTHER LOSSES

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net foreign exchange losses	(46,027)	–
Losses on disposal of property and equipment	(194)	(194)
	<u>(46,221)</u>	<u>(194)</u>

7 EXPENSES BY NATURE

Expenses included in cost of sales, administrative expenses and (reversal of)/allowance for impairment losses on financial assets are analysed as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Employee benefit expenses	3,861,940	4,133,095
Greening and cleaning expenses	1,453,054	790,194
Maintenance costs	672,913	304,640
Utilities	488,200	393,522
Short-term and low value lease expenses	141,782	124,010
Tax and other levies	94,659	67,828
Office expenses	88,996	66,236
Listing expenses	65,772	–
Travelling and entertainment expenses	54,931	62,972
Costs of security	54,343	8,459
Depreciation and amortisation charges	41,822	37,971
Community activities expenses	31,485	24,671
(Reversal of)/allowance for impairment losses on financial assets	(35,742)	48,210
Bank charges	18,124	16,025
Uniform costs	8,116	11,853
Consultancy fees	7,899	4,758
Auditors' remuneration	4,245	274
Others	43,808	46,292
	<u>7,096,347</u>	<u>6,141,010</u>

8 FINANCE COSTS

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Interest expenses on borrowings	146	4,856
Interests on lease liabilities	1,957	1,574
Other finance costs (Note a)	15,235	22,453
	<u>17,338</u>	<u>28,883</u>

- (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.

9 INCOME TAX EXPENSES

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	841,993	309,367
Deferred income tax	9,378	(10,706)
	<u>851,371</u>	<u>298,661</u>

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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the current year 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 2020 and 2019. 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 2020 and 2019. The subsidiary and branches of the Group located in Hainan Province are qualified to enjoy the preferential income tax rate of 15% since 1 January 2020.

The tax on the Group's 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:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	3,498,739	1,229,185
Tax calculated at applicable corporate income tax rate of 25%	874,685	307,296
Tax effects of:		
–Expenses not deductible for tax purposes	36,320	3,314
–Effect of different tax rates applicable to certain subsidiaries and branches	(59,634)	(11,949)
	<u>851,371</u>	<u>298,661</u>

10 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares during the years ended 31 December 2020 and 2019. In determining the weighted average number of ordinary shares in issue during the years ended 31 December 2020 and 2019, the 10,000,000,000 shares of the Company issued during the group reorganisation was deemed to have been in issue since 1 January 2019.

The Company did not have any potential ordinary shares outstanding during the years ended 31 December 2020 and 2019. Diluted earnings per share is equal to basic earnings per share.

	Year ended 31 December	
	2020	2019
Profit attributable to owners of the Company (RMB' 000)	2,647,999	930,232
Weighted average number of ordinary shares in issue (in thousands)	10,064,421	10,000,000
Basic earnings per share attributable to the owners of the Company during the year (expressed in RMB per share)	0.26	0.09

11 DIVIDENDS

No dividend has been declared or paid by the Company since its incorporation and up to the date of this announcement.

Pursuant to resolutions passed by the directors of the Group's certain subsidiaries, dividends to the then shareholders of these subsidiaries, of RMB362,337,000 (2019: RMB3,500,000) were declared and settled during the year ended 31 December 2020.

12 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2020	2019
	RMB' 000	RMB' 000
Trade receivables		
– Related parties	1,681,773	3,515,642
– Third parties	1,487,093	1,398,424
Notes receivable		
– Related parties	758,465	32,116
– Third parties	5,390	–
Gross trade receivables	3,932,721	4,946,182
Less: allowance for impairment of trade and notes receivables	(113,665)	(153,764)
	3,819,056	4,792,418
Value added tax recoverable	10,347	5,072
Other receivables		
– Payments on behalf of property owners (<i>Note c</i>)	333,524	423,802
– Deposits	26,621	24,012
– Others	18,613	29,012
Gross other receivables	378,758	476,826
Less: allowance for impairment of other receivables	(21,874)	(17,517)
	356,884	459,309
	4,186,287	5,256,799

- (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 2020 and 2019, the aging analysis of the trade and notes receivables based on date of revenue recognition were as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
0-180 days	2,468,718	2,209,541
181-365 days	1,094,667	781,823
1 to 2 years	204,923	1,081,253
2 to 3 years	80,314	657,925
Over 3 years	84,099	215,640
	<u>3,932,721</u>	<u>4,946,182</u>

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

13 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
	<u>100,000,000,000</u>	<u>10,000</u>	<u>70,000</u>
Issued:			
At 13 March 2020 (date of incorporation) (Note a)	1	–*	–*
Subdivision (Note b)	99	–*	–*
Shares issued to 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
	<u>10,810,811,000</u>	<u>1,081</u>	<u>7,060</u>

* Less than RMB1,000

- (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 (BVI) Limited (“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 group reorganisation.
- (c) Pursuant to the written resolutions of our 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.

14 TRADE AND OTHER PAYABLES

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (<i>Note a</i>)		
– Related parties	113,703	183,616
– Third parties	<u>1,464,855</u>	<u>578,841</u>
	<u>1,578,558</u>	<u>762,457</u>
Notes payable		
– Related parties	3,757	530
– Third parties	<u>844,528</u>	<u>333,335</u>
	<u>848,285</u>	<u>333,865</u>
Accrued payroll	389,678	531,201
Other payables		
– Amounts temporarily received from/on behalf of property owners (<i>Note b</i>)	586,707	780,833
– Deposits	322,528	307,011
– Other tax payables	189,421	161,242
– Others	<u>211,211</u>	<u>92,506</u>
	<u>1,309,867</u>	<u>1,341,592</u>
	<u>4,126,388</u>	<u>2,969,115</u>

- (a) As at 31 December 2020 and 2019, the ageing analysis of the trade and notes payables based on goods and services received is as follows:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	2,376,074	1,066,737
1 to 2 years	32,152	20,429
2 to 3 years	10,201	8,990
More than 3 years	<u>8,416</u>	<u>166</u>
	<u>2,426,843</u>	<u>1,096,322</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Although faced with complicated economic situation and industry competition in 2020, Evergrande Property was as usual driven by the needs of customers aiming to achieve customer satisfaction, and committed to large-scale development, standardized operation, professional services and intelligent management with a view to providing customers with high quality property management services, community value-added services and non-property owner value-added services. During the current year, various indicators such as management scale, number of city covered and the growth of operating performance of the Company were ranked among the best in the industry. The Company has become one of the largest and fastest-growing property management service operators in China and was listed on the Main Board of the Stock Exchange on 2 December 2020, opening a new chapter in the development of the Company.

Property management services

The Group offers a wide range of property management services to residents, property developers and tenants of non-residential properties. Our services include butler services, security services, cleaning and greening services, and repair and maintenance services. Focusing on residential servicing and taking advantage of the diversified development of China Evergrande and the rapid growth of third-party management scale, the Company will accelerate the development of its diversified business model, which will cover residential properties, commercial properties, theme parks, industrial parks, healthcare complexes, as well as public facilities such as schools, hospitals, banks, government buildings, high-speed railway, airports and scenic spots, and will rapidly expand into the field of urban public services.

As at 31 December 2020, the total contracted area under management of the Group was approximately 565 million sq.m., and the area under management was approximately 300 million sq.m. (including approximately 9.7 million sq.m. of property areas developed by third party developers), covering 22 provinces, five autonomous regions, four municipalities and Hong Kong, with a total of 290 cities and 937 managed projects and providing property management services to more than 2.2 million households. Due to its high-quality services, the Group has been highly recognized by the market, with a customer satisfaction rate of 95.6 and a project renewal rate of 100% for the current year. The Group was ranked third in the Top 100 Brand Value of China Property Service Enterprises in 2020, and was among the Top 100 China Leading Property Service Enterprises in Servicing Quality and the Top 100 China Leading Property Service Enterprise in Customer Satisfaction in 2020, as well as receiving a number of other honorary titles.

During the year, revenue from property management services was approximately RMB6,321.5 million, representing a year-on-year increase of approximately 37.1%, and gross profit margin increased by 15.9 percentage points to approximately 33.6%. The revenue accounted for approximately 60.2% of total revenue.

Community value-added services

The Group aggressively develops community value-added services to cater for the livelihood needs of households, and provides full-cycle, full-chain and full-process diversified value-added services throughout the community development stage and family growth cycle and in various scenarios of community life, including community operation services, community assets management, community life and other services.

During the year, revenue from community value-added services was approximately RMB1,264.1 million, representing a year-on-year increase of approximately 120.6%, and the gross profit margin was approximately 63.4%. The percentage of the revenue accounting for the total revenue increased to approximately 12.0% from approximately 7.8% for the same period in 2019. The classification of the services is as follows:

1. The Group deeply explores the diverse service needs of residents and the enormous available space resources in the community, leverages its nationwide scale advantages and abundant cooperative business resources, and vigorously carries out businesses such as community group purchase, community media and community space operations. During the year, revenue from community operation services was approximately RMB621.5 million, representing a year-on-year increase of approximately 207.3%.
2. By fully utilizing the abundant property resources of the projects under management, the Group provides residents with parking space leasing and sports and entertainment complex services, as well as cooperates with merchants to provide services such as assistance in the sales and leasing of pre-owned properties. During the year, community asset management realized revenue of approximately RMB481.0 million, representing a year-on-year increase of approximately 58.8%.
3. By consolidating a huge amount of high-quality living service resources across the country and continuously integrating into various aspects of daily lives of residents, the Group provides safe, convenient, professional and caring housekeeping services, home equipment upgrades and public business agency services for residents. During the year, community living services realized revenue of approximately RMB161.6 million, representing a year-on-year increase of approximately 138.0%.

The substantial growth in the performance of community value-added services has justified the Company's business decisions, aspects and models, and the economies of scale of this business sector is gradually taking shape.

Value-added services to non-property owners

Value-added services to non-property owners basically cover the entire process of real estate development and construction, mainly including preliminary property management services, pre-delivery services, repair and maintenance services and property transaction assistance services. During the year, revenue from value-added services to non-property owners was approximately RMB2,923.2 million, representing a year-on-year increase of approximately 36.1%, and gross profit margin was approximately 37.1%. The revenue accounted for approximately 27.8% of the total revenue.

From January 2021 onwards, the Group has adjusted the repair and maintenance service model, and directly enters into service agreements with renovation units and undertake post-renovation repair and maintenance services by means of annual contracting during the warranty period. The implementation of the new service model will cater for household needs in a more timely and efficient manner, which is conducive for the Company to further improve per capita efficiency and create greater value.

Smart property construction

Relying on technologies such as the Internet and the Internet of Things (IoT), the Group has established a smart management system for Evergrande Property, which comprises smart living, smart community and smart management, to provide customers with high-quality and convenient services while greatly improving the Company's per capita efficiency and reducing operating costs.

In respect of smart living, Evergrande's smart community APP has been developed and a huge amount of high-quality living service resources have been integrated and launched nationwide, including resources related to household payments, smart charging, community group purchase, express delivery, freight and transport, housekeeping services etc. Besides, we can meet the various needs for the livelihood of residents through product function upgrade and continuous enrichments of service content.

With regard to smart community, the construction of an IoT system platform comprising functions of access gateway, community monitoring, perimeter warning, information release, intelligent lift control and large screen command and control has been completed, which basically covers all kinds of property service scenarios and forms a comprehensive turnkey solution of smart community.

As regards smart management, the ERP system of Evergrande Property has been completed, which comprises business modules such as fee management, online customer service, work order management, service supervision, equipment maintenance and asset management. The standardized operating system of the Company has been improved through technological means, and work efficiency has been significantly enhanced by means such as mobile office and smart monitoring.

Through the construction of a smart management system, the Group has achieved remarkable results in reducing costs and increasing efficiency. The per capita area under management increased from 3,635 sq.m. in 2018 to 7,464 sq.m. in 2020, representing a three-year compound growth rate of approximately 43.3%; and annual per capita output value increased from RMB111,200 in 2018 to RMB248,800 in 2020, representing a three-year compound growth rate of approximately 49.6%.

Combating the COVID-19 pandemic

Since the outbreak of the COVID-19 pandemic, the community has been on the frontline of prevention and control and has also formed the most effective defensive line for preventing external input and internal spread. The Group actively responded to national precaution requirements and cooperated with government authorities of each level and sub-district departments to implement various prevention and control measures and comprehensively carry out community precaution work. Tens of thousands of workers stayed on the frontline of prevention and control of the pandemic round-the-clock to protect the health and safety of more than 2.2 million households of properties managed by the Group across the country with practical actions, winning high recognition from local governments and property owners.

The Group made every effort to take multiple measures to actively implement various tasks such as the propaganda on community prevention and control, inspection and registration at entrances and exits, body temperature measurement for residents, disinfection in the community and distribution of daily supplies. At the same time, the Group made full use of scientific and technological means to reduce the risk of personnel contact and infection, and build invisible lines of defense, including the configuration of automatic disinfection channels, thermal imaging thermometers and smart mask recycling bins.

During the pandemic, the various functions of smart community APP was enabled, including online booking of daily necessities, health pass, daily pandemic report and publicity of policies. Only in March 2020, the APP was used by an aggregate of more than 3 million people, thus ensuring the health and safety of property owners in all aspects.

In the long run, the pandemic not only presents an ordeal but also brings an opportunity for the property industry and the Group, which are mainly reflected in the following:

1. The value of the property industry has been reconsidered and valued again, and outstanding property companies will be more favored by the market;
2. High-quality property services have been recognized by residents, which is conducive to maintaining a high collection rate of property management fees and also creates room for a moderate increase in the fees;
3. The Group's rapid response mechanism has greatly enhanced the cohesiveness of households and contributed to the expansion of value-added business;
4. The acceleration of the promotion and application of technology in the community is conducive to promoting the comprehensive technological transformation of the Group.

The Group will persist on carrying out community precaution measures unremittingly, continue to improve its capabilities to react to risks, and implement various normalized pandemic prevention and control tasks, so as to provide residents with a healthier and safer living environment.

PROSPECTS AND FUTURE PLAN

Looking forward to the future, the scale of the property management industry will continue to expand. Under the guidance of national policies and regulations, the property management industry will grow energetically and assume more social responsibilities, and the development of the industry will usher in golden opportunities. To this end, the Group will put equal emphasis on quality and speed, and will strive to achieve leapfrog development of management scale, deeply explore the potential of community value-added services, and continue to improve profitability through horizontal expansion and vertical development of value-added businesses with high net profit margin. Meanwhile, the Group will increase its investment in science and technology and the application of new technologies, realize the automation of routine services, greatly enhance management efficiency, continuously upgrade and improve the smart property management system and service platform, with a view to rapidly transforming the Group into a technology-based service enterprise.

Achieving success by scale development, continuously enriching business models and rapidly expanding management scale through multiple channels

The Group will seize the opportunity of rapid development of the industry, fully mobilize the internal and external resources of the Company, deeply explore the markets in major cities across the country and leverage on the advantages of standardized operations. Building on existing projects under management, the Group will achieve a diversified and rapid expansion of its management business to ensure a smooth high-speed growth.

The Company has established a strong professional investment and expansion team and formulated effective assessment measures to ensure that annual targets of expansion can be achieved. Subsequent to the end of current year and up to 28 February 2021, the Group has signed contracts for external expansion and mergers and acquisitions in respect of properties with an accumulated contracted area of approximately 115 million sq.m. and area under management of 110 million sq.m., and 36 new urban public service projects have been secured, thus further consolidating the advantages of scale, industry position and market competitiveness of the Group. As such, the management capabilities and talent reserves of the Group in the fields of public construction and urban public construction services have been greatly enhanced.

In the future, on the basis of the steady growth of residential management scale and maintaining the existing leading advantages in the industry, the Group will rapidly expand its market share of non-residential businesses. The Group will focus on the areas of office buildings, public construction, industrial parks and urban public services, and use flexible and diverse expansion methods to optimize the structure of diversified business, aiming to achieve an area under management of more than 600 million sq.m. in 2021 and becoming the world's largest integrated urban service provider.

Improving management via technology, perfecting standardized smart property management system and continuously promoting cost reduction and efficiency enhancement

The Group has cooperated with leading companies in the artificial intelligence and security industry such as Sense Time, Dahua, Jieshun, etc., focusing on the full application of machine vision, natural language processing, Internet of Things, AI intelligence, 5G and other technologies in our business sectors such as intelligent customer service, intelligent access, smart transportation, intelligent security, smart building, intelligent quality control and intelligent scheduling, in order to create a safe, convenient and highly-efficient smart community management platform.

Through the utilization of “intelligent equipment + Evergrande Butler APP”, the system of the Group will automatically allocate work, quantify job duties and evaluate employee performance, so as to optimize job settings, continuously improve per capita efficiency and further upgrade the ERP management system of Evergrande Property. As a result, the business process and functional modules can be fully covered. Through the use of technology, the Company's standardized operating system will be strengthened, thus further achieving cost reduction and efficiency enhancement.

Leveraging technology to innovate the smart property management system, thus fully implementing technological transformation

Always oriented by customer demand and combined with the construction of various platforms such as the property SaaS management platform, ERP intelligent management platform, data analysis and decision-making platform, large membership platform and marketing intermediary platform, the Group continuously puts efforts in areas such as intelligent customer profile, intelligent service system, intelligent equipment application and intelligent decision-making to upgrade the existing smart community and smart tourism service platforms. At the same time, the Group also builds smart platforms in the fields of smart office building, smart industrial parks and smart household. As such, the Group aims to create a full-ecological, full-intelligent, full-sensing smart operation system, covering all service scenarios such as home life, travelling, living, entertainment, health, consumption, commercial and official business and outbound trip of property owners.

In terms of smart city construction, the Group has accumulated experience in the smart construction and operation of urbanization projects including traffic management, traffic flow monitoring, equipment management and safety management through the construction of the smart Ocean Flower Island covering an area of approximately 8 square kilometres. Leveraging on the advantages of big data, big technology and big ecology, the Group will comprehensively promote the deep integration of smart operation systems and urban services, and build digital infrastructure such as the “city brain”, covering transportation, medical, community, commerce, public services and other scenario services, to help improve the comprehensive urban governance capabilities and intelligence level.

Put great efforts into developing value-added business in community, providing full-cycle community livelihood services and continuously improving profitability

Recently, national policies favorable to the industry have been continuously issued, encouraging qualified property service companies to actively explore the “property services + living services” model to meet the diverse and multi-level living requirements of residents.

The Group will put great efforts into tapping the potential of community value-added services. Firstly, the Group will further expand the breadth and depth of the coverage of existing community value-added business, and aggressively develop business with high value such as community group purchase and home renovation and decoration based on the high demand of property owners. Secondly, the Group will collaborate with the diversified business sectors of China Evergrande such as tourism, health, Fangchebao, insurance and automobile sectors, and link up with 8,300 upstream and downstream and strategic cooperative enterprises to fully capitalize on the advantages of massive amount of customers and resources, so as to carry out new business such as real estate agency, insurance brokerage and elderly care and well-being services.

1. The Group will expand the scope of community group purchase business. Our headquarter will take the lead to carefully select products that are in high demand from various regions. The Company will conduct business through both online and offline channels through self-operation and cooperation with merchants. Relying on the “last kilometer” entrance advantage of the community, the Group will replicate the business throughout the surrounding communities by attracting customers through various channels and fully utilizing the resources of tens of millions of households.

2. By integrating the brand resources of home renovation and decoration, the Group will provide value-added services covering full renovation, refreshing of old decoration, partial renovation and smart home. Building on its own projects under management and through cooperation with Fangchebao, the Group will expand its business coverage and integrate the home renovation and decoration business in the new housing and second-hand housing transactions, resulting in a synergic effect in its operations.
3. Capitalizing on the advantages of millions of real estate information and tens of millions of household resources, the Group will cooperate with Evergrande Fangchebao Group to leverage on its online national brokerage platform and its exclusive offline intermediary agencies, and cooperate with professional real estate brokerage companies across the country to take advantage of their sound communication with residents. As such, the Group will provide real estate broker assistance services such as property information integration and recommendation, customer referral and visit tours and real estate custody and maintenance, tapping into the real estate market with a transaction scale worth a hundred billion.
4. The Group will provide the new service of insurance brokerage, and will cooperate with established insurance companies in the industry including Evergrande Insurance, leveraging on their nationwide scale advantage and the resources of 8,300 upstream and downstream strategic cooperative enterprises. Through its progressive expansion model of customer base nationwide, the Group will act as agent for diversified products such as life insurance, property insurance and auto insurance by tapping multitudinous resources of customers.
5. Through the cooperation with nearly 30 Evergrande Elderly Care Valleys and Boao Evergrande International Hospital and leveraging on world-class medical technology, advanced equipment, health care products and abundant medical resources, the Group will provide community elderly care services such as home care, life care, health monitoring and nursing and rehabilitation.

The Group always adheres to the servicing concept of “conscientious services and heartfelt companionship “ and is committed to scale development, striving to maintain its leading position in the industry with the most extensive urban coverage and the largest area under management in the world. The Group sticks to the operation model of “technology + standardization”, so as to build a standardized management system for all types of business and create a leading full-ecological, full-smart and full-scenario smart operation system. The Group also insists on persistently improving its basic services, innovating value-added services, continuously improving profitability to maintain high-quality growth of the enterprise, with a view to becoming the world’s largest property service group with the most extensive business coverage, the most comprehensive business format and the highest efficiency.

FINANCIAL REVIEW

Revenue

The revenue of the Group mainly derives 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 2020, the total revenue of the Group was approximately RMB10,508.9 million, representing a year-on-year increase of approximately 43.3%.

	Revenue in 2020 (RMB'000)	Percentage of revenue (%)	Revenue in 2019 (RMB'000)	Percentage of revenue (%)	Growth rate (%)
Property management services	6,321,505	60.2	4,612,212	62.9	37.1
Community value-added services	1,264,138	12.0	572,983	7.8	120.6
Value-added services to non-property owners	2,923,216	27.8	2,147,527	29.3	36.1
Total	10,508,859	100	7,332,722	100	43.3

1. *Property management services*

During the year, revenue from property management services was approximately RMB6,321.5 million (the revenue from the property management services of projects developed by third party developers was approximately RMB26.5 million), an increase of approximately 37.1% year-on-year and accounting for approximately 60.2% of total revenue.

The increase in revenue from property management services was mainly attributable to the increase in the total area under management to approximately 300 million sq.m. from approximately 238 million sq.m. for the same period in 2019 and the increase of average unit price of property management fees to RMB2.28 per sq.m. from RMB2.18 per sq.m. for the same period in 2019. In addition, revenue from parking space management increased by 127.8% to approximately RMB872.2 million from approximately RMB382.8 million in 2019, as the Group started to charge property management fees for parking spaces of 150 projects.

2. *Community value-added services*

During the year, revenue from community value-added services was approximately RMB1,264.1 million, an increase of approximately 120.6% year-on-year and accounting for 12.0% of total revenue.

The increase in revenue from community value-added services was mainly attributable to the following factors:

Revenue from community operation services was approximately RMB621.5 million, representing an increase of approximately 207.3% year-on-year.

Revenue from community asset management was approximately RMB481.0 million, representing an increase of approximately 58.8% year-on-year.

Revenue from community living services was approximately RMB161.6 million, representing an increase of approximately 138.0% year-on-year.

With the rapid growth of the scale of management and the number of servicing households, the Group has continued to promote the coverage of value-added services horizontally and vertically, and the benefits of economies of scale have become increasingly prominent. Besides, the Group has continued to standardize the model of business development, innovate service content and strengthen operation supervision, so as to vigorously promote rich and convenient value-added services such as community group purchase, community media, parking space leasing and living and household services.

3. *Value-added services to non-property owners*

During the year, revenue from value-added services to non-property owners was approximately RMB2,923.2 million, an increase of approximately 36.1% year-on-year and accounting for approximately 27.8% of total revenue. The breakdown of the revenue was as follows:

Revenue from preliminary property management services was approximately RMB1,593.0 million, representing a year-on-year decrease of approximately 0.8%.

Revenue from pre-delivery services was approximately RMB839.5 million, representing a year-on-year increase of approximately 81.1%.

Revenue from repair and maintenance services was approximately RMB364.1 million, representing a year-on-year increase of approximately 5,442.2%, attributable to the full-year effect of the trial services launched in 2019.

Revenue from property transaction assistance services was approximately RMB126.6 million, representing a year-on-year increase of approximately 77.1%.

The increase in revenue from value-added services to non-property owners was mainly attributable to the increase in the number of new projects launched and the delivery of a large number of projects, and the steady growth of business such as preliminary introduction services, pre-delivery services and property transaction assistance services.

Cost of sales

The cost of sales of the Group amounted to approximately RMB6,502.7 million, a year-on-year increase of approximately 16.6%.

The increase in cost of sales was mainly due to the increase in greening and cleaning expenses, subcontracting costs of security, maintenance costs and raw material costs driven by the continuous increase in area under management.

Gross profit and gross profit margin

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

	Gross profit in 2020 (RMB'000)	Gross profit margin in 2020 (%)	Gross profit in 2019 (RMB'000)	Gross profit margin in 2019 (%)
Property management services	2,120,998	33.6	816,460	17.7
Community value-added services	801,955	63.4	328,821	57.4
Value-added services to non-property owners	1,083,202	37.1	609,702	28.4
Total	<u>4,006,155</u>	<u>38.1</u>	<u>1,754,983</u>	23.9

During the year, the overall gross profit of the Group was approximately RMB4,006.2 million, representing a year-on-year increase of approximately 128.3%.

The gross profit margin of property management services was approximately 33.6%, an increase of 15.9 percentage points from 17.7% in 2019, which was mainly attributable to: (i) the increase of the proportion of newly delivered property management projects with relatively higher property management fees; (ii) its enhanced effort to charge property management fee for parking spaces which were not chargeable in the past; (iii) continuously investing in technology to reduce labor dependence and improve operational efficiency; (iv) continuously carrying out a series of cost control measures; and (v) the decrease in labor costs resulting from the deduction or exemption of social insurance contributions by the local governments due to the impact of the COVID-19 pandemic during the current year.

The gross profit margin of community value-added services was approximately 63.4%, an increase of 6.0 percentage points from 57.4% in 2019, which was mainly attributable to: (i) comprehensively rationalizing community value-added business models to rectify operating loopholes; (ii) expanding the coverage of community value-added services and vigorously developing businesses such as community group purchase and living and household services with high demand; and (iii) strengthening the development of key businesses such as community media and parking space leasing which had relatively higher profit margin, and innovating service content and starting new business such as pre-owned property rental and sales assistance.

The gross profit margin of value-added services to non-property owners was approximately 37.1%, an increase of 8.7 percentage points from 28.4% in 2019, which was mainly attributable to: (i) the benefits of economies of scale brought about by the continuous growth of the Group's business; (ii) the expansion of the scale of repair and maintenance services in the warranty period; and (iii) the growing business of the pre-delivery services and property transaction assistance services with higher gross profit margins.

Administrative expenses

During the year, administrative expenses were approximately RMB629.4 million, representing an increase of approximately 22.2% from approximately RMB515.1 million for the same period in 2019.

The increase in administrative expenses was mainly due to: (i) increase in listing expenses; and (ii) corresponding increase in management costs with the expansion of business scale.

Other income

During the year, other income was approximately RMB149.8 million, an increase of approximately 125.1% from approximately RMB66.6 million for the same period in 2019.

The increase in other income was mainly attributable to: (i) the increase in government grants and subsidies for employment for COVID-19 pandemic in the current year; (ii) the increase of hiring retired soldiers to obtain tax relief and additional input value-added tax deduction for service industry; and (iii) the increase in bank interest income arising from the large amount of funds generated from the substantial growth of the Company's performance and the timely collection from customers.

Other losses

During the year, other losses were approximately RMB46.2 million, an increase of approximately RMB46.0 million from approximately RMB0.2 million for the same period in 2019.

The increase in other losses was mainly attributable to the net foreign exchange loss arising from the conversion of the proceeds from the Listing from HK\$ into RMB.

Income tax expenses

During the year, income tax expenses were approximately RMB851.4 million, an increase of approximately 185.1% from approximately RMB298.7 million for the same period in 2019.

The increase in income tax expenses was generally in line with the increase in profit before tax for the year.

Profit for the year

During the year, profit for the year of the Group was approximately RMB2,647.4 million, an increase of approximately 184.5% from approximately RMB930.5 million for the same period in 2019.

During the year, profit for the year attributable to owners of the Group was approximately RMB2,648.0 million, an increase of approximately 184.7% from approximately RMB930.2 million for the same period in 2019.

Property and equipment

The property and equipment of the Group mainly consists of furniture, fitting and equipment, machinery and vehicles.

As at 31 December 2020, the net value of the property and equipment of the Group was approximately RMB53.9 million, a decrease of approximately 5.8% from approximately RMB57.2 million as at 31 December 2019, mainly due to the depreciation during the year.

Intangible assets

The intangible assets of the Group comprise goodwill arising from equity acquisitions, property contracts, customer relationships and software assets.

As at 31 December 2020, intangible assets of the Group amounted to approximately RMB127.7 million, an increase of approximately RMB127.3 million from approximately RMB0.4 million as at 31 December 2019, mainly due to: (i) approximately RMB61.8 million of customer relationship and property management contracts was recognized from acquisition of companies; (ii) goodwill amounted to approximately RMB56.6 million was recognized from acquisition of companies; (iii) purchasing of software.

Trade and other receivables

As at 31 December 2020, trade and other receivables of the Group amounted to approximately RMB4,186.3 million, a decrease of approximately RMB1,070.5 million from approximately RMB5,256.8 million as at 31 December 2019, mainly due to: (i) the decrease in trade receivables resulted from the settlement from major customers, including China Evergrande, and the improvement of collection rate after the increasing efforts to collect property management fees from property owners, and (ii) the decrease in other receivables mainly attributable to the decrease in payments on behalf of property owners, resulting from delivering the water and electricity meters to the municipal department and promoting the transformation of prepaid card plug-in water and electricity meters.

Trade and other payables

As at 31 December 2020, trade and other payables amounted to approximately RMB4,126.4 million, an increase of approximately RMB1,157.3 million from approximately RMB2,969.1 million as at 31 December 2019, which was mainly due to the increase in the costs of the Group's material procurement, labor outsourcing, cleaning service and energy consumption expenses as a result of its business expansion.

Contract liabilities

Contract liabilities mainly arise 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 from approximately RMB2,285.3 million as at 31 December 2019 to approximately RMB2,725.8 million as at 31 December 2020, an increase of approximately RMB440.5 million. The increase was mainly due to the increase in the chargeable area under management and the increase in prepayment of property service fees.

Liquidity and financial resources

As at 31 December 2020, the total bank deposits and cash of the Group, comprising the Group's cash and cash equivalents and restricted cash, amounted to approximately RMB12,604.1 million, an increase of approximately RMB11,919.6 million from approximately RMB684.5 million as at 31 December 2019. The increase in bank deposits and cash was primarily due to the funds raised by the Group from the Listing and large amount of funds generated from substantial growth of the Group's performance, as well as the timely collection from customers.

As at 31 December 2020, the net current assets of the Group were approximately RMB9,698.1 million (31 December 2019: approximately RMB1,637.5 million). The Group's current ratio (current assets/current liabilities) was approximately 2.37 times (31 December 2019: approximately 1.29 times).

As at 31 December 2020, the Group did not have any borrowings.

MAJOR RISKS AND UNCERTAINTIES

Industry risks

The main 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.

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 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. The business growth are affected and will likely continue to be affected by 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 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 concentrated 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. The management will continue to monitor foreign exchange risks and adopt prudent measures to reduce potential exchange risks.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had approximately 42,244 employees. During the year, the total staff cost was approximately RMB3,861.9 million.

Employees' remuneration package includes salary, performance bonus and other cash subsidies. The remuneration of employees is determined 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.

Under the influence of the pandemic, the Group’s various trainings were mainly conducted online in the year of 2020. During the year, more than 72,000 training sessions were carried out, with a total of 102,000 class hours and 700,000 attendances.

PLEDGE OF ASSETS

As at 31 December 2020, the Group had no assets pledged.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no material contingent liabilities.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Acquisition of shares in Nanchang Xinya Property

On 4 September 2020, the Group signed an equity transfer agreement for the acquisition of 100% shares in Nanchang Xinya Property at a consideration of RMB30.7 million which was determined after arm’s length negotiation, and the change of equity ownership and business registration for 51% equity interests was completed on 25 September 2020.

Acquisition of shares in Chengdu Wellspo Property

On 5 September 2020, the Group signed an equity transfer agreement for the acquisition of 100% shares in Chengdu Wellspo Property at a consideration of RMB39 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 2 November 2020.

Acquisition of shares in Zunyi Zhongxin Property

On 8 September 2020, the Group signed an equity transfer agreement for the acquisition of 100% shares in Zunyi Zhongxin Property at a consideration of approximately RMB19.1 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 October 2020.

Acquisition of shares in Hubei Guanbo Property

On 10 September 2020, the Group signed an equity transfer agreement for the acquisition of 51% shares in Hubei Guanbo Property at a consideration of approximately RMB12.2 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 12 October 2020.

Acquisition of shares in Yongkang Jiahua Property

On 10 September 2020, the Group signed an equity transfer agreement for the acquisition of 100% shares in Yongkang Jiahua Property at a consideration of RMB20 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 14 October 2020.

Save for the information disclosed above, the Group had no significant investment and disposal of subsidiaries and associated companies during the current year.

PROCEEDS FROM THE GLOBAL OFFERING

The Company's shares were successfully listed on the Stock Exchange on 2 December 2020 and 810,811,000 new shares were allotted and issued under the Global Offering (as defined in the Company's prospectus dated 23 November 2020 (the "**Prospectus**")). After excluding underwriting fees and commissions, the net proceeds from the Global Offering are approximately RMB5,951.2 million.

As at 31 December 2020, the Group has not yet utilized the proceeds.

As set out in the Prospectus, the Group intends to use the proceeds for the following purposes:

- approximately 65% will be used for strategic acquisition and investment;
- approximately 15% will be used for the development of the Group's value-added services;
- approximately 8% will be used for the upgrade of information system and equipment;
- approximately 2% will be used to recruit and cultivate talent;
- approximately 10% will be used for working capital and other general corporate purposes.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated balance sheets, and the related notes thereto as set out in this results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this results announcement.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the listing of the shares of the Company on the Stock Exchange on 2 December 2020 to 31 December 2020.

EVENTS AFTER THE REPORTING PERIOD

As at 28 February 2021, the Group's business covered 310 cities across the country and the Group has entered into contracts and provided services to 2,792 projects, servicing 3.01 million property owners. Specifically, subsequent to the end of the current year and up to 28 February 2021, the Group has signed contracts for external expansion and mergers and acquisitions in respect of properties with an accumulated contracted area of approximately 115 million sq.m. and area under management of approximately 110 million sq.m., and 36 new urban public service projects have been secured.

On 29 January 2021, the Group entered into an agreement to acquire the 100% equity interests in Ningbo Yatai Hotel Property Services Co., Ltd. and its subsidiaries (collectively, "**Ningbo Yatai Group**") at cash consideration of RMB1,500 million.

Upon the completion of the aforesaid acquisition, Ningbo Yatai Group will become a subsidiary of the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has been in compliance with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the period from the listing of the shares of the Company on the Stock Exchange on 2 December 2020 to 31 December 2020.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Specific enquiries have been made to all the Directors who have confirmed that they have complied with the Model Code since the listing of the shares of the Company on 2 December 2020 to 31 December 2020.

FINAL DIVIDEND

For reason that the Group's business is still in a rapid expansion stage after its Listing on 2 December 2020, the Board resolved not to declare a final dividend for the year ended 31 December 2020.

ANNUAL GENERAL MEETING

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

AUDIT COMMITTEE

Pursuant to the requirements under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and the Listing Rules, the Company has established an audit committee (the “**Audit Committee**”) comprising three independent non-executive Directors, namely Mr. Victor Huang (chairman), Mr. Chan Chun Hung, Vincent and Mr. Gao Zhaohui. The Audit Committee and the Company’s management have considered and reviewed the accounting principles and practices adopted by the Group and have discussed matters in relation to risk management, internal control and financial reporting, including the review of the consolidated audited financial statements of the Group for the year ended 31 December 2020. The financial information, including the comparative figures, has been reviewed by the Audit Committee.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.evergrandeservice.com>). The annual report of the Company for the year ended 31 December 2020 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available for review on the same websites in due course.

By order of the Board
Evergrande Property Services Group Limited
Zhao Changlong
Chairman

Hong Kong, 16 March 2021

As at the date of this announcement, the Board comprises Mr. Zhao Changlong, Mr. Hu Liang, Mr. Wang Zhen and Ms. An Lihong as executive Directors, and Mr. Chan Chun Hung, Vincent, Mr. Victor Huang and Mr. Gao Zhaohui as independent non-executive Directors.