POLY PROPERTY DEVELOPMENT CO., LTD.
保利物業發展股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 06049

2019

ANNUAL REPORT

CORPORATE POSITIONING

Service Provider Focused on Cultural Services and Making Life Better

BRAND PHILOSOPHY

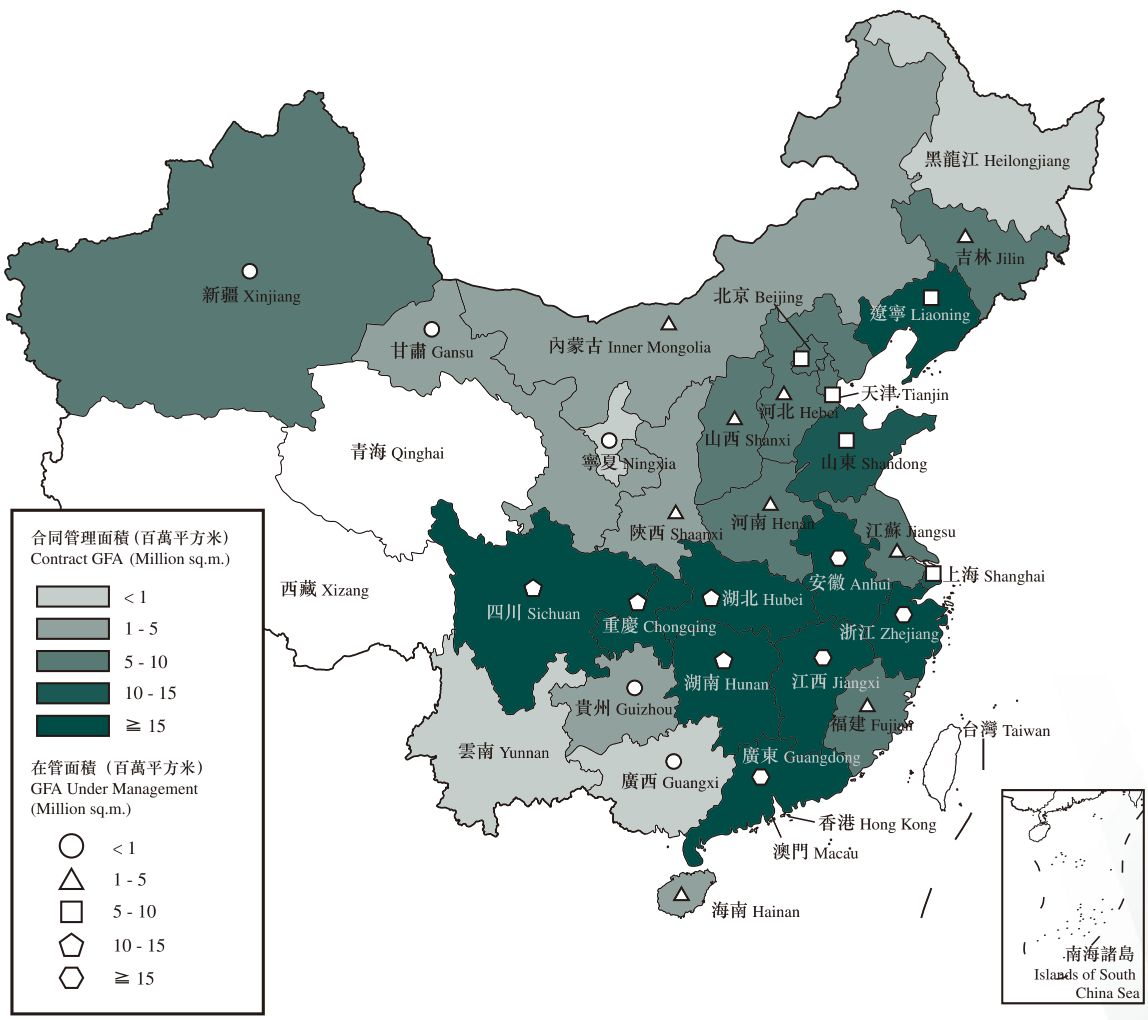
To Build a Human-oriented Community To Live a Prosperous Life

CONTENTS

COMPANY OVERVIEW

Poly Property Development Co., Ltd. (the "**Company**" or "**Poly Property**", and together with its subsidiaries, the "**Group**" or "**we**") is a leading comprehensive property management service provider in China with extensive property management scale and state-owned background, ranking the fourth by the China Index Academy (the "**CIA**") in 2019 among the Top 100 Property Management Companies in China in terms of overall strength and first among the property management companies in China with state-owned background. With high-quality and comprehensive services and brand strength, we have enjoyed an industry-wide reputation and accumulated 21 national-level awards for property management in 2019. Our brand was valued at more than RMB9.0 billion in 2019, according to a report by the CIA. As at 31 December 2019, the Group had a total of 1,490 contracted projects under management with an aggregate contracted gross floor area ("**GFA**") of 498.1 million sq.m., covering 170 cities across 29 provinces, municipalities and autonomous regions in China; and the aggregate GFA under management of the Group's projects reached 287.0 million sq.m. with a total of 1,010 projects under management. The Group has actively pushed forward the "Comprehensive Property" strategy and its business portfolio covers residential communities, commercial and office buildings and public and other properties.

The Group's three main business lines, namely, (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services, form a comprehensive service offering to its customers along the value chain of property management.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors

Mr. Huang Hai (Chairman)
Mr. Hu Zaixin

Executive Directors

Mr. Li Jiahe
Ms. Wu Lanyu

Independent non-executive Directors

Mr. Wang Xiaojun
Ms. Tan Yan
Mr. Wang Peng

BOARD COMMITTEES

Audit Committee

Ms. Tan Yan (Chairlady)
Mr. Huang Hai
Mr. Hu Zaixin
Mr. Wang Xiaojun
Mr. Wang Peng

Remuneration Committee

Mr. Wang Xiaojun (Chairman)
Mr. Hu Zaixin
Mr. Li Jiahe
Ms. Tan Yan
Mr. Wang Peng

Nomination Committee

Mr. Huang Hai (Chairman)
Ms. Wu Lanyu
Mr. Wang Xiaojun
Ms. Tan Yan
Mr. Wang Peng

Supervisory Committee

Ms. Liu Huiyan (Chairlady)
Ms. Chen Shuping
Ms. Zhong Yu

JOINT COMPANY SECRETARIES

Ms. Yang Yang (resigned on 21 February 2020)
Mr. Yin Chao (appointed on 21 February 2020)
Mr. Lau Kwok Yin

AUTHORISED REPRESENTATIVES

Ms. Wu Lanyu
Mr. Lau Kwok Yin

AUDITORS

BDO Limited
25/F, Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISERS

Allen & Overy
9th Floor, Three Exchange Square
Central
Hong Kong

COMPLIANCE ADVISER

GF Capital (Hong Kong) Limited
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189 Des Voeux Road Central
Hong Kong

PRINCIPAL BANKERS

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Poly International Square Branch
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Guangdong Province
The PRC

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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248 Queen's Road East
Wanchai
Hong Kong

H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
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INVESTOR RELATIONS

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COMPANY WEBSITE

www.polywuye.com

STOCK CODE ON THE HONG KONG STOCK EXCHANGE

06049

FINANCIAL SUMMARY

SUMMARY OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2019	2018
Revenue (RMB million)	**5,966.8**	4,229.4
Gross profit (RMB million)	**1,210.7**	851.3
Gross profit margin	**20.3%**	20.1%
Profit for the year (RMB million)	**503.2**	336.1
Net profit margin	**8.4%**	7.9%
Profit for the year attributable to owners of the Company (RMB million)	**490.5**	328.4
Basic earnings per share (RMB)*	**1.21**	0.82

* The H shares of the Company were listed on 19 December 2019. The weighted average number of ordinary shares for the years ended 31 December 2019 and 31 December 2018 was 404,749,000 shares and 400,000,000 shares, respectively. Details are set out in note 11 in the notes to the consolidated financial statements of this annual report.

SUMMARY OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December	
	2019	2018
Total assets (RMB million)	**7,571.1**	2,552.4
Cash and cash equivalents (RMB million)	**6,508.6**	1,793.6
Total equity (RMB million)	**5,122.2**	693.1
Return on Shareholders' equity	**51.8%**	61.5%
Total liabilities/total assets	**32.3%**	72.8%

MAJOR EVENTS IN 2019

March

On 29 March 2019, Poly Property entered into a strategic cooperation agreement with Chongqing Xiangrui Holdings Group Co., Ltd. (重慶祥瑞控股集團有限公司) (formerly known as Chongqing Xiangrui Property Group Co., Ltd. (重慶祥瑞房地產集團有限公司)).

August

On 28 August 2019, Poly Property linked up 25 demonstration projects in 25 cities across the PRC to organize the "Harmony Courtyard" (親情和院) brand upgrade conference, and officially launched a tripartite system involving property owners, the government and properties in order to create a new community that features "Tripartite Development, Management and Sharing".

June

On 20 June 2019, Poly Property revealed its brand new comprehensive property strategies at the 2019 Property Service Enterprises and Brands Development Forum (2019年物業服務企業品牌發展論壇), and declared that Poly Property has entered the "comprehensive property era".

September

On 16 September 2019, Poly Property entered into a strategic cooperation agreement with Shandong Heze Chengtou Group (山東菏澤城投集團) and announced the official establishment of "Shandong Chengtou Poly Huichuang City Services Co., Ltd."

November

On 22 November 2019, Poly Property held the 2019 Social Governance and Collaborative Innovation China Mayor Forum (2019社會治理與協同創新中國鎮長論壇) in Luodian County, Baoshan District, Shanghai with "Refined Governance, Towns Revitalisation" (精細善治 鎮興中國) as the theme.

December

On 19 December 2019, Poly Property was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") (stock code: 06049.HK).

AWARDS AND HONOURS

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證 書

CERTIFICATE

2019中国物业服务百强企业

2019 TOP100 Property Management Companies in China

中国指数研究院基于经营规模、经营绩效、服务质量、发展潜力和社会责任等方面，运用科学的评价方法和指标体系，对中国优秀物业服务企业进行系统研究，形成了2019中国物业服务百强企业研究成果。

“保利物业发展股份有限公司”

荣获2019中国物业服务百强企业

China Index Academy conducted systematic research on China leading property management companies which is based on business size, operational efficiency, service quality, growth potential and social responsibility, using scientific methodology and criterion to conclude with the outcome of 2019 China Top 100 Property Management Companies.

POLY PROPERTY DEVELOPMENT CO.,LTD is honored as one of the 2019 TOP100 Property Management Companies in China.

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Award Receiving Time	No.	Award Name	Awarding Organisation
May 2019	**1**	2019 TOP100 Property Management Companies in China (TOP 4)	CIA
	2	2019 Real Estate Services Company Worth Focusing by Capital Market	CIA
	3	2019 China TOP10 Property Management Companies in terms of Business Size	CIA
	4	2019 China TOP10 Property Management Companies in terms of Business Performance	CIA
	5	2019 China Leading Property Management Companies in terms of Customer Satisfaction	CIA
	6	2019 China Leading Property Management Companies in terms of Social Responsibility	CIA
	7	2019 China Leading Property Management Companies in terms of Characteristic Service – Towns Revitalisation – Public Service Management	CIA

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Award Receiving Time	No.	Award Name	Awarding Organisation
June 2019	**8**	2019 Top 50 Most Valuable Brand of Property Management Service	China Property Management Institute (the "**CPMI**")
	9	2019 Featured Brand of Property Management Service – Nebula Ecology	CPMI
July 2019	**10**	"Youth Model Unit Award" for Central Enterprises	Central Enterprise Working Committee
October 2019	**11**	2019 Top 500 Property Management Companies in terms of Overall Strength	CPMI
	12	2019 Leading Companies in Office Property Service	CPMI
	13	2019 Leading Companies in Public Property Service	CPMI

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual results of the Group for the year ended 31 December 2019. During the year, the Group recorded a revenue of approximately RMB5,966.8 million, representing an increase of approximately 41.1% as compared to the corresponding period of 2018; a gross profit of approximately RMB1,210.7 million, representing an increase of approximately 42.2% as compared to the corresponding period of 2018; a profit for the year of approximately RMB503.2 million, representing an increase of approximately 49.7% as compared to the corresponding period of 2018; and a profit for the year attributable to owners of the Company of approximately RMB490.5 million, representing an increase of approximately 49.3% as compared to the corresponding period of 2018.

A look back at 2019

We maintained a strong momentum in large-scale developments. Poly Property recorded a contracted GFA of approximately 498.1 million sq.m., and a GFA under management of approximately 287.0 million sq.m., which represented an increase of approximately 136.6 million sq.m. and approximately 96.4 million sq.m., respectively, during the year. Poly Property has so far established a nationwide presence covering 170 cities across 29 provinces. It has an integrated whole category service system comprising residential, commercial and public services, under which there is a diverse services portfolio covering higher education and teaching and research properties, towns and scenic areas, government office buildings, urban public facilities, railways and transportation properties, providing professional, people-oriented and valuable services to various types of property owners. The rapid growth of management scale was attributable not only to the booming development of the real estate market in China and the outstanding performance of the major shareholder, Poly Developments and Holdings Group Co., Ltd. ("**Poly Developments and Holdings**"), and its subsidiaries ("**Poly Developments and Holdings Group**"), but also the increasing effort of Poly Property in market expansion, which includes developing strategic alliance with several local urban investment platforms, central and state-owned enterprises and regional developers by integrating the Group's resources as a state-owned enterprise and its brand strength to facilitate cooperations with state-owned enterprises at the national and local level.

We were steadfast in promoting the "Comprehensive Property" strategy to present diverse public services. As a forerunner to implement the "Comprehensive Property" strategy in the industry, we have seized the opportunities arising from the reform of power decentralisation and government function transition as well as the strategy of rural revitalisation to shift our focus from communities to cities. For public services, we held an extensive business portfolio which included 266 projects under management in 22 provinces, autonomous regions and municipalities with a GFA under management of approximately 140.3 million sq.m.. We have established a number of service standards and management systems for the public service business to strictly control the service quality. With our continuous efforts in innovation, we successfully organised the "2nd China Social Governance and Collaborative Innovation Mayor Forum* (第二屆中國社會治理與協同創新鎮長論壇)" and dabbled into the army-owned property management sector for the first time. We embrace win-win cooperations and actively conduct strategic cooperations with segment markets in a hope to move forward together with our peers in the industry, develop the marketization configuration over public services and assist people to pursue better lives.

We enhanced quality management and service innovation to create a superb living experience. We have always considered high-quality property management services to be the top core competitiveness of our Company. With an emphasis on service quality and living experience, on one hand we advanced formulation of service standards and strengthened quality control in the whole process of services to improve the satisfaction of property owners and customer stickiness; on the other hand we created more types of value-added services by centering on the daily needs of property owners regarding move-in and furnishing services, community retail and housekeeping services to develop a "harmonious ecology" (盈和生態) in the communities. We also utilized informatisation means such as property owners APP and WeChat mini programs as well as proactive practices in the Internet of Things and smart community to enhance speed of our service responses and capabilities to interact with property owners.

We consistently strengthened team building to create a fighter culture of "United Spirit". Poly Property combined the distinctive military culture with modern corporate governance to nurture a culture with industrious, pragmatic, brave and ambitious fighters who have efficient decision-making and execution capabilities. We attached importance to the introduction of professional talents to cope with the rapid development of various business lines and we continued to optimize the talent echelon through a multi-layered talent training plan. A "United Spirit" assessment system has been established to connect function management and business units together and develop a market-based compensation and incentive mechanism in order to invigorate team strength.

Outlook

The property management industry in China is at the beginning of a journey where the development model and competitive landscape are expected to experience in-depth changes. We are firmly optimistic about the development prospects of the property management industry as well as the major business opportunities brought by a series of positive changes such as the growth of industrial scale, increasing concentration, border expansion, value-added innovation and technological empowerment. We believe that:

The scale of the property management industry will continue to grow attributable to the sustainable development of the real estate industry in China. In 2019, the saleable area of commodity housing in China exceeded 1.71 billion sq.m., which was basically at the same level as the corresponding period of 2018. Although the growth has been affected by the industry regulation, we believe that the real estate industry, as the pillar of domestic economy, will remain at its peak in terms of development and sale scale within a certain period in the foreseeable future, laying a foundation for the continuous expansion of the property management industry.

The relatively fragmented property management industry will experience increasing market concentration. According to the statistics of the CIA in 2018, the TOP100 players in the property management industry accounted for a market share of approximately 38.9%, while the TOP10 players accounted for a market share of less than 12%. The continuous increase in the concentration of the upstream real estate industry (the Top 10 players in the real estate industry accounted for a market share of approximately 27.7% in 2019) will facilitate a rapid increase in the concentration of the incremental property management market. The enterprises with higher brand influence will enjoy pre-emptive advantages and highlight the position of "The Powerful Are Always Powerful". At the same time, availability of capital will result in more active and large-scale mergers and acquisitions in the industry and increase the concentration of the stock property management market.

Property management services will shift from community to society and cities and will be gradually incorporated into the comprehensive social governance system. As guided by the policy that facilitates modernization of social governance, community as the smallest residence unit will play a key role in grid-style social management and services. Property management services will hopefully become an important component of urban public services and will be gradually incorporated into the comprehensive social governance system to provide better solutions to the government and for public affairs management by giving full play to the advantages of professionalism and marketization, which will speed up its layouts into the emerging blue ocean market of public services.

Value-added services will accelerate expansion of the industry chain and lead the enlargement of service of the industry. Based on unique advantages in its entry resources and ability to interact with property owners, the property management industry is able to perceive the extensive and diverse needs of property owners for their living in communities. In comparison to basic property management services, community value-added services have higher profitability and malleability and have already become an indispensable core business component of the industry. After years of exploration and practice, community value-added services have no longer adopted a simple inflow model, but demonstrated a trend of vertical and professional development and developed product competitiveness which is safe, convenient and value-for-money. Expansion of the industry chain will be expedited to realise cross-sector combination between property management services and consumption, retail, asset management, household and other relevant industries, providing extensive room and imagination for industrial development.

Technology empowerment will accelerate transformation of the development model of the industry, but our original intention to serve will never change. The application of informatization and intelligentization means such as the Internet of Things, smart community and artificial intelligence in community management has provided an alternative to the traditional service model that relies on manual efforts, which brings opportunities for significant improvements in service efficiency and management precision. However, technological application will not change the original intention of the property management industry to serve. In order for technology to become bridges connecting different communities, the needs and experience of property owners need to be considered and emotional connections with property owners need to be developed.

Since the beginning of 2020, in the face of the severe challenges brought by the outbreak of the novel coronavirus, epidemic control measures have been implemented across the country. As a round-the-clock community protector, the property management industry has stood in the frontline to fight against the epidemic. It has exerted every effort to protect people's homes by proactively working with governments at all levels to establish defense lines and it has won the respect and recognition of the government, society and the majority of property owners. Despite the impacts of the epidemic on economic development, the property management industry remains relatively stable given its anti-cyclical nature and strong cash flows. However, the impacts of the epidemic could possibly be more profound; it may change the consumption habits of property owners and service model of enterprises.

This is both a challenge and an opportunity. We have seen a rapid increase in market demand for optimum property management brands and high-quality property management services. The potential of emerging value-added service products such as community retail, community healthcare and errand running has become more apparent. The government's demand for emergency management in urban streets and transport hubs has also brought development opportunities for public services. We will grasp the opportunities, enhance our strengths and move forward in accordance with our established strategic direction and pace to achieve fast-growing and healthy corporate development with confidence and determination.

Last but not least, on behalf of the Board, I would like to extend our gratitude to all of our staff and the management team for their contributions to the development of the Company and I would also like to extend my sincere gratitude to all Shareholders and stakeholders for their trust and support.

POLY PROPERTY DEVELOPMENT CO., LTD.
Huang Hai
Chairman of the Board and non-executive Director

Guangzhou, China, 25 March 2020

BUSINESS REVIEW

The Group is a leading comprehensive property management service provider in China with extensive property management scale and state-owned background, ranking the fourth by the CIA in 2019 among the Top 100 Property Management Companies in China in terms of overall strength and first among the property management companies in China with state-owned background. With high-quality and comprehensive services and brand strength, we have enjoyed an industry-wide reputation and accumulated 21 national-level awards for property management in 2019. Our brand was valued at more than RMB9.0 billion in 2019, according to a report by the CIA. As at 31 December 2019, the Group had a total of 1,490 contracted projects under management with an aggregate contracted gross floor area ("**GFA**") of 498.1 million sq.m., covering 170 cities across 29 provinces, municipalities and autonomous regions in China; and the aggregate GFA under management of the Group's projects reached 287.0 million sq.m. with a total of 1,010 projects under management. The Group has actively pushed forward the "Comprehensive Property" strategy and its business portfolio covers residential communities, commercial and office buildings and public and other properties.

The Group's three main business lines, namely, (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services, form a comprehensive service offering to its customers along the value chain of property management.

Property management services – representing approximately 64.4% of total revenue

For the year ended 31 December 2019, the Group's revenue from property management services amounted to approximately RMB3,843.8 million, representing an increase of approximately 32.1% as compared to the corresponding period of 2018, which is mainly due to the expansion of GFA under management and the increase in the number of projects under management of the Group.

The following table sets out the changes in the Group's contracted GFA:

	As at 31 December					
	2019		2018			
Source of projects	**Contracted GFA '000 sq.m.**	**Percentage of contracted GFA %**	Contracted GFA '000 sq.m.	Percentage of contracted GFA %	New GFA acquired during the year '000 sq.m.	Growth rate %
Poly Developments and Holdings Group (Note)	**209,792**	**42.1**	178,233	49.3	31,559	17.7
Third parties	**288,331**	**57.9**	183,308	50.7	105,023	57.3
Total	**498,123**	**100.0**	361,541	100.0	136,582	37.8

Note: "Poly Developments and Holdings Group" refers to properties developed, solely or jointly with other parties, by members of Poly Developments and Holdings Group (including its joint ventures and associates).

Strong leverage on the leading position of our controlling Shareholder, Poly Developments and Holdings, in the real estate industry in China, brings along with growing business opportunities. As at 31 December 2019, the contracted GFA from Poly Developments and Holdings Group reached approximately 209.8 million sq.m., representing an increase of approximately 31.6 million sq.m. as compared to the contracted GFA as at 31 December 2018. Meanwhile, our Group has exerted great efforts in market development by capitalizing more than 20 years of experience in the property management industry, its reputable brand image and well-built service quality to develop strategic alliance with several local urban investment platforms, central and state-owned enterprises and regional developers. During the year, we entered into strategic cooperation agreements with urban investment platforms from different regions, such as a subsidiary of China National Machinery Industry Corporation Ltd. (a Fortune 500 corporation), Heze City Urban Development and Investment Co., Ltd., Tangshan City New Urban Construction and Investment Co., Ltd. and Xi'an Qujiang Cultural Industry Investment (Group) Co., Ltd.. As at 31 December 2019, the Group's contracted GFA from third parties was approximately 288.3 million sq.m., representing an increase of approximately 57.3% as compared to the corresponding period of 2018 and accounting for approximately 57.9% of the total contracted GFA, among which, the Group's contracted GFA of residential communities from third parties continued to increase at a compound annual growth rate ("**CAGR**") of approximately 98.2% from approximately 8.7 million sq.m. as at 31 December 2016 to approximately 67.7 million sq.m. as at 31 December 2019. During the year, our collection rate of property management fees was approximately 96.0%, which remained at a relatively high level and was basically the same as that of 2018.

The following table sets out a breakdown of the Group's revenue, GFA under management and the number of projects under management by the source of projects for the periods or as at the dates indicated:

	For the year ended or as at 31 December									
	2019					2018				
Source of projects	**Revenue RMB'000**	**%**	**GFA under management '000 sq.m.**	**%**	**Number of properties under management**	Revenue RMB'000	%	GFA under management '000 sq.m.	%	Number of properties under management
Poly Developments and Holdings Group (Note)	**3,148,908**	**81.9**	**128,757**	**44.9**	**608**	2,577,520	88.6	109,369	57.4	495
Third parties	**694,920**	**18.1**	**158,194**	**55.1**	**402**	331,988	11.4	81,152	42.6	260
Total	**3,843,828**	**100.0**	**286,951**	**100.0**	**1,010**	2,909,508	100.0	190,521	100.0	755

Note: "Poly Developments and Holdings Group" refers to properties developed, solely or jointly with other parties, by members of Poly Developments and Holdings Group (including its joint ventures and associates).

As at 31 December 2019, the total GFA under management of the Group was approximately 287.0 million sq.m., of which approximately 128.8 million sq.m. was from Poly Developments and Holdings Group and approximately 158.2 million sq.m. was from third parties. In addition, revenue from property management services to third parties amounted to approximately RMB694.9 million, representing a significant increase of approximately 109.3% as compared to the corresponding period of 2018 and accounting for approximately 18.1% of the total revenue from property management services, which reflected a continuous increase in its percentage of revenue.

Equal emphasis on residential and non-residential businesses

Under the "Comprehensive Property" strategy, while continuing to expand the management scale of residential communities, the Group has also been striving to explore non-residential business with a special focus on public services. Positive achievements have been obtained. The Group's type of properties under management becomes more diverse and its business portfolio is further optimized.

The following table sets out a breakdown of the Group's revenue, GFA under management and number of projects under management by property type for the periods or as at the dates indicated:

	For the year ended or as at 31 December									
	2019					2018				
Property type	**Revenue RMB'000**	**%**	**GFA under management '000 sq.m.**	**%**	**Number of properties under management**	Revenue RMB'000	%	GFA under management '000 sq.m.	%	Number of properties under management
Residential communities	**2,864,046**	**74.5**	**138,815**	**48.4**	**655**	2,305,547	79.2	115,568	60.7	512
Non-residential properties	**979,782**	**25.5**	**148,136**	**51.6**	**355**	603,961	20.8	74,953	39.3	243
– Commercial and office buildings	**498,839**	**13.0**	**7,812**	**2.7**	**89**	381,008	13.1	6,538	3.4	64
– Public and other properties	**480,943**	**12.5**	**140,324**	**48.9**	**266**	222,953	7.7	68,415	35.9	179
Total	**3,843,828**	**100.0**	**286,951**	**100.0**	**1,010**	2,909,508	100.0	190,521	100.0	755

For residential communities, the Group has established two major property service brands of "Harmony Courtyard" and "Oriental Courtesy" as its dedicated effort to provide standardized and high-quality services to property owners. As at 31 December 2019, the GFA under management of the Group's residential communities was approximately 138.8 million sq.m., accounting for approximately 48.4% of the total GFA under management. For the year ended 31 December 2019, revenue from property management services for residential communities amounted to approximately RMB2,864.0 million, representing an increase of approximately 24.2% as compared to the corresponding period of 2018 and accounting for approximately 74.5% of total revenue from the Group's property management services.

HARMONY COURTYARD

The residential service brand "Harmony Courtyard" of Poly Property, rooted in the traditional Chinese courtyard culture, has created its unique people-oriented feature in communities through the sincere services and cultural activities underlined by the four major virtues of "authenticity, kindness, beauty and harmony."

ORIENTAL COURTESY

Poly Property has created the "Oriental Courtesy" which is unique to Chinese people over the high-end residential properties in China. With respect as a starting point and professional service quality is leveraged to build trust with customers, reflecting its heart-warming care for people. The ideal of harmonious lifestyle has been achieved under the traditional "Oriental Courtesy" which insists on the service concepts of "respect, trust and people-oriented."

For commercial and office buildings, the Group has established the property service brand of "Nebula Ecology" to provide professional commercial operation and corporate services. As at 31 December 2019, the GFA under management of the Group's commercial and office buildings was approximately 7.8 million sq.m.. For the year ended 31 December 2019, revenue from property management services for commercial and office buildings amounted to approximately RMB498.8 million, which reflected an increase of approximately 30.9% as compared to the corresponding period of 2018.

NEBULA ECOLOGY

With 23 years of professional experience, Poly Property has developed the "Nebula Ecology" brand to specifically serve the Top 500 by focusing on operation of office buildings and enterprise empowerment. On the basis of "management of things" typical in traditional property management, Nebula Ecology also paid attention to corporate development and the environment for staff. Based on four dimensions, namely building management, space services, corporate development and asset appreciation, to redefine the value of office buildings.

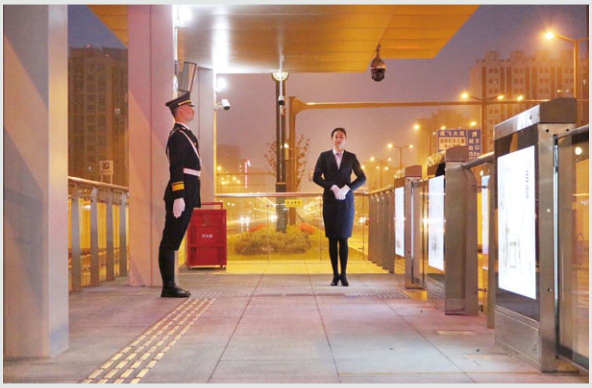
For public and other properties, the Group has established the property service brand of "Towns Revitalisation". As a forerunner in the public services sector, the Group has achieved a comprehensive business coverage including higher education and teaching and research properties, towns and scenic areas, government offices, urban public facilities and railways and transportation properties, solidifying its leading advantages in the domestic public services sector. As at 31 December 2019, the Group had 266 projects under management, an increase of 87 projects as compared to 2018, with the GFA under management of approximately 140.3 million sq.m.. For the year ended 31 December 2019, the Group's revenue from public and other properties amounted to approximately RMB480.9 million, accounting for approximately 12.5% of the total revenue from property management services, which reflected an increase of approximately 4.8 percentage points in its percentage of revenue as compared to the corresponding period of 2018. During the year, the Group's new projects under management for public and other properties included the office building of the Ministry of Justice, Gushan Town in Donggang City of Liaoning Province, Hunan University of Technology and Business and Longping Rice Museum in Changsha City.

TOWNS REVITALISATION

The brand-new comprehensive property strategy announced by Poly Property in 2019 has led the industry into a comprehensive property era. By virtue of its own professionalism, effective management system and management capability, Poly Property has provided public products and services to the government and other enterprises and public institutions and has undertaken some public service management functions.

Property in the scenic area – Xitang Ancient Town, Jiashan County, Zhejiang

Property in town - Tianning Town, Jiashan County, Zhejiang



Railways and transportation property - BRT K5 Line in Chengdu Riyue Avenue

Higher education property - Tianjin University of Sport

Average property management fee per unit

Through raising the pricing standard of new projects and prices of some existing projects under management, the average property management fee per unit of the Group continued to increase.

The following table sets out the average property management fee per unit of residential communities and commercial and office buildings for the periods indicated:

	Year ended 31 December		
	2019 (RMB/ sq. m./month)	2018	Changes (RMB)
Residential communities	**2.21**	2.14	Increase 0.07
– Poly Developments and Holdings Group	**2.28**	2.21	Increase 0.07
– Third parties	**1.68**	1.47	Increase 0.21
Commercial and office buildings	**7.10**	6.71	Increase 0.39
– Poly Developments and Holdings Group	**8.09**	7.73	Increase 0.36
– Third parties	**4.31**	3.12	Increase 1.19

Value-added services to non-property owners – representing 16.2% of total revenue

The Group provides value-added services to non-property owners (mainly property developers), including (i) pre-delivery services to property developers to assist with their sales and marketing activities at property sales venues and display units, mainly including visitor reception, cleaning, security inspection and maintenance; and (ii) other value-added services to non-property owners, such as consultancy, inspection, delivery and commercial operation services.

The following table sets out a breakdown of the Group's revenue from value-added services to non-property owners by service type for the periods indicated:

	Year ended 31 December			
	2019		2018	
Service Type	**RMB'000**	**Percentage of revenue %**	RMB'000	Percentage of revenue %
Pre-delivery services	**783,334**	**80.9**	565,568	81.2
Other value-added services to non-property owners	**185,418**	**19.1**	130,934	18.8
Total	**968,752**	**100.0**	696,502	100.0

The Group's revenue from value-added services to non-property owners for the year ended 31 December 2019 was approximately RMB968.7 million, representing an increase of approximately 39.1% as compared to the corresponding period of 2018, which was mainly due to an increase in projects provided with pre-delivery services and the increasing penetration ratio of other value-added services to non-property owners.

POLY PROPERTY'S VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS

Providing property developers with pre-delivery services and other value-added services to non-property owners.

Community value-added services – representing approximately 19.4% of total revenue

Community value-added services

The Group pays close attention to the diverse needs of property owners for their living in residential communities and is dedicated to offering them with high-quality community value-added services by integrating both internal and external optimum resources, under which an ecology of community services has been established. For the year ended 31 December 2019, the Group's revenue from community value-added services was approximately RMB1,154.3 million, representing a significant increase of approximately 85.2% as compared to last year (2018: approximately RMB623.4 million). Such increase was mainly due to (i) the expansion of management scale and increase in number of service users of the Group as well as the provision of a wide range of community convenience services to property owners attributable to our high-quality basic property management services and customer stickiness; and (ii) the active development of vertical value-added services, including move-in and furnishing services, community retail and community media.

Move-in and furnishing services: realisation of approximately RMB192.5 million of revenue, accounting for approximately 16.7% of the total revenue from community value-added services

By understanding clients' needs and leveraging tailor-made services, our move-in and furnishing services aim at providing a full set of housing solutions ranging from design, installation, delivery to repair and maintenance with a focus of three major service scopes, namely decoration of finished houses, house renovation and smart home services.

Community retail: realisation of approximately RMB119.3 million of revenue, accounting for approximately 10.3% of the total revenue from community value-added services

Community retail offers value-for-money products to property owners for their selection through different ways such as direct supply, centralized procurement and prepositioned warehouses. We have optimized our product supply chains and delivery capabilities as well as the mutual access of online and offline resources in order to provide property owners with a cost-effective shopping experience.

Parking lot management services: realisation of approximately RMB182.7 million of revenue, accounting for approximately 15.8% of the total revenue from community value-added services

Parking lot management services aim at providing operation plans targeting order control, operation and development and toll management with reference to a thorough combination of distinctive factors in relation to the carparks, including facilities, geographical location, distribution of carpark spaces and customer demands. Smart parking system and smart equipment have been actively utilized to reduce labour inputs and costs and enhance efficiency.

Community media: realisation of approximately RMB65.4 million of revenue, accounting for approximately 5.7% of the total revenue from community value-added services

Community media services strive to explore the value of community spaces and develop the value chain of operating multi-dimensional media. We have profoundly developed the resources of our projects under management and increased the coverage of our community media spots with a special focus on core areas such as elevators and carparks to actively integrate the resources of suppliers.

Community space management: realisation of approximately RMB136.7 million of revenue, accounting for approximately 11.8% of the total revenue from community value-added services

We have optimized the usage of public resources by providing venue rental, courier service, charging service, sharing service and recycling service.

Community convenience and other services: realisation of approximately RMB457.7 million of revenue, accounting for approximately 39.7% of the total revenue from community value-added services

We provided diversified convenience and living services according to the needs of property owners, including home cleaning, housekeeping and maintenance, theme-based education and realtor services as well as property-specific services such as garbage cleaning and moving.

VALUE-ADDED SERVICES

From convenience services and housekeeping to furnishing services and community retail, Poly Property has achieved a coverage spanning across a full set of living scenarios and a whole lifecycle by establishing an ecology of community services.

FUTURE DEVELOPMENT

We will move forward steadily towards the goal of developing into a modern service enterprise under the guidance of the "Comprehensive Property" strategy and seize the rapid development opportunities in the industry.

Under our unremitting approach of large-scale development, we will leverage the resource advantages of a state-owned enterprise to actively carry out mergers and acquisitions and joint ventures while continuing to expand our market share in non-residential businesses to optimize the business portfolio and consolidate the leading advantage in the public service market;

We will promote and optimize standardized management and stabilize service quality to improve customer satisfaction, and at the same time strengthen brand building and accentuate our brand positioning as a state-owned enterprise to enhance our brand influence and market reputation;

We will strive to build a community living service system. Centering on the needs of property owners, we will expand and optimize our offering of value-added services covering move-in and furnishing services, community retail and community media. Through enhanced integration of industry resources and active cooperation with outstanding service providers in segment markets, an ecology of community living service will be formed;

Technology empowerment will be strengthened. We will proactively push forward the application of informatisation and intellectualization means in the community such as the Internet of Things and smart community in order to improve management efficiency and precision of our projects and enhance interaction between property owners and their living experience;

The talent cultivation system will be further optimized. We will establish a sound and multi-layered employee incentive plan to attract top and middle level talents and inter-disciplinary talents for improving the talent structure and providing impetus for the Company's sustainable development and upgrade of industrial structure.

Training Programme of "Galaxy Operating Officers"

FINANCIAL REVIEW

Revenue

The Group derives revenue from three main business lines: (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services.

The following table sets out a breakdown of the revenue by business line for the periods indicated:

	Year ended 31 December				
	2019		2018		
	RMB'000	**Percentage of revenue**	RMB'000	Percentage of revenue	Growth rate
		%		%	%
Property management services	**3,843,828**	**64.4**	2,909,508	68.8	32.1
Value-added services to non-property owners	**968,752**	**16.2**	696,502	16.5	39.1
Community value-added services	**1,154,256**	**19.4**	623,368	14.7	85.2
Total	**5,966,836**	**100.0**	4,229,378	100.0	41.1

For the year ended 31 December 2019, total revenue of the Group amounted to approximately RMB5,966.8 million (2018: approximately RMB4,229.4 million), representing an increase of approximately 41.1% as compared to the corresponding period of 2018. It was mainly due to: (i) an increase in revenue driven by the continuous increase in the management scale of the Group; and (ii) rapid development of various value-added services of the Group during the year.

Cost of services

During the year, the cost of services of the Group amounted to approximately RMB4,756.1 million (2018: approximately RMB3,378.1 million), representing an increase of approximately 40.8% as compared to the corresponding period of 2018. The increase in the cost of services was mainly due to an increase in the Group's GFA under management, which resulted in a corresponding increase in the staff costs, subcontracting costs and raw material costs.

Gross profit and gross profit margin

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

	Year ended 31 December					
	2019			2018		
	Gross profit (RMB'000)	**Percentage of gross profit %**	**Gross profit margin %**	Gross profit (RMB'000)	Percentage of gross profit %	Gross profit margin %
Property management services	**544,233**	**45.0**	**14.2**	409,625	48.1	14.1
Value-added services to non-property owners	**196,535**	**16.2**	**20.3**	140,203	16.5	20.1
Community value-added services	**469,953**	**38.8**	**40.7**	301,450	35.4	48.4
Total	**1,210,721**	**100.0**	**20.3**	851,278	100.0	20.1

For the year ended 31 December 2019, the Group's gross profit was approximately RMB1,210.7 million, representing an increase of approximately 42.2% as compared to approximately RMB851.3 million of the corresponding period of 2018, among which, gross profit from community value-added services accounted for approximately 38.8%, representing an increase of approximately 3.4 percentage points as compared to the corresponding period of 2018. The Group's gross profit margin experienced a stable increase from approximately 20.1% in 2018 to approximately 20.3% in 2019, primarily due to the cost reduction and efficiency enhancement brought by the increase in management scale as well as the expansion of community value-added services.

For the year ended 31 December 2019, the Group's gross profit margin for property management services was approximately 14.2% (2018: approximately 14.1%) and the gross profit margin for value-added services to non-property owners was approximately 20.3% (2018: approximately 20.1%), both of which maintained a stable growth.

The Group's gross profit margin for community value-added services was approximately 40.7% (2018: approximately 48.4%), representing a decrease of approximately 7.7 percentage points as compared to the corresponding period of 2018, mainly due to an increase in the percentage of revenue from certain of the Group's service projects with a lower profit margin during the year.

Administrative expenses

For the year ended 31 December 2019, the total administrative expenses of the Group was approximately RMB573.8 million, representing an increase of approximately 38.2% as compared to approximately RMB415.3 million for the year ended 31 December 2018. Such increase was primarily due to (i) an increase in employee wages and welfare, talent training and relevant expenses as compared to the corresponding period of 2018 as a result of the Group's increased headcount to cope with its rapid business development; (ii) an increase in expenses on third party professional services attributable to the expansion of scale; and (iii) the listing expenses of approximately RMB6.1 million. The administrative expenses of the Group accounted for approximately 9.6% (2018: approximately 9.8%) of the total revenue, representing a decrease of approximately 0.2 percentage points as compared to the corresponding period of 2018.

Other income and other net gain

For the year ended 31 December 2019, other income and other net gain of the Group was approximately RMB34.5 million, representing an increase of approximately 29.6% as compared to approximately RMB26.6 million for the year ended 31 December 2018. Such increase was primarily due to (i) an increase in interest income and government grants; and (ii) offset by the net exchange loss recognised in respect of changes in foreign exchange rates.

Profit for the year

For the year ended 31 December 2019, the profit for the year of the Group was approximately RMB503.2 million, representing an increase of approximately 49.7% as compared to approximately RMB336.1 million of the corresponding period of 2018. Such increase was primarily due to the rapid expansion of the Group's business scale, the continued improvement in profitability and a further increase in the proportion of businesses with a high profit margin. The profit attributable to owners of the Company was approximately RMB490.5 million, representing an increase of approximately 49.3% as compared to approximately RMB328.4 million of the corresponding period of 2018. The net profit margin was approximately 8.4%, representing an increase of approximately 0.5 percentage points as compared to approximately 7.9% of 2018.

Current assets, reserves and capital structure

For the year ended 31 December 2019, the Group maintained a sound financial position and its deposits and bank balances were denominated in Hong Kong dollars and Renminbi. As at 31 December 2019, the current assets amounted to approximately RMB7,303.3 million, representing an increase of approximately 217.9% as compared to approximately RMB2,297.4 million as at 31 December 2018. Cash and cash equivalents of the Group as at 31 December 2019 amounted to approximately RMB6,508.6 million, representing an increase of approximately 262.9% as compared to approximately RMB1,793.6 million as at 31 December 2018, primarily because the Company has successfully raised funds from the issuance of H shares on the Hong Kong Stock Exchange on 19 December 2019 (the "**Listing**"), and benefited from its continuously increasing net operating cash inflows. As of 31 December 2019, the gearing ratio of the Company was 32.3%, representing a decrease of 40.5% as compared to 72.8% as of 31 December 2018. Gearing ratio measures the ratio of total liabilities to total assets.

As at 31 December 2019, the Group's total equity was approximately RMB5,122.2 million, representing an increase of approximately RMB4,429.1 million or approximately 639.0% as compared to approximately RMB693.1 million as at 31 December 2018, which was primarily due to the funds raised from the Listing and the contributions of the realised profits in the current year.

Property, plant and equipment

The Group's property, plant and equipment primarily included right-of-use assets, buildings, leasehold improvements, computer equipments, electronic equipments, transportation equipments, furniture and equipments. As at 31 December 2019, the Group's property, plant and equipment amounted to approximately RMB99.0 million, representing an increase of approximately RMB7.9 million as compared to approximately RMB91.1 million as at 31 December 2018, which was primarily due to the purchase of electronic equipments for office use and the increase in leasehold improvements for the purpose of the Group's business operations.

Intangible assets

The Group's intangible assets primarily included property management contracts and goodwill obtained from a business combination. As at 31 December 2019, the Group's intangible assets amounted to approximately RMB95.7 million, representing a decrease of approximately RMB2.9 million as compared to approximately RMB98.6 million as at 31 December 2018, which was primarily due to (i) an increase of approximately RMB0.9 million in goodwill and approximately RMB3.0 million in property management contracts as the Group acquired 51% equity interest in Poly Huichuang (Chongqing) City Comprehensive Service Co., Ltd.* (保利暉創(重慶)城市綜合服務有限公司) (formerly known as Chongqing Xinxiangrui Property Management Co., Ltd.* (重慶新祥瑞物業管理有限公司)) ("**Poly Huichuang Chongqing**") in 2019 at a consideration of approximately RMB4.08 million; and (ii) offset by a decrease in intangible assets due to amortisation of property management contracts.

Trade and bills receivables

As at 31 December 2019, trade and bills receivables of the Group amounted to approximately RMB391.4 million, representing an increase of approximately RMB195.1 million as compared to approximately RMB196.3 million as at 31 December 2018, which was primarily due to an increase in the trade receivables from both third parties and related parties following the expansion of the Group's GFA under management and increase in number of projects.

Trade payables

As at 31 December 2019, trade payables of the Group amounted to approximately RMB253.4 million, representing an increase of approximately 31.1% as compared to approximately RMB193.3 million as at 31 December 2018, which was primarily due to the increasing scale in subcontracting of more services to independent third-party service providers following the expansion of the Group's GFA under management.

Borrowings

As at 31 December 2019, the Group had no borrowings or bank loans.

Pledge of assets

As at 31 December 2019, the Group had no pledge of assets.

MAJOR INVESTMENT, MAJOR ACQUISITION AND DISPOSAL

On 11 April 2019, the Group entered into a sale and purchase agreement with Chongqing Shiji Hengrun Industry Co., Ltd.* (重慶世紀恒潤實業有限公司) and Chongqing Xiangrui Holdings Group Co., Ltd.* (重慶祥瑞控股集團有限公司) (formerly known as Chongqing Xiangrui Property Group Co., Ltd.* (重慶祥瑞房地產集團有限公司)), both being independent third parties, for the acquisition of 51% of the total shareholding of Poly Huichuang Chongqing with a consideration of RMB4.08 million after arm's length negotiation. Poly Huichuang Chongqing is principally engaged in the provision of property management and other community services. The acquisition was made to expand the Group's existing scale of operation and enlarge the Group's geographical coverage. Upon the completion of the acquisition, Poly Huichuang Chongqing was owned as to 51% and 49% by the Group and the above-mentioned independent third parties, respectively.

Save as disclosed above, the Group had no major investment, major acquisition and disposal during the year.

PROCEEDS OF THE LISTING

The H shares of the Company (the "**H Shares**") were successfully listed on the Hong Kong Stock Exchange on 19 December 2019 (the "**Listing Date**") with 133,333,400 H Shares issued and, upon exercise of the over-allotment option in full, 153,333,400 new H Shares issued in aggregate, from which a total amount of HK$5,382.0 million (equivalent to RMB4,829.6 million) was raised. Total proceeds of the listing amounted to approximately HK$5,218.2 million (equivalent to RMB4,682.5 million) after deducting the underwriting fees and relevant expenses and the net proceeds per share were HK$34.03 (equivalent to RMB30.54).

As set out in the prospectus of the Company dated 9 December 2019 (the "**Prospectus**"), the Company intends to apply the use of proceeds as follow:

– Approximately 57% will be used to pursue selective strategic investment and acquisition opportunities and to further develop strategic alliances and expand the scale of the Group's property management business;

– Approximately 15% will be used to further develop the Group's value-added services;

– Approximately 18% will be used to upgrade the Group's systems for digitisation and smart management;

– Approximately 10% will be used for working capital and general corporate purpose.

As of 31 December 2019, the Company had not used any proceeds of the Listing. The net proceeds are currently held in the form of bank deposits and are intended to be used in the manner set out in the Prospectus.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities.

EXCHANGE RATE RISK

The Group conducts its business in Renminbi. Except for the bank deposits and payables denominated in Hong Kong dollars, the Group was not subject to any significant risk relating to foreign exchange fluctuation.

The Group currently does not use any financial instruments to hedge against exchange rate risk. However, the management of the Group will continue to keep track of exchange rate risk and take prudent measures to mitigate exchange rate risk where necessary.

SUBSEQUENT EVENTS

On 10 January 2020, the over-allotment option as described in the Prospectus was fully exercised and involved the issue of an aggregate of 20,000,000 H Shares, representing 15% of the total offer shares initially available under the global offering before any exercise of the over-allotment option. The over-allotment option shares were issued by the Company at HK$35.10 per H Share (i.e. the offer price per H Share under the global offering) on 17 January 2020.

Following the outbreak of Coronavirus Disease 2019 (the "**COVID-19 Outbreak**") in early 2020, a series of precautionary and control measures have been continually implemented across the PRC. The negative impact brought upon by the COVID-19 Outbreak in the short term has affected the business and economic activities of the Group to a certain extent. For example, it may lead to increase of costs incurred by additional hygiene and epidemic prevention requirements when rendering basic property management services, as well as decrease or delay of revenue from value-added services including property developer-related services and community value-added services due to various level of restrictions and controls over property development activities and community activities. The Group is not yet able to quantify the aforesaid influence of the COVID-19 Outbreak. However, the Group will pay close attention to the development of the COVID-19 Outbreak and its impact and will continue to perform relevant assessments and take proactive measures as appropriate.

DIRECTORS

Non-executive Directors

Mr. Huang Hai (黃海), aged 44, is the chairman of the Board and a non-executive Director. Mr. Huang joined our Group as a Director of our Company on 21 October 2016 and was appointed as the chairman of the Board on 22 April 2019 and was appointed as our non-executive Director on 7 May 2019. He is the chairman of our nomination committee and a member of our audit committee. Mr. Huang has over 22 years of experience in investment and financing, capital markets and corporate management and amongst which, over 16 years of experience in the real estate industry.

From April 1997 to October 1998, Mr. Huang worked as business manager of the finance department of Shenzhen OUR New Medical Technology Development Co., Ltd. (深圳市奧沃醫學新技術發展有限公司) (previously known as Shenzhen Wofa Medical New Technology Development Co., Ltd. (深圳沃發醫學新技術發展有限公司)), mainly participating in corporate financing related works. From January 1999 to January 2000, Mr. Huang worked as manager of the marketing department of Shantou Branch of Guangzhou Xingda Communication Co., Ltd. (廣州興達通訊有限公司), which has already been revoked, mainly responsible for marketing related works. From March 2000 to December 2002, Mr. Huang worked as manager and securities representative in the securities department of Zhongshan Public Utilities Group Co., Ltd. (中山公用科技股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 000685), responsible for securities related work. Since December 2002, Mr. Huang has been working in Poly Developments and Holdings, whose shares are listed on the Shanghai Stock Exchange (stock code: 600048), with his current position since April 2012, as the secretary of the board and officer of the board of directors, responsible for securities related work, relationship with the investors and capital markets related work. Since July 2016, Mr. Huang has been working as a director of Guangdong Provincial Expressway Development Co., Ltd (廣東省高速公路發展股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 000429), responsible for overall corporate and business strategies, as well as making major corporate and operational decisions. Since October 2016, Mr. Huang has been working as a Director of our Group, responsible for formulating our major corporate and business strategies.

Mr. Huang obtained a bachelor's degree in trade and economics from South China Agricultural University (華南農業大學) in June 1997 and a master's degree in business administration from Sun Yat-sen University (中山大學) in December 2006.

Mr. Hu Zaixin (胡在新), aged 51, is a non-executive Director. Mr. Hu joined our Company in April 2009, he has served as a Director of our Company since 20 April 2009 and was the chairman of the Board between April 2009 and June 2018, and appointed as our non-executive Director on 7 May 2019. He is a member of each of our audit committee and remuneration committee. Mr. Hu has over 10 years of experience in property management.

Mr. Hu has joined Poly Developments and Holdings since July 1998, and is currently the deputy secretary of the committee of the Communist Party of China (黨委副書記) of Poly Developments and Holdings. Mr. Hu successively worked as manager in the sales department, general manager and assistant general manager of the marketing centre, general manager and deputy general manager of the brand management centre of Poly Developments and Holdings.

Mr. Hu obtained a master's degree in economics from Sun Yat-sen University (中山大學) in June 1998. In January 2009, Mr. Hu obtained a doctorate degree in media economics from Communication University of China (中國傳媒大學). Mr. Hu was qualified as an intermediate economist (sales and marketing) in November 2000. Mr. Hu is currently the vice president of China Property Management Institute (中國物業管理協會).

Executive Directors

Mr. Li Jiahe (黎家河), aged 59, is an executive Director. Mr. Li joined our Group in May 2000 and rejoined our Group in January 2005, was appointed as a Director on 20 April 2009, and was appointed as our executive Director on 7 May 2019. He is a member of our remuneration committee. Mr. Li has over 17 years of experience in property management related work.

Mr. Li worked as manager of the finance department of Poly Developments and Holdings from March 1993 to April 2000, responsible for financial management. From May 2000 to August 2002, Mr. Li served as the deputy general manager of our Company, responsible for the operation of certain property management projects. From September 2002 to January 2005, Mr. Li served as manager of the human resources department of Poly Developments and Holdings, responsible for human resources. Mr. Li successively served as general manager, director and chairman of the Board of our Company from January 2005 to April 2019, mainly responsible for the overall management, operation and business development of our Group.

Mr. Li obtained a certificate of completion of corporate management (finance and investments) from Sun Yat-sen Business School (中山大學管理學院) in September 2004. Mr. Li was qualified as property management manager in December 2005.

Ms. Wu Lanyu (吳蘭玉), aged 40, is an executive Director and the general manager. Ms. Wu joined our Group as a Director on 20 June 2018 and was redesignated as our executive Director on 7 May 2019. She is a member of our nomination committee. Ms. Wu has over 14 years of experience in the real estate industry.

Ms. Wu worked as business manager of Poly Developments and Holdings from June 2005 to August 2005, responsible for investment related work. From September 2005 to February 2008, Ms. Wu served as the officer-in-charge of the sales and marketing department of Guangzhou Science City Poly Property Co., Ltd. (廣州科學城保利房地產開發有限公司), which was a subsidiary of Poly Developments and Holdings and deregistered in October 2016, responsible for sales and marketing. From February 2008 to April 2018, Ms. Wu served as assistant general manager and deputy general manager of Poly (Wuhan) Property Co., Ltd. (保利(武漢)房地產開發有限公司), with her last position responsible for sales and marketing, customer services and property management related work. Ms. Wu has served as the general manager of our Company since June 2018 with responsibility of overall operation, management, strategy making and business decision making.

Ms. Wu obtained two bachelor's degrees in Management and Law, respectively, from Wuhan University of Technology (武漢理工大學) in June 2003, and a master's degree in Communication Studies from Huazhong University of Science and Technology (華中科技大學) in June 2005. Ms. Wu was qualified as an intermediate economist (economy of real estate) in December 2008.

Independent non-executive Directors

Mr. Wang Xiaojun (王小軍), aged 65, was appointed as an independent non-executive Director on 7 May 2019. He is the chairman of our remuneration committee and a member of each of our audit committee and nomination committee.

From October 1992 to April 2001, Mr. Wang successively served as an assistant manager in the China Listing Affairs Unit of the Hong Kong Stock Exchange, a solicitor of Richards Butler, an assistant director of Peregrine Capital Limited and a director of ING Barings Securities (Hong Kong) Limited. Mr. Wang had been a partner of Junhe Law Offices. Mr. Wang is currently a partner of JNJ Partners LLP. Since August 2004, Mr. Wang has been serving as an independent non-executive director of OP Financial Limited, whose shares are listed on the Hong Kong Stock Exchange (stock code: 01140). Since March 2013, Mr. Wang has been serving as an independent non-executive director of China Aerospace International Holdings Limited, whose shares are listed on the Hong Kong Stock Exchange (stock code: 00031).

From June 2001 to May 2004, Mr. Wang served as an independent non-executive director of Euro-Asia Agricultural (Holdings) Co., Ltd. (歐亞農業(控股)有限公司), whose shares were listed on the Hong Kong Stock Exchange (former stock code: 932) and delisted in May 2004. From May 2005 to May 2011, Mr. Wang served as an independent non-executive director of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司) (currently known as CSSC Offshore & Marine Engineering (Group) Company Limited (中船海洋與防務裝備股份有限公司)), whose shares are listed on the Hong Kong Stock Exchange (stock code: 00317) and the Shanghai Stock Exchange (stock code: 600685), and from November 2009 to October 2013, Mr. Wang served as an independent non-executive director of Zijin Mining Group Co., Ltd. (紫金礦業集團股份有限公司), whose shares are listed on the Hong Kong Stock Exchange (stock code: 02899) and the Shanghai Stock Exchange (stock code: 601899). Mr. Wang served as an independent non-executive director of Yanzhou Coal Mining Company Limited (兗州煤業股份有限公司), whose shares are listed on the Hong Kong Stock Exchange (stock code: 01171) and the Shanghai Stock Exchange (stock code: 600188), and were listed on the New York Stock Exchange (Stock Code: YZC) from April 2002 to June 2008 and from May 2011 to June 2017, respectively. From June 2008 to September 2014, Mr. Wang served as an independent director of Norinco International Cooperation Ltd. (北方國際合作股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 000065). From September 2013 to September 2019, Mr. Wang served as an independent non-executive director of Livzon Pharmaceutical Group Inc. (麗珠醫藥集團股份有限公司), whose shares are listed on the Hong Kong Stock Exchange (stock code: 01513) and the Shenzhen Stock Exchange (stock code: 000513).

Mr. Wang graduated from the First Branch of Renmin University of China (中國人民大學第一分校) (currently known as Beijing Union University (北京聯合大學)) majoring in law in July 1983 and obtained a master's degree in laws from the Graduate School of the Chinese Academy of Social Sciences (中國社會科學院研究生院) (currently part of the University of Chinese Academy of Social Sciences (中國社會科學院大學)) in December 1986. Mr. Wang qualified as a lawyer in the PRC in 1988, and was admitted as a solicitor in Hong Kong in 1995 and was admitted as a solicitor in England and Wales in 1996.

Ms. Tan Yan (譚燕), aged 55, was appointed as an independent non-executive Director on 7 May 2019. She is the chairlady of our audit committee and a member of each of our remuneration committee and our nomination committee.

Ms. Tan has been teaching in Sun Yat-Sen Business School (中山大學管理學院) majoring in accounting. Ms. Tan successively has been teaching assistant, lecturer, associate professor and professor of Sun Yat-Sen Business School (中山大學管理學院) since July 1988. Since July 2019, Ms. Tan has served as an independent director of SGIS Songshan Co., Ltd (廣東韶鋼松山股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 000717). From September 2018 to January 2020, Ms. Tan served as an independent director and the chairlady of the audit committee of Guangzhou Yuetai Group Co., Ltd. (廣州粵泰集團股份有限公司), whose shares are listed on the Shanghai Stock Exchange (stock code: 600393). From July 2013 to July 2019, Ms. Tan served as an independent director and the chairlady of the audit committee of Alpha Group (奧飛娛樂股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 002292). From January 2014 to January 2018, Ms. Tan served as an independent director and a member of the audit committee of Yihua Healthcare Co., Ltd. (宜華健康醫療股份有限公司) (formerly known as Yihua Real Estate Co., Ltd. (宜華地產股份有限公司)), whose shares are listed on the Shenzhen Stock Exchange (stock code: 000150). From December 2013 to November 2016, Ms. Tan served as an independent director of Zhuhai Wiseman Fashion Co., Ltd. (珠海威絲曼股份有限公司), whose shares are listed on the NEEQ (stock code: 833957). From December 2011 to May 2015, Ms. Tan served as director of Shenzhen Zhengxian Electric Co., Ltd. (深圳市正弦電氣股份有限公司), whose shares are listed on the NEEQ (stock code: 834933).

Ms. Tan obtained her bachelor's degree in industrial financial accounting from Hunan Institute of Finance and Economics (湖南財經學院) (currently a part of Hunan University (湖南大學)) in July 1985, and obtained her master's degree in accounting from Renmin University of China in July 1988. In July 2004, Ms. Tan obtained her doctorate degree in accounting from Renmin University of China.

Mr. Wang Peng (王鵬), aged 44, was appointed as an independent non-executive Director on 7 May 2019. He is a member of each of our audit committee, our remuneration committee and our nomination committee.

Since July 2003, Mr. Wang successively served as director of the publicity department, deputy secretary-general, secretary-general and vice president at CPMI, an industry association of property management enterprises, where he is responsible for administration and management, human resources, financial budgeting and internal management. Mr. Wang has been serving as an independent non-executive director of each of the following Hong Kong listed companies: (i) A-Living Services Co., Ltd. (雅居樂雅生活服務股份有限公司) (stock code: 03319) since August 2017; (ii) Ever Sunshine Lifestyle Services Group Limited (永升生活服務集團有限公司) (stock code: 01995) since November 2018; and (iii) Xinyuan Property Management Service (Cayman) Ltd. (鑫苑物業服務集團有限公司) (stock code: 01895) since October 2019, respectively.

Mr. Wang obtained his executive master of business administration (EMBA) from Hebei University of Technology (河北工業大學) in January 2015.

SUPERVISORS

Ms. Liu Huiyan (劉慧妍), aged 48, was appointed as the chairlady of the Supervisory Committee in October 2016. Ms. Liu joined our Group in March 1999 and rejoined our Group in November 2011 and has been serving as the Supervisor of our Company since 15 November 2011.

Ms. Liu has more than 23 years of experience in financial management related fields. From February 1996 to February 1999, Ms. Liu worked as a business manager in the finance department of Poly Developments and Holdings, responsible for financial accounting and analysis. From March 1999 to January 2009, Ms. Liu successively served as manager of the finance department, assistant to general manager and chief financial officer of our Company, mainly responsible for financial management. From January 2009 to January 2010, Ms. Liu served as the chief financial officer of Fuli Construction Holdings Co., Ltd. (富利建設集團有限公司) (formerly known as Guangzhou Fuli Construction and Installation Engineering Co., Ltd. (廣州富利建築安裝工程公司)), responsible for financial management. From February 2010 to January 2011, Ms. Liu served as the chief financial officer of Guangzhou Pazhou Investment Co., Ltd.(廣州市琶洲投資有限公司), responsible for financial management. Since January 2011, Ms. Liu has been serving as the general manager of auditing management centre of Poly Developments and Holdings, responsible for internal auditing and internal control regulation.

Ms. Liu obtained her bachelor's degree in economics from Guangdong Commercial College (廣東商學院) (currently known as Guangdong University of Finance and Economics (廣東財經大學)) in June 1994. She was qualified as an accountant in the PRC in December 2002.

Ms. Chen Shuping (陳淑萍), aged 54, was elected as the Supervisor of our Company on 11 October 2016. Ms. Chen joined our Group in April 2005.

Ms. Chen has over 14 years of experience in the property management fields. From April 2005 to March 2017, Ms. Chen successively served as a project manager of Poly Lily Garden Services Centre (保利百合花園服務中心) of our Company, the general manager services centre, a deputy general manager and the general manager of human resources centre of Poly Garden, mainly responsible for property management and human resources management. Since March 2017, Ms. Chen has been serving as the general manager of Poly (Guangzhou) Property and Development Co., Ltd. (保利(廣州)物業發展有限公司), responsible for its daily operation.

Ms. Chen obtained her master's degree in business administration from the Asia International Open University (Macau) in May 2005. Ms. Chen was qualified as an intermediate economist (human resources) in November 2000 and a property manager in November 2013.

Ms. Zhong Yu (鍾妤), aged 47, was appointed as the Supervisor of our Company on 21 October 2016. Ms. Zhong joined our Group in July 2007.

Ms. Zhong has over 12 years of experience in financial fields. From July 2007 to March 2017, Ms. Zhong successively served as manager in the finance department of the property management services centre, senior manager of the finance management centre, deputy manager of the budget management department of the finance management centre, assistant general manager of the operation expansion centre and assistant general manager of the auditing management centre of Poly International Square of our Company, mainly responsible for the budget management, internal control and auditing. Since March 2017, Ms. Zhong has been serving as the chief financial officer of Guangzhou Poly Commercial Property and Development Co., Ltd. (廣州保利商業物業發展有限公司), responsible for financial management.

Ms. Zhong obtained her bachelor's degree in economy from Wuhan University (武漢大學) in July 1995. She was qualified as an intermediate accountant in the PRC in May 2002.

SENIOR MANAGEMENT

Ms. Zhao Guangfeng (趙廣峰), aged 46, is a deputy general manager of our Company. Ms. Zhao joined our Group in March 2002 and was appointed as a deputy general manager in approximately January 2008 and is mainly responsible for operation of property management business.

Ms. Zhao has over approximately 18 years of experience in property management fields. From April 2001 to August 2001, Ms. Zhao worked as the chief officer of the supervision department of Guangdong Zhugang Property Management Co., Ltd. (廣東珠港物業管理有限公司), responsible for business supervision. From October 2001 to March 2002, Ms. Zhao worked as a manager in the administrative department of Guangzhou Ourchem Information Consulting Technology Co., Ltd. (廣州奧凱資訊科技有限公司) (currently known as Guangzhou Ourchem Information Consulting Co., Ltd. (廣州奧凱信息諮詢有限公司)), responsible for administrative management. From March 2002 to January 2008, Ms. Zhao served as the assistant to general manager of the Company, and the assistant manager of the human resources department, responsible for property management and human resources related works.

Ms. Zhao obtained her bachelor degree majoring in agriculture from Heilongjiang Bayi Agricultural University (黑龍江八一農墾大學) in July 1996. Ms. Zhao was qualified as property manager in December 2005.

Mr. Liu Baoyu (劉寶裕), aged 47, is a deputy general manager of our Company. Mr. Liu joined our Group in March 2007 and was appointed as a deputy general manager in January 2012 and is mainly responsible for the operation of property management business.

Mr. Liu has over 17 years of experience in property management fields. From July 2000 to July 2003, Mr. Liu worked as a project manager of Guangdong Kangjing Property Services Co., Ltd. (廣東康景物業服務有限公司), responsible for property management related work. Mr. Liu served as a deputy general manager of Guangzhou Huaqiao Property Development Co., Ltd. (廣州市華僑物業發展有限公司) with responsibility for property management related work from July 2003 to May 2005. From March 2007 to January 2012, Mr. Liu successively served as a deputy manager of the business department and the general manager of the quality management centre of the Company, mainly responsible for property management and quality control.

Mr. Liu obtained his bachelor's degree in philosophy from Sun Yat-sen University (中山大學) in June 1994. Mr. Liu was also qualified as an intermediate economist (real-estate economy) in November 1998 and as a property manager in October 2000.

Mr. Zou Fushun (鄒福順), aged 42, is a deputy general manager of our Company. Mr. Zou joined our Group in January 2017 as a deputy general manager since then and is mainly responsible for the operation of the property management business.

Mr. Zou has approximately 15 years of experience in administration and management. From May 2004 to January 2012, Mr. Zou successively worked in China Poly Group Corporation Limited ("**China Poly Group**") as an assistant manager in the comprehensive affairs department, responsible for administrative affairs, and a manager in the working department for party and the masses, responsible for the work related with construction of relationship with party and masses. From January 2012 to January 2017, Mr. Zou worked as a deputy general manager of Poly (Chongqing) Investment Industry Co., Ltd. (保利(重慶)投資實業有限公司), responsible for administrative affairs and human resources, assets and property management related works.

Mr. Zou obtained his double bachelor's degree majoring in ethical and political education and in social work from the China Youth University of Political Studies (中國青年政治學院) (currently part of the University of Chinese Academy of Social Sciences (中國社會科學院大學)) in July 2002 and July 2004, respectively.

Ms. Yang Yang (楊楊), aged 42, is the chief financial officer of our Company. Ms. Yang joined our Group in June 2018 and was appointed as the chief financial officer in June 2018, mainly responsible for financial management work.

Ms. Yang has more than 13 years of experience in financial management fields. From July 2006 to February 2010, Ms. Yang worked as an accountant in Poly Developments and Holdings, responsible for financial accounting. From February 2010 to May 2014, Ms. Yang served as a finance manager of Poly Southern China Industry Co., Ltd. (保利華南實業有限公司), responsible for financial accounting and financing analysis. From May 2014 to April 2017, Ms. Yang served as the chief financial officer of Anhui Poly Property Development Co., Ltd. (安徽保利房地產開發有限公司), responsible for financial management. From May 2017 to May 2018, Ms. Yang served as the chief accountant of Poly Licheng Co., Ltd. (保利里城有限公司), responsible for financial auditing and accounting. Ms. Yang was appointed as secretary of the Board and joint company secretary from April 2019 to February 2020, and was mainly responsible for company secretarial matters.

Ms. Yang obtained her bachelor's degree majoring in accounting from adult education school of the Renmin University of the PRC in January 2005. Ms. Yang was also qualified as a senior accountant in April 2013.

Mr. Yang Wenbo (楊文波), aged 45, is a deputy general manager of our Company. Mr. Yang joined our Group in January 2015 and was appointed as a deputy general manager in July 2018 and is mainly responsible for operation of property management business.

Mr. Yang has approximately 16 years of experience in engineering and approximately 5 years of experience in property management fields. Mr. Yang worked as an assistant engineer between July 1997 and December 2003 and an engineer between December 2003 and December 2013 in the People's Liberation Army Air Force. From January 2015 to July 2018, Mr. Yang served as a deputy chief engineer of our Company, mainly responsible for property management.

Mr. Yang obtained his bachelor's degree in aircraft engine engineering from Air Force Engineering College (空軍工程學院) (currently known as Air Force Engineering University (空軍工程大學)) in July 1996 and his master's degree in management science and engineering from Air Force Engineering College (空軍工程學院) in July 2007. Mr. Yang was qualified as an engineer in December 2003.

Mr. Yin Chao (尹超), aged 36, is the secretary of the Board and joint company secretary of the Company. Mr. Yin joined the Company in 2020, mainly responsible for securities affairs, investor relations and capital operation related work.

Mr. Yin has more than 12 years of extensive experience in securities affairs, investor relations and capital operation. From 2007 to January 2020, Mr. Yin worked at Poly Developments and Holdings and successively served as business manager of the financial management center; business manager, senior manager, department deputy manager, department manager of the securities department of the office of the board of directors; assistant general manager of the office of the board of directors and representative of securities affairs of Poly Developments and Holdings.

Mr. Yin obtained a bachelor's degree in management from Sun Yat-sen University (中山大學) in 2007. Mr. Yin was qualified as a secretary of the board of directors by the Shanghai Stock Exchange in 2008.

Mr. Jin Qin (靳勤), aged 41, is a deputy general manager of the Company. Mr. Jin joined our Group in August 2009 and was appointed as a deputy general manager in March 2020, mainly responsible for market development and operation of the public services business.

Mr. Jin has approximately 11 years of experience in the property management sector. From March 2005 to July 2009, Mr. Jin served as a senior manager at Shanghai Poly Real Estate Development Co., Ltd. (上海保利房地產開發有限公司). From August 2009 to July 2018, Mr. Jin served as a deputy general manager and the general manager of the Shanghai branch of Poly Property Development Co., Ltd. (保利物業發展股份有限公司). From July 2018 to February 2020, Mr. Jin served as an assistant general manager of the Company.

Mr. Jin obtained an EMBA from Shanghai University of Finance and Economics (上海財經大學) in June 2018 and was qualified as a registered property management manager in September 2012.

JOINT COMPANY SECRETARIES

Mr. Yin Chao (尹超), aged 36, was appointed as the joint company secretary of the Company in February 2020. For details of the biography of Mr. Yin, please refer to "Senior Management" in this section.

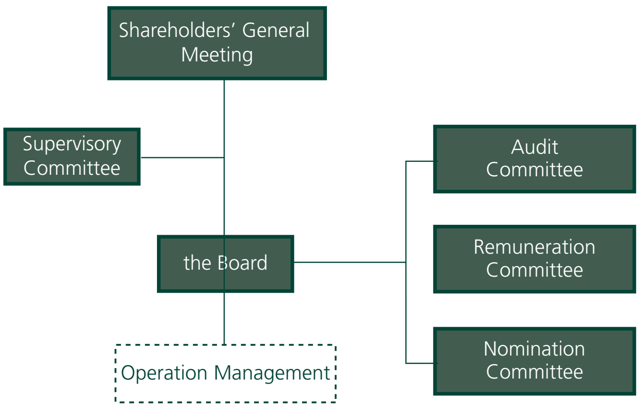
Mr. Lau Kwok Yin (劉國賢), aged 34, was appointed as the joint company secretary of the Company in July 2019. Mr. Lau is a senior manager of SWCS Corporate Services Group (Hong Kong) Limited. He has over 11 years of experience in corporate secretarial services, finance and banking operations. He holds a Bachelor of Business Administration degree in Accounting and Finance from the University of Hong Kong, and is a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst charterholder.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE STRUCTURE

The board (the "**Board**") of directors (the "**Directors**") of the Company is committed to maintaining a high level of corporate governance and believes that good corporate governance is critical to the sustainable development and stable business growth of the Company. Sound corporate governance is put in place to safeguard the interests of shareholders and enhance corporate value.

A clear governance structure has been established by the shareholders' general meeting, the Supervisory Committee, the Board and all Board committees of the Company in accordance with the relevant laws, the articles of association of the Company (the "**Articles of Association**") and their respective terms of reference. The Board and the three Board committees will discharge their respective duties and responsibilities and coordinate with each other with effective supervision to continuously improve the corporate governance level of the Company and form a sound corporate governance structure, through which the Company has ensured its standardised operation in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").



Since 19 December 2019, the Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. The Company abided by the applicable principles and code provisions throughout the period from the Listing Date to 31 December 2019.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct governing the dealings in securities by the Directors and Supervisors of the Company.

Specific enquiry has been made of all the Directors and Supervisors and they confirmed that they have complied with the relevant securities dealing code throughout the period from the Listing Date to 31 December 2019.

THE BOARD

The Board is accountable to the shareholders' general meeting and is responsible for managing the Group as a whole by formulating the Group's business and management strategies and development direction as well as supervising and controlling operations and financial performance in order to maximise long-term shareholder value. The responsibilities of the Board include but are not limited to: (i) convening shareholders' general meetings and submitting work reports to such meetings; (ii) implementing the resolutions of a shareholders' general meeting; (iii) deciding on the Company's operation plan and investment scheme; (iv) preparing the Company's financial budget and final accounts; (v) determining the establishment of the Company's internal management organisations and basic management system; (vi) appointing or removing senior management members and determining their remuneration; and (vii) exercising other responsibilities and powers conferred by relevant laws, regulations and the Articles of Association. The Board delegates certain functions to the management of the Group, and the management is mainly responsible for the implementation of the business plan, strategies and policies adopted by the Board and delegated to it from time to time.

Composition of the Board

As at 31 December 2019, the Board comprised seven Directors, including two non-executive Directors, two executive Directors and three independent non-executive Directors. Details of the Board composition are as follows:

Non-executive Directors

Mr. Huang Hai (Chairman)
Mr. Hu Zaixin

Executive Directors

Mr. Li Jiahe
Ms. Wu Lanyu

Independent non-executive Directors

Mr. Wang Xiaojun
Ms. Tan Yan
Mr. Wang Peng

The biographical details of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" of this annual report. None of the members of the Board has any relationship with any other Director, Supervisor and senior management, including financial, business, family or other material or relevant relationship(s).

Chairman and General Manager

Code provision A.2.1 of the CG Code requires that the roles of the chairman and the chief executive should be separated and should not be performed by the same individual. The Company supports the division of responsibility between the Chairman and the general manager in order to ensure a balance of power and authority and preserve a balanced judgment of views. During the period from the Listing Date to 31 December 2019, Mr. Huang Hai served as the Chairman of the Board of the Company and Ms. Wu Lanyu served as the general manager of the Company. The Chairman of the Board presides the Board and gives strategic development advice to the Group. The general manager, who is accountable to the Board, guides the operation management of the Group and is responsible for formulating and implementing the development strategies of the Group, determining business objectives and operational management, and ensuring that the Company has established sound corporate governance practices and procedures.

Independent Non-executive Directors

Independent non-executive Directors play a significant role in the Board by virtue of their independent judgement and their views which carry significant weight in the Board's decisions. Their extensive experience significantly contributed to enhance the decision-making of the Board and achieve a sustainable and balanced development of the Group.

During the period from the Listing Date to 31 December 2019, the Board abided by Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors to represent at least one-third of the Board and Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his or her independence as set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election.

Code provision A.4.2 of the CG Code states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first shareholders' general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Directors is engaged for a term of three years or for a term until the expiration of the term of the second session of the Board (22 October 2022). When the Directors' term expires and re-election is not held in time, the original Directors shall still perform their duties as Directors in accordance with the laws, administrative regulations, departmental rules and the Articles of Association before the newly elected Directors take office. Their re-election shall be subject to the provisions of the Articles of Association.

Nomination Policy

The Company approved the adoption of the relevant nomination policy on 29 November 2019. The nomination committee identifies candidates suitably qualified to become Board members and selects or makes recommendations to the Board on candidates to be nominated for Directors in order to ensure that the Board members possess the skills, experience and diversified perspectives necessary for the business of the Company. The nomination committee will consider the following factors in assessing a candidate, including but not limited to requirements of the Articles of Association, skills, experience and expertise, diversity, commitment, standing and independence.

The procedures for nomination of the Directors of the Company are as follows:

(i) Subject to the number of Board members specified in the Articles of Association, people who have the right of nomination may propose candidate(s) for the intended number of Directors to be elected.

(ii) For the purpose of nomination, the chairman of the nomination committee shall convene a meeting of the nomination committee and invite the Board members to provide a name list, if any, to the nomination committee for consideration prior to such meeting. The nomination committee may also put forward candidates who are not nominated by Board members.

(iii) The nomination committee will conduct a preliminary review on the appointment qualification and condition of the candidates for Directors and the eligible candidates will be reviewed by the Board; upon consideration and approval by the Board, a written proposal regarding the candidates for Directors will be put forward to the shareholders' general meeting; the nomination committee or any other organisation authorised by the Board is responsible for the specific matters related to the election of Directors.

(iv) In order to provide particulars of the candidates nominated by the Board to stand for election at the shareholders' general meeting and invite shareholders to nominate candidates, the Company will dispatch to its shareholders a circular on which the deadline for shareholders to submit nomination will be specified. Particulars of the candidates will be set out in the circular to be dispatched to the shareholders in accordance with the applicable laws, rules and regulations.

(v) Until the issue of the shareholder circular, the nominees shall not assume that they have been recommended by the Board to stand for election at the shareholders' general meeting.

Board Diversity Policy

The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and maintaining its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to professional qualifications and industry experience, gender, age, cultural and educational background and length of service. Final decision will be made based on the contributions that the nominees may provide to the Board.

An analysis of the current Board composition is set out in the following chart:

A Professional qualifications and industry experience

Directors	Role	Professional qualifications and industry experience
Mr. Huang Hai	Non-executive Director	Investment and financing, capital operation, property management, real estate development and sale, corporate governance
Mr. Hu Zaixin	Non-executive Director	Property management, real estate development and sale, corporate governance
Mr. Li Jiahe	Executive Director	Property management, corporate governance
Ms. Wu Lanyu	Executive Director	Property management, real estate development and sale, corporate governance
Mr. Wang Xiaojun	Independent non-executive Director	Legal expert
Ms. Tan Yan	Independent non-executive Director	Financial and accounting expert
Mr. Wang Peng	Independent non-executive Director	Property expert

B Age

Age group	Aged 40-45	Aged 51-55	Aged 56-60	Aged 61 and above
Number of Directors	3	2	1	1

C Gender

Gender group	Male	Female
Number of Directors	5	2

D Length of service of Directors

Length of service	Less than one year	One to three years	Three to ten years	More than ten years
Number of Directors	3	1	1	2

In view of the above, the nomination committee considers that the Company has strictly implemented the Board Diversity Policy. Members of the Board of the Company are of the view that the composition of the Board is in line with the diversity policy in terms of gender, age, professional qualification, skills and knowledge. The nomination committee will review the relevant policy on an annual basis to ensure its effectiveness and make recommendation to the Board on any amendments to the policy as and when necessary.

BOARD COMMITTEES

The Company has established three Board committees, namely the audit committee, the remuneration committee and the nomination committee. The Board committees of the Company are established with specific written terms which state clearly their authority and duties. The terms of reference of each of the Board committees are posted on the website of the Company (www.polywuye.com) and the HKExnews website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Audit Committee

Our audit committee comprises five members, namely Ms. Tan Yan (independent non-executive Director), Mr. Huang Hai (non-executive Director), Mr. Hu Zaixin (non-executive Director), Mr. Wang Xiaojun (independent non-executive Director) and Mr. Wang Peng (independent non-executive Director). Ms. Tan Yan is the chairlady of our audit committee.

The responsibilities of our audit committee include but not limited to:

– making recommendations to the Board on the appointment, re-appointment and removal of the external auditor;

– reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

– reviewing the Company's financial information;

– monitoring the integrity of the Company's financial statements, annual reports and accounts and half-year reports and reviewing significant financial reporting judgments contained therein; and

– overseeing the Company's financial reporting system, risk management and internal control systems.

Remuneration Committee

Our remuneration committee comprises five members, namely Mr. Wang Xiaojun (independent non-executive Director), Mr. Hu Zaixin (non-executive Director), Mr. Li Jiahe (executive Director), Ms. Tan Yan (independent non-executive Director) and Mr. Wang Peng (independent non-executive Director). Mr. Wang Xiaojun is the chairman of the remuneration committee.

The responsibilities of our remuneration committee include but not limited to:

– examining the remuneration policy and structure for Directors and senior management and making recommendations to the Board on the establishment of a formal and transparent procedure for developing remuneration policy;

– reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives established by the Board; and

– monitoring the implementation of the remuneration policy for Directors and senior management.

Nomination Committee

Our nomination committee comprises five members, namely Mr. Huang Hai (non-executive Director), Ms. Wu Lanyu (executive Director), Mr. Wang Xiaojun (independent non-executive Director), Ms. Tan Yan (independent non-executive Director) and Mr. Wang Peng (independent non-executive Director). Mr. Huang Hai is the chairman of our nomination committee.

The responsibilities of our nomination committee include but not limited to:

– reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the corporate strategy;

– identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for Directors;

– assessing the independence of independent non-executive Directors; and

– making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman, chief executive and general manager;

– reviewing the Board diversity policy and any measurable objectives set by the Board for the Board diversity policy from time to time, and progress of achieving those objectives; and

– reviewing the nomination procedures and the criteria to select and recommend candidates for Directors.

Meetings of the Board and the Board Committees

The Board shall conduct at least four regular meetings each year, which are to be convened by the Chairman of the Board. All Directors, Supervisors and the general manager are given not less than fourteen days' notice for regular Board meetings. For other Board and Board committee meetings, reasonable notice will be given.

The secretary of the Board is responsible for collecting proposals of the meetings and reviewing the form of such proposals, and then turning them into formal resolutions.

In accordance with code provision A.7.1 of the CG Code, for regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least three days before the intended date of a board or board committee meeting (or other agreed period).

The following table sets out the attendance of each of our Directors at the meetings of the Board and the Board committees and shareholder's general meetings during the year:

	Number of meetings attended/convened				
Directors	Board meetings	Audit Committee (Note 2)	Remuneration Committee (Note 2)	Nomination Committee (Note 2)	Shareholders' general meeting
Mr. Huang Hai	11/11	0/0	N/A	0/0	5/5
Mr. Hu Zaixin	11/11	0/0	0/0	N/A	5/5
Mr. Li Jiahe	11/11	N/A	0/0	N/A	5/5
Ms. Wu Lanyu	11/11	N/A	N/A	0/0	5/5
Mr. Wang Xiaojun (Note 1)	6/6	0/0	0/0	0/0	3/3
Ms. Tan Yan (Note 1)	6/6	0/0	0/0	0/0	3/3
Mr. Wang Peng (Note 1)	6/6	0/0	0/0	0/0	3/3
Ms. Fu Jun (Note 1)	5/5	N/A	N/A	N/A	2/2
Mr. He Jun (Note 1)	5/5	N/A	N/A	N/A	2/2
Ms. Cao Bin (Note 1)	5/5	N/A	N/A	N/A	2/2

Notes:

1. The election of Mr. Wang Xiaojun, Ms. Tan Yan and Mr. Wang Peng as the independent non-executive Directors of the Company was considered and passed at the 2018 annual general meeting of the Company held on 7 May 2019; and Ms. Fu Jun, Mr. He Jun and Ms. Cao Bin retired at the same time.

2. As the audit committee, nomination committee and remuneration committee of the Company were established on 29 November 2019, no meetings were held by these Board committees during the reporting period.

Directors' Training and Development

Directors' training is conducted on an ongoing basis. The Company provides training and information to each of the Directors to ensure that the Directors have adequate understanding of the operation and business of the Group and to strengthen their awareness of the duties and responsibilities of their respective roles under the Listing Rules and the relevant statutory requirements. Continuous training allows the Directors to keep abreast of the existing trends and important issues faced by the Group and enables the Directors to update their knowledge and skills necessary for the performance of their duties. The Company will invite external experts to share professional knowledge in a timely manner so that the Directors could learn more about the recent market trends and development.

Prior to the Listing Date, all Directors had been provided with training regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and the duty of disclosure of interests, and had read materials regarding the Company's business and the authority and duties of being a Director.

The following table sets forth the training received by the existing Directors of the Company during the year:

Directors	Continuing professional training	Reading materials related to regulation and governance (newspaper, publication or information)
Mr. Huang Hai	Yes	Yes
Mr. Hu Zaixin	Yes	Yes
Mr. Li Jiahe	Yes	Yes
Ms. Wu Lanyu	Yes	Yes
Mr. Wang Xiaojun	Yes	Yes
Ms. Tan Yan	Yes	Yes
Mr. Wang Peng	Yes	Yes

Emolument of Senior Management

Details of the Directors' and chief executive's emoluments and the respective emoluments of the five highest paid individuals for the year ended 31 December 2019 are set out in note 12 to the consolidated financial statements.

For the year ended 31 December 2019, the emolument bands of the senior management of the Company (excluding the Directors) are as follows:

Emolument bands (RMB)	Number
1-1,500,000	**4**
1,500,001-2,000,000	**1**

The two senior management members appointed by the Group in February and March 2020, respectively, did not receive emoluments for their senior management position during 2019.

CORPORATE GOVERNANCE FUNCTIONS

The audit committee undertakes the daily operation of the Company's corporate governance functions, which include but are not limited to (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of the Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and (v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Risk Management and Internal Control

The Board is of the view that effective risk management and internal control are integral and indispensable to the Group's achievement of long-term business growth and sustainable development. The purpose of establishing the risk management and internal control framework is to manage and mitigate the Group's exposure to business risks to the extent acceptable, rather than to eliminate the risk of failure to achieve business objectives, and to be able to only provide reasonable and not absolute assurance against material misstatement or loss.

The Group adopts multi-layer management for its comprehensive risk management works. Such framework includes the Board, audit committee, operation management of the Group, management at the headquarters of the Group and its subsidiaries, and auditing management centre.

– **The Board (the decision – making level)** guides the Group's comprehensive risk management works and is the ultimate decision-making body regarding the major risks arising from the comprehensive risk management. It is responsible for evaluating and determining the nature and level of risks that the Group is willing to accept for achieving its strategic objectives, and ensuring that the Group establishes and maintains suitable and effective risk management and internal control systems. It is held accountable for the effectiveness of the comprehensive risk management.

– **Audit Committee (the decision – making level)** is responsible for overseeing the risk management system and internal control system of the Group and discussing with the management about the risk management and internal control systems to ensure that the management have performed their duties to establish effective systems.

– **Operation Management of the Group (the leading level)** makes decision over general risk management matters and conducts preliminary review on material risk management matters under the authorisation of the Board.

– **Management at the Headquarters of the Group and its Subsidiaries (the implementation level)** is responsible for the identification, evaluation, report analysis and handling work for comprehensive risk management, with specific actions to be taken by the legal department of the Company; is responsible for pushing forward and implementing specific risk management measures, monitoring various risks of the business, and promptly reporting risk information to the operation management at the Group's headquarters.

– **Auditing Management Centre (the supervision level)** is responsible for establishing a sound comprehensive risk management, supervision and evaluation system, formulating a supervision and evaluation system for each of the Group's centers and subsidiaries to facilitate supervision and evaluation, issuing supervision and evaluation audit reports and arranging inspection and audit in respect of the internal control system, and conducting independence assessment through internal audit.

The Group has developed various policies relating to risk management and internal control with the aim to further standardise the procedures for risk management and internal control. The detailed process is set out in the figure below.

Risk Management and Internal Control of the Company for the Year

The Group conducted risk assessment for the year, during which the Group prioritised key risks from the five major risk categories, namely, strategic risk, financial risk, market risk, operation risk and legal risk. A series of control activities were implemented through the formulation of various measures in order to mitigate the potential effect of risk under its control. The operation management has adopted a systematic evaluation to review the changes of nature and extent of major risks, recognised material risks exposed, streamlined the current condition of risk control and the next response measures and key risk management programmes, and reported to the Board and the audit committee.

During 2019, in order to standardise the internal operation and management of the Company and prevent operational risk, the Company streamlined the 27 core procedures and 53 major systems to continuously optimise its internal control system with reference to the requirements under the "Basic Standards for Corporate Internal Control" and the complementary guidelines thereof and it also updated the "Application Manual for Internal Control" and "Evaluation Manual for Internal Control". In March 2019, the Company engaged a professional institution to conduct an internal control audit and organised the implementation of rectification works inside the Company. Based on the internal control review report, the rectification mission was broken down into small parts with respective responsibilities and goals to be fulfilled. The rectification measures covering the aspects of design and implementation were established and completed in May 2019. In addition, in accordance with the relevant requirements under the "Basic Standards for Corporate Internal Control", the Company conducted internal control compliance tests. Two reviews covering the accounting period of 2019 were conducted in 2019 to comprehensively evaluate the design and operation of the internal control and evaluate the control over key areas with an aim to identify and prevent operational risk. The Company completed the 2019 internal control self-evaluation work in December 2019 and considered that the risks from its operation and management activities have been effectively controlled.

The internal control for the year was reviewed by the audit committee. The Board, through the audit committee, has reviewed the special reports and are of the view that the risk management and internal control systems and procedures of the Group for the year ended 31 December 2019 were effective and adequate, and the Board will continue to strengthen its corporate risk management framework and the procedures and implementation of risk control.

Procedures for Handling and Dissemination of Inside Information

The Company has adopted the inside information policy in accordance with the Securities and Futures Ordinance (the "**SFO**") and the Listing Rules to make the relevant information disclosure on a timely basis. For information that is difficult to keep confidential, the Company will make disclosure to the public as soon as practicable to effectively safeguard the interests of investors and stakeholders.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2019 in order to give a true and fair view of the affairs of the Company and the Group and results and cash flows of the Group.

The operation management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Directors are not aware of any material uncertainties which may cast significant doubt upon the Group's ability to continue as a going concern. The statement by the auditor of the Company regarding its reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report of this annual report.

REMUNERATION OF AUDITOR

For the year ended 31 December 2019, the remuneration paid by the Company to the auditor in respect of audit services rendered in 2019 amounted to RMB2 million.

JOINT COMPANY SECRETARIES

From the Listing Date to 31 December 2019, Ms. Yang Yang has been acting as a joint company secretary of the Company. Mr. Lau Kwok Yin of SWCS Corporate Services Group (Hong Kong) Limited, which is an external service provider, has been engaged by the Company as its joint company secretary. During the reporting period, the main contact person of Mr. Lau in the Company is Ms. Yang Yang. Ms. Yang and Mr. Lau had participated in no less than 15 hours of relevant professional training for the year ended 31 December 2019.

Due to the adjustment in work arrangements, Ms. Yang ceased to serve as the secretary of the Board and joint company secretary of the Company with effect from 21 February 2020. Mr. Yin Chao was approved by the Board on the same day to serve as the secretary of the Board and joint company secretary of the Company, while Ms. Yang has continued to serve as the chief financial officer of the Company.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolution should be proposed for each significant issue at shareholders' general meetings, including the election of individual Director. All resolutions put forward at shareholders' general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Hong Kong Stock Exchange after each shareholders' general meeting.

Convening of the Extraordinary General Meeting

Shareholders individually or jointly holding 10% or more of the shares carrying voting rights at the meeting sought to be held may sign one or more written requests of identical form of content requesting the Board to convene an extraordinary general meeting and stating the subject of the meeting. If the Board fails to issue a notice of convening such meeting within 30 days upon receipt of the above written request, the shareholders who made such request may request the Supervisory Committee to convene the extraordinary general meeting. If the Supervisory Committee fails to issue a notice of convening such meeting within 30 days upon receipt of the above written request, shareholders, for more than 90 consecutive days, individually or jointly holding 10% or more of the shares carrying voting rights at the meeting sought to be held, may convene the meeting of their own accord within four months upon the Board of Directors having received such request. The convening procedures shall, to the greatest extent possible, be identical to procedures according to which shareholders' general meetings are to be convened by the Board. All reasonable expenses incurred for such meetings convened by the shareholders as a result of the failure of the Board and the Supervisory Committee to convene a meeting at the above requests shall be borne by the Company.

Putting Forward Resolutions at Shareholders' General Meetings

Shareholders who individually or jointly hold 3% or more of the shares of the Company carrying voting right, shall be entitled to make proposals in writing to the Company and the convener ten days before the convening of the shareholders' general meeting. The content of the proposal shall fall within the scope of duties and powers of shareholders' general meeting, with clear issues and specific resolutions, and comply with the relevant provisions of laws and regulations and the Articles of Association. The Company shall make the matters within the scope of duties and powers of the shareholders' general meeting listed in the agenda of this meeting and submit the matters to the shareholders' general meeting for consideration.

Enquires to the Board

The Company maintains a website (www.polywuye.com) where information on the Group's businesses and projects, key corporate governance policies and announcements, financial reports and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company by the following means:

Address:	Poly Property Development Co., Ltd. Rooms 201-208, North Tower, Poly International Square, No. 688 Yue Jiang Zhong Road, Hai Zhu District, Guangzhou, Guangdong Province, the PRC
Tel:	(86) 20 8989 9959
Email:	stock@polywuye.com

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company has established various and a wide range of communication channels with shareholders. These include shareholders' general meetings, annual results and interim results, annual reports and interim reports, announcements and circulars and results announcement. In addition, the Company updates its website from time to time to keep the shareholders updated of the latest information of Company's recent development. The Company endeavours to maintain an ongoing dialogue with shareholders. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet with the shareholders and answer their enquiries.

DIVIDEND POLICY

The Company approved the adoption of the relevant dividend policy on 29 November 2019. The Company's dividend policy allows the shareholders to share the Company's profits and retains sufficient reserves for the Company's future development. Subject to the shareholders' approval and relevant laws, the Company shall pay annual dividends to the shareholders if there is stable profit and a stable operating environment of the Company and no significant investment or capital contribution is made by the Group. The Board may from time to time distribute to the shareholders interim dividends. In addition, the Board may declare special dividends as and when it deems appropriate.

For details of the dividend distribution for the year ended 31 December 2019, see Results and Appropriations in the "Report of the Board of Directors".

The Board is not aware that any shareholder has waived or agreed to waive any dividends.

ARTICLES OF ASSOCIATION

The Articles of Association (H Shares) of the Company were adopted upon consideration and approval by the shareholders' general meeting held on 7 May 2019. There were no changes to the constitutional documents of the Company during the period from the Listing Date to 31 December 2019. The latest versions of such documents are available for inspection at the website of the Company (https://www.polywuye.com/) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

REPORT OF THE BOARD OF DIRECTORS

The Board of the Company is pleased to present the annual report and audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL BUSINESS

The Group is primarily engaged in the provision of property management services, value-added services to non-property owners and community value-added services.

LISTING OF THE COMPANY

The H shares (the "**H Shares**") of par value of RMB1.0 each of the Company were successfully listed on the Main Board of the Hong Kong Stock Exchange on 19 December 2019 for issuance to public investors and institutional investors. The Company issued 133,333,400 H Shares at an offer price of HK$35.1 per H Share during the listing. Upon subsequent exercise of the over-allotment option in full, the Company additionally issued a total of 20,000,000 H Shares at HK$35.1 per H Share on 17 January 2020. As at the date of this report, the Company had issued 153,333,400 H Shares and 400,000,000 domestic shares in total, respectively.

BUSINESS REVIEW

The business review of the Group for 2019 and a discussion of the Group's future business development and its major risks and uncertainties are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2019 and the consolidated statements of financial position as at 31 December 2019 of the Group are set out in the consolidated financial statements of this annual report.

RESULTS AND APPROPRIATIONS

Profits for the year attributable to owners of the Company for the year ended 31 December 2019 amounted to approximately RMB490.5 million (2018: RMB328.4 million). During the year ended 31 December 2019, dividend of RMB160,000,000 in respect of 2018 was declared by the Company to its shareholders (Poly Developments and Holdings and Xizang Yingyue Investment Management Co., Ltd. ("**Xizang Yingyue**")).

The Board proposed the distribution of an annual dividend of RMB0.3 per share (tax inclusive) for the year ended 31 December 2019 with a proposed dividend payout ratio of approximately 33.8%. The dividend distribution plan shall be subject to the approval of the shareholders of the Company (the "**Shareholders**") at the annual general meeting to be held on 23 June 2020 (the "**2019 AGM**") and is expected to be paid on or before 25 August 2020. The proposed annual dividend will be declared in Renminbi and paid in Hong Kong dollars (for H Shares) and Renminbi (for domestic shares), the exchange rate of which will be calculated based on the average exchange rate of Renminbi against Hong Kong dollars published by the People's Bank of China five business days prior to the 2019 AGM.

TAX ON DIVIDENDS

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) which came into effect on 1 January 2008, and amended on 24 February 2017 and 29 December 2018, the Provision for Implementation of the Enterprise Income Tax Law of the People' s Republic of China (《中華人民共和國企業所得税法實施條例》) which took effect on 1 January 2008 and amended on 23 April 2019, and the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprise to H Shareholders which are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》(國税函[2008]897號)), which was promulgated by the State Administration of Taxation and came into effect on 6 November 2008, where a PRC domestic enterprise distributes dividends for 2008 and subsequent years for financial periods beginning from 1 January 2008 to non-resident enterprise shareholders, it is required to withhold 10% enterprise income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of the annual dividend as enterprise income tax, distribute the annual dividend to non-resident enterprise shareholders whose names appear on the H Share register of members of the Company, i.e. any shareholders who hold H shares in the name of non-individual shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or H Shareholders registered in the name of other organisations and groups. After receiving dividends, the non-resident enterprise shareholders may apply to the relevant tax authorities for enjoying treatment of taxation treaties (arrangement) in person or by proxy or by the Company, and provide information to prove that it is an actual beneficiary under the requirements of such taxation treaties (arrangement). After the tax authorities have verified that there is no error, it shall refund the tax difference between the amount of tax levied and the amount of tax payable calculated at the tax rate under the requirements of the relevant taxation treaties (arrangement).

On 28 June 2011, the State Administration of Taxation promulgated the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 Document (Guo Shui Han [2011] No.348)《(關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》(國税函[2011]348號)) (the "**No. 348 Circular**"). Pursuant to the No. 348 Circular, foreign resident individual shareholders holding the shares of a domestic non-foreign-invested enterprise is entitled to the relevant preferential tax treatments pursuant to the provisions in the tax treaties between the country(ies) in which they are domiciled and the PRC, and the tax arrangements between the PRC and Hong Kong or Macau. Pursuant to the No. 348 Circular, individual income tax at a tax rate of 10% may in general be withheld in respect of the dividend and bonus to be distributed by the domestic non-foreign-invested enterprises whose shares have been issued in Hong Kong, without the need to make any application for preferential tax treatments. However, the tax rate for each foreign resident individual shareholder may vary depending on the relevant tax treaties between the country(ies) of their domicile and the PRC.

Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關税收政策的通知》(財税[2016]127號)), for dividends and bonus received by domestic investors from investing in H shares listed on the Stock Exchange through southbound trading, the company of such H shares shall withhold individual income tax at the rate of 20% on behalf of the investors. For dividends and bonus received by domestic securities investment funds from investing in shares listed on the Stock Exchange through southbound trading, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold the income tax for dividends and bonus on behalf of domestic enterprise investors and those domestic enterprise investors shall declare and pay the relevant tax themselves.

CLOSURE OF THE REGISTER OF MEMBERS

For the purpose of determining the Shareholders' eligibility to attend and vote at the 2019 AGM (and the adjourned meeting thereof), the register of members of the Company will be closed from Saturday, 23 May 2020 to Tuesday, 23 June 2020, both days inclusive, during which period no transfer of shares will be registered. In order for the H Shareholders to qualify for attending and voting at the 2019 AGM, all properly completed share transfer forms together with the relevant share certificates shall be lodged with the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 22 May 2020. Shareholders whose names appear on the register of members of the Company on Tuesday, 23 June 2020 are entitled to attend and vote at the 2019 AGM.

For the purpose of determining the identity of the Shareholders entitled to the annual dividend in respect of the year ended 31 December 2019, the H Share register of members of the Company will be closed from Tuesday, 30 June 2020 to Sunday, 5 July 2020, both days inclusive, during which period no transfer of H Shares will be registered. For entitlement to the above annual dividend, all share certificates together with the share transfer forms shall be lodged with the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 29 June 2020. Shareholders whose names appear on the register of members of the Company on Sunday, 5 July 2020 are entitled to receive the above proposed annual dividend.

SHARE CAPITAL

Details of the movements in the share capital of the Company for the year ended 31 December 2019 and as at 31 December 2019 are set out in note 26 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Company and of the Group for the year ended 31 December 2019 are set out in note 26 and note 29 to the consolidated financial statements and the section headed "Consolidated Statement of Changes in Equity" of this annual report.

As at 31 December 2019, the Company's aggregate amount of reserve available for distribution to equity Shareholders was approximately RMB251.0 million.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended 31 December 2019 are set out in note 14 to the consolidated financial statements.

INTANGIBLE ASSETS

Details of the movements in intangible assets of the Group for the year ended 31 December 2019 are set out in note 17 to the consolidated financial statements.

BORROWINGS

As at 31 December 2019, the Group had no borrowings or bank loans.

PLEDGE OF ASSETS

As at 31 December 2019, the Group had no pledge of assets.

CHARITABLE DONATIONS

For the year ended 31 December 2019, the Group made RMB85,300 of charitable donations.

DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

Directors' and chief executive's emoluments and the five highest paid individuals of the Group for the year ended 31 December 2019 are set out in note 12 to the consolidated financial statements of the Group.

The emoluments of the Directors and senior management were subject to the confirmation by the remuneration committee of the Company. The Company strictly abided by the requirements under the relevant standards and policies of the Company with regard to the emoluments of the Directors and senior management.

RETIREMENT BENEFIT SCHEME

Details of retirement benefit scheme of the Group are set out in note 3.19 to the consolidated financial statements.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past four financial years is set out in the section headed "Four Year Financial Summary" of this annual report.

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

Save as disclosed in "Listing of the Company" in this Report of the Board of Directors, during the period from the Listing Date to 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no arrangement for pre-emptive rights in accordance with the PRC laws and the Articles of Association of the Company.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company 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.

MEMBERS OF THE BOARD AND CHANGES DURING THE REPORTING PERIOD

The Directors of the Company for the year ended 31 December 2019 and up to the date of this report include:

Mr. Huang Hai (Chairman)	
Mr. Hu Zaixin	
Mr. Li Jiahe	
Ms. Wu Lanyu	
Mr. Wang Xiaojun(Note i)	(appointed on 7 May 2019)
Ms. Tan Yan(Note i)	(appointed on 7 May 2019)
Mr. Wang Peng(Note i)	(appointed on 7 May 2019)
Ms. Fu Jun(Note i)	(retired on 7 May 2019)
Mr. He Jun(Note i)	(retired on 7 May 2019)
Ms. Cao Bin(Note i)	(retired on 7 May 2019)

Note:

(i) Ms. Tan Yan, Mr. Wang Xiaojun and Mr. Wang Peng were appointed as independent non-executive Directors at the shareholders' general meeting of the Company held on 7 May 2019 and were re-elected, together with Mr. Huang Hai, Mr. Hu Zaixin, Mr. Li Jiahe and Ms. Wu Lanyu, at the shareholders' general meeting of the Company held on 23 October 2019 for election of a new session. Ms. Fu Jun, Mr. He Jun and Ms. Cao Bin retired as Directors at the shareholders' general meeting of the Company held on 7 May 2019.

Independence Confirmation

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all of the independent non-executive Directors have met the independence requirement.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company.

The term of office of all Directors and Supervisors is effective from their respective appointment dates until the expiry of the term of the second session of the Board and the Supervisory Committee (i.e. 22 October 2022).

As of 31 December 2019, none of the Directors or Supervisors had entered into any service contract with the Company which was not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SUPERVISORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director, Supervisor or any entity connected with our Directors or Supervisors of the Group had material interests in, either directly or indirectly, any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during 2019.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

No Director, Supervisor or any of their respective close associates had any interest in a business which competes or is likely to compete with the Company's business during 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and senior management are set out respectively in the section headed "Directors, Supervisors and Senior Management" of this annual report.

PERMITTED INDEMNITY PROVISION

The Company has maintained liability insurance for the Directors, Supervisors and senior management members to protect them from any legal liability to any third party arising from corporate activities.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed in 2019.

INTERESTS AND/OR SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVE IN THE SHARES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, the interests and/or short positions of the Directors, Supervisors and chief executive in the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Securities Dealing Code as defined in the Corporate Governance Report in this annual report, were as follows:

Name of Director/ Supervisor	Name of associated corporation	Nature of interest	Number of shares held	Approximate percentage of interests
Huang Hai	Poly Developments and Holdings	Beneficial owner	862,984(L)	0.007%
	Poly Developments and Holdings	Beneficial owner	187,713(2)	0.002%
Hu Zaixin	Poly Developments and Holdings	Beneficial owner	627,715(L)	0.005%
	Poly Developments and Holdings	Beneficial owner	442,782(2)	0.004%
Li Jiahe	Poly Developments and Holdings	Beneficial owner	136,519(2)	0.001%
Wu Lanyu	Poly Developments and Holdings	Beneficial owner	99,378(L)	0.001%
	Poly Developments and Holdings	Beneficial owner	102,388(2)	0.001%
	Poly Union Chemical Holding Group Co., Ltd.(3)	Beneficial owner	1,900(L)	0.00039%
Liu Huiyan	Poly Developments and Holdings	Beneficial owner	269,022(2)	0.002%
Chen Shuping	Poly Developments and Holdings	Beneficial owner	2,707(L)	0.00002%

Notes:

(1) The letter "L" denotes the person's long position in the shares.

(2) Such interest is in the form of share options as at 31 December 2019. The shareholding percentage is calculated (i) by assuming full exercise of the relevant options; and (ii) based on the total number of shares of Poly Developments and Holdings without taking into account the share options granted but not yet exercised, as at 31 December 2019.

(3) Poly Union Chemical Holding Group Co., Ltd. (保利聯合化工控股集團有限公司), formerly known as Guizhou Jiulian Industrial Explosive Material Development Co., Ltd.(貴州久聯民爆器材發展股份有限公司).

Save as disclosed above, as at 31 December 2019, none of the Directors, Supervisors and chief executive had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO); or which are recorded in the register required to be kept pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Securities Dealing Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, the persons (other than Directors, Supervisors or chief executive of the Company) or corporations who had interest or short positions in the shares and/or underlying shares of the Company which were required 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 were as follows:

Class of shares	Name of Shareholder	Capacity	Interests held or owned in the shares	Percentage of issued shares in the relevant class (%)	Percentage of the total shares of the Company (%)
H share	JPMorgan Chase & Co.	Interest in controlled corporation	565,000(L)	0.42	0.11
			565,000(S)	0.42	0.11
		Investment manager	5,133,000(L)	3.85	0.96
		Person having a security interest in shares	403,000(L)	0.30	0.08
		Approved lending agent	3,122,800(P)	2.34	0.59
	Schroders Plc	Investment manager	24,660,200(L)	18.50	4.62
	CCCC International Holding Limited(1)	Beneficial owner	6,681,400(L)	5.01	1.25
	China Communications Construction Group (Limited)(1)	Interest in controlled corporation	6,681,400(L)	5.01	1.25
	Gaoling Fund, L.P.	Beneficial owner	7,795,000(L)	5.85	1.46
	Hillhouse Capital Advisors, Ltd.	Investment manager	7,795,000(L)	5.85	1.46
	GIC Private Limited	Investment manager	18,931,000(L)	14.20	3.55
	Schroder International Selection Fund – Emerging Asia Fund	Beneficial owner	8,715,200(L)	6.54	1.63
	UBS AG(2)	Person having a security interest in shares	3,570,000(L)	2.68	0.67
		Interest in controlled corporation	5,263,100(L)	3.95	0.99
			20,000,000(S)	15.00	3.75
	UBS Group AG(2)	Person having a security interest in shares	3,570,000(L)	2.68	0.67
		Interest in controlled corporation	5,263,100(L)	3.95	0.99
			20,000,000(S)	15.00	3.75
	China Structural Reform Fund Co., Ltd(3)	Beneficial owner	6,681,400(L)	5.01	1.25
	Postal Savings Bank of China Co., Ltd.(3)	Beneficiary of a trust (other than discretionary interest)	6,681,400(L)	5.01	1.25
	CCB Investment Funds Management Co., Ltd.(3)	Interest in controlled corporation	6,681,400(L)	5.01	1.25
	CCB Trust Co., Ltd.(3)	Interest in controlled corporation	6,681,400(L)	5.01	1.25

Class of shares	Name of Shareholder	Capacity	Interests held or owned in the shares	Percentage of issued shares in the relevant class (%)	Percentage of the total shares of the Company (%)
Domestic share	China Poly Group[(4)]	Interest in controlled corporation	400,000,000(L)	100.00	75.00
	Poly Southern Group Co., Ltd[(4)]	Interest in controlled corporation	400,000,000(L)	100.00	75.00
	Poly Developments and Holdings [(4)]	Beneficial owner	380,000,000(L)	95.00	71.25
		Interest in controlled corporation	20,000,000(L)	5.00	3.75
	Xizang Yingyue[(4)]	Beneficial owner	20,000,000(L)	5.00	3.75

Notes:

As shown in the disclosed information:

Long position – L; Short position – S; Lending pool – P

(1) CCCC International Holding Limited ("**CCCC**") is directly held as to 98.98% by China Communications Construction Company Limited ("**CCC Company**"), which is deemed by the SFO to be interested in the shares of the Company held by CCCC; CCC Company is held as to 57.96% by China Communications Construction Group (Limited) ("**CCC Group**"), which is deemed by the SFO to be interested in the shares of the Company held by CCCC.

(2) UBS AG is wholly owned by UBS Group AG, which is deemed by the SFO to be interested in the shares of the Company held by UBS AG.

(3) (i) China Structural Reform Fund Co., Ltd ("**China Structural Reform Fund**") is held as to 38.2% by CCB Investment Funds Management Co., Ltd. ("**CCB**"), which is deemed by the SFO to be interested in the shares of the Company held by China Structural Reform Fund; (ii) CCB is wholly owned by CCB Trust Co., Ltd. ("**CCB Trust**"), which is deemed by the SFO to be interested in the shares of the Company held by CCB; and (iii) Postal Savings Bank of China Co., Ltd. ("**PSBC**") is the trust beneficiary of CCB Trust – Phoenix Tree Trust Plan (asset allocation type No. 26 investment unit) (建信信托－梧桐樹資金信托計劃(資產配置類26號投資單元)). PSBC is deemed by the SFO to be interested in the shares of the Company held by CCB Trust.

(4) (i) Poly Developments and Holdings is held as to 37.81% by Poly Southern Group Co., Ltd. ("**Poly Southern**"), which is a wholly-owned subsidiary of China Poly Group. Therefore, Poly Southern and China Poly Group are deemed by the SFO to be interested in the shares of the Company held by Poly Developments and Holding; and (ii) Xizang Yingyue is wholly owned by Poly Developments and Holdings. Therefore, Poly Developments and Holdings is deemed by the SFO to be interested in the shares of the Company held by Xizang Yingyue.

Save as disclosed above, as at 31 December 2019, the Company had not been notified of any other interests or short positions held by any other person in the shares or underlying shares of the Company which were required to be recorded or otherwise disclosed to the Company under the SFO.

COMPLIANCE WITH THE DEED OF NON-COMPETITION

China Poly Group, a substantial Shareholder of the Company, entered into a deed of non-competition dated 29 November 2019 in favour of the Group. Please refer to "China Poly Group Non-competition Undertaking" in the Prospectus of the Company dated 9 December 2019 for more details.

For the year ended 31 December 2019, China Poly Group, our controlling Shareholder, confirmed that it had complied with the deed of non-competition undertaking.

The independent non-executive Directors have reviewed the confirmation letter in relation to China Poly Group's compliance with the deed of non-competition undertaking for the year ended 31 December 2019.

Poly Developments and Holdings, a substantial Shareholder of the Company, entered into a deed of non-competition dated 29 November 2019 in favour of the Group. Please refer to the paragraph headed "Poly Developments and Holdings Non-competition Undertaking" in the Prospectus of the Company dated 9 December 2019 for more details.

For the year ended 31 December 2019, Poly Developments and Holdings, our controlling Shareholder, confirmed that it had complied with the deed of non-competition undertaking.

The independent non-executive Directors have reviewed the confirmation letter in relation to Poly Developments and Holdings' compliance with the deed of non-competition undertaking for the year ended 31 December 2019.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, the total procurement from the five largest suppliers of the Group was less than 30% of the total procurement of the Group. The total revenue from the five largest customers of the Group was also less than 30% of the total revenue of the Group.

CONTROLLING SHAREHOLDER' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions", there were no contracts of significance between the Company or any of its subsidiaries and the controlling shareholder of the Company or any of its subsidiaries for the year ended 31 December 2019.

CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2019, the Company had entered into the following connected transaction agreements with the connected persons of the Company which constituted continuing connected transactions under the Listing Rules.

Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements

Trademark Licencing Agreements

On 30 May 2019, our Company entered into a trademark licencing agreement with Poly Developments and Holdings, pursuant to which, Poly Developments and Holdings agreed to irrevocably grant us a non-transferable licence and to allow us to use the trademarks (i) 保利物业 (Trademark No.: 10017412, Category:36); and (ii) 保利物业 (Trademark No.: 10018517, Category:37) registered in China from the date of the trademark licencing agreement to the expiration dates of the trademarks (including the renewal period of such trademarks) or to the date of termination of the trademark licencing agreement to be agreed by the parties in writing at the total royalties of RMB20 for the entire period.

On 31 October 2016, our Company entered into a trademark licencing agreement with Poly Developments and Holdings, pursuant to which Poly Developments and Holdings agreed to irrevocably grant us a non-transferable licence and to allow us to use the trademark 保利 (Trademark No.: 3475707, Category:37) registered in China from 31 October 2016 to 20 May 2025 at the royalties of RMB10.

Poly Developments and Holdings is one of our controlling Shareholders and thus a connected person of our Company under the Listing Rules. Accordingly, the transactions under the above trademark licencing agreements will constitute the connected transactions of our Company under Chapter 14A of the Listing Rules upon the Listing.

As the right to use the above licenced trademarks is granted to us at the royalty of RMB30 in aggregate, the transactions under the above trademark licencing agreements will meet the de minimis transaction requirements under Rule 14A.76 of the Listing Rules and are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements But Exempt from the Independent Shareholders' Approval Requirements

On 29 November 2019, our Company entered into the connected transaction framework agreement (the "**Connected Transaction Framework Agreement**") with Poly Developments and Holdings with a term from the Listing Date to 31 December 2021. The Connected Transaction Framework Agreement includes the following continuing connected transactions:

1. *Property Leasing*

Pursuant to the Connected Transaction Framework Agreement, we will lease properties owned by Poly Developments and Holdings and its associates with a term from the Listing Date to 31 December 2021. According to the principles stipulated in the Connected Transaction Framework Agreement, the subsidiaries and associates of both parties will enter into separate lease agreements, which will set out specific terms and conditions. The rental payable by us under the Connected Transaction Framework Agreement will be determined after arm's length negotiations with reference to historical transaction amounts and the prevailing market rental of similar properties located in similar locations and no less favourable than that provided by independent third parties.

Our Directors estimate that the annual caps for leasing fee to be generated for each of the three years ending 31 December 2021 will not exceed RMB18.7 million (among which approximately RMB3.8 million will be recognised as right-of-use assets from the renewal of certain leases, and approximately RMB14.9 million will be rental expenses), RMB46.8 million (among which approximately RMB28.9 million will be recognised as right-of-use assets from such leases, and approximately RMB17.9 million will be rental expenses) and RMB21.5 million (all of which are rental expenses), respectively.

Poly Developments and Holdings is one of our controlling Shareholders, and is therefore a connected person of the Company under the Listing Rules. As the applicable percentage ratios under the Listing Rules in respect of the annual caps in relation to the property leasing under the Connected Transaction Framework Agreement are more than 0.1%, but less than 5%, the property leasing will be exempt from the independent Shareholders' approval requirement but shall be subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2019, the leasing fee for the properties leased by the Group from Poly Developments and Holdings and its associates amounted to RMB15.9 million (among which RMB1.6 million has been recognised as right-of-use assets from the renewal of certain leases, and RMB14.3 million has been recognised as rental expenses), which did not exceed RMB18.7 million (among which approximately RMB3.8 million shall be recognised as right-of-use assets from the renewal of certain leases, and approximately RMB14.9 million shall be rental expenses), the annual cap for 2019.

2. *Hardware Procurement and Hardware Maintenance Services*

Pursuant to the Connected Transaction Framework Agreement, we will procure hardware and hardware maintenance services, being (1) the procurement of hardware equipment; and (2) maintenance services of the procured hardware, from Poly Developments and Holdings and its associates with a term from the Listing Date to 31 December 2021.

Based on the expected demand of our Group for the hardware procurement and maintenance services, our Directors estimate that the annual caps of fees to be generated for the hardware procurement and maintenance services under the Connected Transaction Framework Agreement for each of the three years ending 31 December 2021 will not exceed RMB3.0 million, RMB5.0 million and RMB6.0 million, respectively.

Poly Developments and Holdings is one of our controlling Shareholders, and is therefore a connected person of the Company under the Listing Rules. As the applicable percentage ratios under the Listing Rules in respect of the annual caps in relation to hardware procurement and maintenance services under the Listing Rules are more than 0.1%, but less than 5%, the hardware procurement and maintenance services will be exempt from the independent Shareholders' approval requirement but shall be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2019, the fee for the hardware and hardware maintenance services procured by the Group from Poly Developments and Holdings and its associates amounted to RMB0.5 million, which did not exceed RMB3.0 million, the annual cap for 2019.

3. *Procurement of Technology Development and Supporting Services*

Pursuant to the Connected Transaction Framework Agreement, we will procure technology development and supporting services from Poly Developments and Holdings and its associates for the purposes of enhancing our digital platforms, systems and product application experiences, being (1) technology development services; (2) supporting services; and (3) maintenance services (collectively "**Technology Development and Supporting Services**"), with a term from the Listing Date to 31 December 2021.

Based on the expected demand of our Group for the Technology Development and Supporting Services, our Directors estimate that the annual caps of fees to be generated for the Technology Development and Supporting Services for each of the three years ending 31 December 2021 will not exceed RMB5.4 million, RMB6.5 million and RMB7.8 million, respectively.

Poly Developments and Holdings is one of our controlling Shareholders, and is therefore a connected person of the Company under the Listing Rules. As the applicable percentage ratios under the Listing Rules in respect of the annual caps in relation to the Technology Development and Supporting Services under the Listing Rules are more than 0.1%, but less than 5%, the Technology Development and Supporting Services will be exempt from the independent Shareholders' approval requirement but subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2019, the fee for the Technology Development and Supporting Services procured by the Group from Poly Developments and Holdings and its associates amounted to RMB3.6 million, which did not exceed RMB5.4 million, the annual cap for 2019.

Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements

1. *Provision of Property Management Services*

On 29 November 2019, our Company entered into a property management services framework agreement (collectively "**Other Property Management Services Framework Agreements**") with each of Poly Southern Group Co., Ltd ("**Poly Southern**"), Guangdong Poly Auction Co., Ltd. (廣東保利拍賣有限公司) and Poly Changda Overseas Engineering Co., Ltd (保利長大海外工程有限公司), respectively, pursuant to which, our Company will provide property management services to Poly Southern, Guangdong Poly Auction Co., Ltd. (廣東保利拍賣有限公司) (and its subsidiaries) and Poly Changda Overseas Engineering Co., Ltd (保利長大海外工程有限公司) (and its subsidiaries), respectively.

Pursuant to the Connected Transaction Framework Agreement and Other Property Management Services Framework Agreements, we provide property management services for a wide range of properties associated with Poly Developments and Holdings and its associates with a term from the Listing Date to 31 December 2021.

Our Directors estimate that the annual caps for the property management fees to be generated for each of the three years ending 31 December 2021 will not exceed RMB156.2 million, RMB188.0 million and RMB224.9 million, respectively.

Poly Developments and Holdings is one of our controlling Shareholders, and is therefore a connected person of the Company under the Listing Rules. Poly Southern is one of our controlling Shareholders, and Guangdong Poly Auction Co., Ltd. and Poly Changda Overseas Engineering Co., Ltd are the subsidiaries of China Poly Group. Therefore, Poly Southern, Guangdong Poly Auction Co., Ltd. and Poly Changda Overseas Engineering Co., Ltd are connected persons of the Company under the Listing Rules.

As the applicable percentage ratios under the Listing Rules in respect of the aggregated annual caps in relation to the property management services under the Connected Transaction Framework Agreement and Other Property Management Services Framework Agreements pursuant to the Listing Rules are more than 5%, the transactions in respect of the property management services under the Connected Transaction Framework Agreement and Other Property Management Services Framework Agreements shall be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2019, the property management fees generated from the provision of property management services by the Group to Poly Developments and Holdings and its associates amounted to RMB147.0 million, which did not exceed RMB156.2 million, the annual cap for 2019.

2. *Provision of Pre-delivery Services and Other Value-added Services*

(i) Provision of Pre-delivery Services

Pursuant to the Connected Transaction Framework Agreement, we will provide pre-delivery services to Poly Developments and Holdings and its associates, for the purposes of assisting in property sale activities, which include visitor reception, cleaning, security inspection, maintenance and other customer related services (collectively "**Pre-delivery Services**"), with a term from the Listing Date to 31 December 2021.

Our Directors estimate that the annual caps of the Pre-delivery Services fees to be generated under the Connected Transaction Framework Agreement for each of the three years ending 31 December 2021 will not exceed RMB688.5 million, RMB826.2 million and RMB991.5 million, respectively.

As the applicable percentage ratios under the Listing Rules in respect of the annual caps in relation to the Pre-delivery Services under the Connected Transaction Framework Agreement pursuant to the Listing Rules are more than 5%, the transactions in respect of the Pre-delivery Services shall be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2019, the service fees generated from the provision of Pre-delivery Services by the Group to Poly Developments and Holdings and its associates amounted to RMB682.9 million, which did not exceed RMB688.5 million, the annual cap for 2019.

(ii) Provision of Other Value-added Services

Pursuant to the Connected Transaction Framework Agreement, we will provide other value-added services to Poly Developments and Holdings and its associates, i.e. (i) other value-added services to non-property owners, such as consultation, inspection, delivery and commercial operation services; and (ii) community value-added services (collectively "**Other Value-added Services**"), with a term from the Listing Date to 31 December 2021.

Our Directors estimate that the annual caps of fees to be generated in respect of the Other Value-added Services provided by our Group for each of the three years ending 31 December 2021 will not exceed RMB179.2 million, RMB215.0 million and RMB258.0 million, respectively.

Poly Developments and Holdings is one of our controlling Shareholders, and is therefore a connected person of the Company under the Listing Rules. As it is expected that the applicable percentage ratios under the Listing Rules in respect of the annual caps in relation to the Other Value-added Services under the Connected Transaction Framework Agreement pursuant to the Listing Rules will be more than 5%, the transactions in respect of the Other Value-added Services shall be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2019, the service fees generated from the provision of Other Value-added Services by the Group to Poly Developments and Holdings and its associates amounted to RMB177.0 million, which did not exceed RMB179.2 million, the annual cap for 2019.

3. Deposit Service Framework Agreement

On 29 November 2019, our Company entered into a deposit service framework agreement ("**Deposit Service Framework Agreement**") with Poly Finance Company Limited (保利財務有限公司), pursuant to which we can use the deposit services provided by Poly Finance Company Limited. We have applied to the Hong Kong Stock Exchange for a waiver from strict compliance with the announcement and independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules which will expire up to the earlier of (i) one year after the Listing Date; or (ii) the date of our first annual general meeting after the Listing (the "**Deposit Waiver Term**").

According to the Deposit Service Framework Agreement, we may deposit funds into Poly Finance Company Limited from time to time. The terms, including interest rates and other important terms, provided by Poly Finance Company Limited should be comparable with those provided by Chinese banks or other financial institutions for the same type and terms/interests. The Group and Poly Finance Company Limited will monitor the Group's deposits from time to time.

The maximum daily deposit balance (including paid interests) we propose to deposit with Poly Finance Company Limited for the year ended 31 December 2019 and the period from 1 January 2020 till the expiry of the Deposit Waiver Term will not exceed RMB2,030.0 million and RMB2,030.0 million, respectively.

As Poly Finance Company Limited is an associate of China Poly Group, and China Poly Group is a connected person of the Company under the Listing Rules, Poly Finance Company Limited is therefore a connected person of the Company under the Listing Rules. As the applicable percentage ratios under the Listing Rules in respect of the daily caps for the deposit balances under the Deposit Service Framework Agreement are more than 5%, the transactions under the Deposit Service Framework Agreement shall be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2019, the maximum daily deposit balance (including paid interests) deposited by the Group with Poly Finance Company Limited amounted to RMB1,177.7 million, which did not exceed RMB2,030.0 million, the cap for the Deposit Waiver Term.

With regard to the transactions under the aforesaid Connected Transaction Framework Agreement, Other Property Management Services Framework Agreements and Deposit Service Framework Agreement, the Company has applied for, and the Hong Kong Stock Exchange has granted a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above).

REVIEW AND APPROVAL OF CONTINUING CONNECTED TRANSACTIONS BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

REVIEW AND APPROVAL OF CONTINUING CONNECTED TRANSACTIONS BY AUDITORS

In accordance with Rule 14A.56 of the Listing Rules, the Company's external auditor, BDO Limited, was engaged to report on the Group's continuing connected transactions. The auditor has issued the unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed as follows:

(1) nothing has come to his attention that causes him to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;

(2) for transactions involving the provision of services by the Group, nothing has come to his attention that causes him to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(3) nothing has come to his attention that causes him to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to his attention that causes him to believe that the disclosed continuing connected transactions have exceeded the total annual cap as set by the Company.

A copy of the auditor's letter has been delivered by the Company to the Hong Kong Stock Exchange.

MATERIAL RELATED PARTY TRANSACTIONS

The continuing connected transactions disclosed above also constitute related party transactions under the Hong Kong Financial Reporting Standards. Details of the material related party transactions entered into by the Group during the year ended 31 December 2019 are set out in note 32 to the consolidated financial statements. Certain items in note 32 to the consolidated financial statements also constitute continuing connected transactions under Chapter 14A of the Listing Rules,

The Board confirmed that the Company has complied with the disclosure requirements under the Listing Rules in respect of the above continuing connected transactions.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 38,774 employees (as at 31 December 2018: 33,211 employees). During the year ended 31 December 2019, the total staff costs were approximately RMB2,972.9 million.

The Group has established a market-based, competitive and performance-oriented remuneration plan with reference to market standards and employee performance and contributions in order to encourage value creation of employees. The Group also provides employees with employee benefits including pension funds, medical insurance, work injury insurance, maternity insurance, unemployment insurance and housing provident fund.

EMPLOYEE TRAINING AND DEVELOPMENT

The Group places a strong emphasis on recruiting quality personnel and provides employees with continuous training programmes and career development opportunities. Its "Galaxy Operating Officers" and "Nebula Scheme" talent training systems provide employees with comprehensive position and skills training, under which 12 internal professional programmes are offered to enable employees to develop expertise and enhance their value. In particular, the training programme for project managers, "Galaxy Operating Officers", is based on the Company's strategy and business needs to nurture project managers' awareness of operation, management and service with a view to develop a mechanism for the cultivation of project talents at key positions.

EVENTS AFTER THE REPORTING DATE

The important events occurred since the year ended 31 December 2019 are disclosed in note 36 to the consolidated financial statements of this annual report.

MATERIAL LITIGATION

During the year ended 31 December 2019, the Company was not engaged in any material litigation or arbitration which could have a material effect on its financial condition or results of operations. So far as our Directors are aware, no such litigation or arbitration of material importance is pending or threatened against the Company.

AUDITOR

The shares of the Company have been listed on the Hong Kong Stock Exchange since 19 December 2019 and there has been no change in the auditor since the Listing Date. The consolidated financial statements for the year ended 31 December 2019 have been audited by BDO Limited, Certified Public Accountants, who will be subject to nomination for re-appointment at the forthcoming annual general meeting.

REVIEW OF ACCOUNTS

The audit committee of the Company (the "**Audit Committee**") was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The Audit Committee is delegated by the Board to be responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfill its responsibility over the audit of the Group.

The Audit Committee had reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019, and discussed with the management of the Group regarding the accounting principles and practices adopted by the Group, and the internal controls and financial reporting matters.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions in the Corporate Governance Code contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company complied with all the applicable code provisions of the Corporate Governance Code throughout the period from the Listing Date to 31 December 2019.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company is subject to various laws and regulations, primarily including the Company Law of the PRC, the Contract Law of the PRC, the Labour Law of the PRC, the Property Law of the PRC, the Bidding Law of the PRC, the Environmental Protection Law of the PRC, the Production Safety Law of the PRC, the Fire Control Law of the PRC and the Land Administration Law of the PRC as well as the Provisions on Property Management, the Regulation on the Administration of Security and Guarding Services and the Regulations on Safety Supervision of Special Equipment promulgated by the State Council of the PRC.

For the year ended 31 December 2019, the Group's business had complied with the relevant laws and regulations in all material aspects and had not breached or violated any laws and regulations applicable to the Company which would result in a material and adverse impact on the results and financial condition of the Group.

PUBLIC FLOAT

From the Listing Date to the date of this report, the Company maintained sufficient public float in compliance with the Listing Rules.

RELATIONSHIP WITH STAKEHOLDERS

The Group deeply believes that our employees, customers and business partners are key to our sustainable development. The Group strives to achieve corporate sustainability through engaging our employees, providing customers with quality services, collaborating with business partners and supporting public welfare.

The Group places significant emphasis on human resources. The Group provides a fair workplace to employees and embraces inclusiveness and multi-cultural backgrounds. Employees are also provided with competitive remuneration packages and a wide range of opportunities for career advancement based on their performance. The Group administers its health and safety management system for employees and ensures the adoption of the principles throughout the Group. Regular training is provided to employees to keep them abreast of the latest development in the market and industry, in the form of both internal training and training provided by external professional organisations.

The Group values the feedback from customers which is obtained through daily communication and other surveys. Moreover, the Group has also established a mechanism for customer service and support. The Group sees rendering services to customers as a valuable opportunity to improve its relationship with customers and will respond promptly.

The Group understands that the role of suppliers is equally important for providing quality services, therefore it has actively cooperated with business partners to provide premium and sustainable services.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group has been actively promoting sustainable development and environmental protection. It has been proactive in facilitating and achieving effective use of resources during its operation and has strictly complied with laws and regulations in connection with environmental protection and health. At the same time, various types of environmental and public welfare activities were held in the course of its operation to promote the concept of environmental protection to every sector of the society in order to build a green and wonderful future together.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group believes that promoting sustainable development is as important as achieving long-term business growth. It has therefore made continuous efforts to maintain a high degree of sustainable development in its operations. The Group is committed to strengthening its management's efforts to promote a sustainable development plan through good corporate governance, environmental protection, community investment and workplace practices.

To demonstrate the Group's commitment to transparency and accountability to its stakeholders, the Company will issue separately an Environmental, Social and Governance Report under the Environmental, Social and Governance Reporting Guide as specified in Appendix 27 to the Listing Rules. The report will present the Company's commitment to sustainable development during the year under review, and it will cover the significant economic, environmental and social achievements and impacts arising from the activities of the Group and its joint ventures.

By order of the Board
POLY PROPERTY DEVELOPMENT CO., LTD.
Huang Hai
Chairman of the Board and non-executive Director

Guangzhou, China, 25 March 2020

REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee of the Company is pleased to present the annual report and the Report of the Supervisory Committee of the Group for the year ended 31 December 2019.

During 2019, the Supervisory Committee fulfilled its duties and obligations in a serious manner by various ways including convening Supervisory Committee meetings, participating in shareholders' general meetings, meetings of the Board in accordance with the provisions of the Listing Rules, the Articles of Association and the rules of procedure of the Supervisory Committee for the interests of the Shareholders. The Supervisory Committee reviewed the Company's financial accounts, and monitored its management and operation, implementation of resolutions of the shareholders' general meeting, directors' and management's compliance with laws, administrative regulations and the Articles of Association when performing their respective duties.

The Supervisory Committee is of the view that, during 2019, the Company operated strictly in accordance with the requirements of relevant laws and regulations, such as the Listing Rules, and the internal control management system, such as the Articles of Association, and the Directors, senior management personnel of the Company performed their duties diligently and faithfully in accordance with laws, regulations and the Articles of Association, thereby effectively protecting the interests of the Company and the Shareholders.

MEMBERS OF THE SUPERVISORY COMMITTEE AND CHANGES IN THE MEMBERS DURING THE REPORTING PERIOD

The Supervisors of the Company for the year ended 31 December 2019 and up to the date of this report include:

Ms. Liu Huiyan (Chairlady)
Ms. Chen Shuping
Ms. Zhong Yu

Note: Ms. Liu Huiyan, Ms. Zhong Yu and Ms. Chen Shuping, who was re-elected as the employee representative Supervisor at the staff representative assembly, were re-elected at the shareholders' general meeting of the Company held on 23 October 2019 for election of a new session. Ms. Liu Huiyan was elected as the chairlady of the second session of the Supervisory Committee at a meeting of the Supervisory Committee held on the same date.

MAJOR WORK OF THE SUPERVISORY COMMITTEE IN 2019

Convening meetings of the Supervisory Committee according to laws, and earnestly performing supervisory duties

During the reporting period, the Company has convened 4 meetings of the Supervisory Committee. Supervisors carefully reviewed meeting materials and fully studied and discussed the proposals before attending the meetings of the Supervisory Committee. They attended all meetings of the Supervisory Committee in person and earnestly performed supervisory duties. Details are as follows:

Name	Type of Supervisor	Number of meetings attended/convened	Attendance rate
Liu Huiyan (Chairlady)	Shareholder Representative Supervisor	4/4	100%
Chen Shuping	Employee Representative Supervisor	4/4	100%
Zhong Yu	Shareholder Representative Supervisor	4/4	100%

During the reporting period, the members of the Supervisory Committee supervised the procedures and content of the meetings by attending shareholders' general meetings and meetings of the Board, and effectively monitored the Company's decision-making procedures, operation of the Company according to laws, financial condition, and supervised the Directors and the management in the performance of their duties during the course of daily operations of the Company, which safeguarded the legitimate interests of the Company and the Shareholders.

Evaluation on operating behaviours of the Board and the senior management in 2019

During 2019, the Board and the senior management of the Group performed their duties diligently, operated in compliance with laws, and made decisions in respect of matters relating to the Company upon understanding the Company's operation and having sufficient discussions, so as to facilitate the implementation of the resolutions passed by the Board.

During 2019, procedures for making major operating decisions of the Company were legal and valid. When the Company's directors and senior management performed their duties, they could earnestly abide by national laws, regulations, the Articles of Association and the resolutions of shareholders' general meetings and meetings of the Board, and were dedicated with pioneering spirit; no directors or senior management personnel of the Company were found by the Supervisory Committee to have violated the laws, regulations or the Articles of Association or harmed the interests of the Shareholders of the Company and the interests of the Company when performing their duties.

Independent opinion of the Supervisory Committee on the Company's operation

1 *Lawful operation of the Company*

The Company operated and managed its businesses in accordance with the laws and regulations, and its operational results were objective and true. There has been gradual improvement in its internal control management, and the internal control system was reasonable and effective. The Company's operational decision-making processes were legitimate. The Directors and senior management were cautious, conscientious and diligent in the business operations and management processes, and they were not found to have breached any laws, regulations, or the Articles of Association or harmed the interests of the shareholders.

2 *Financial report of the Company*

The Supervisory Committee of the Company conducted a careful and detailed inspection of the Company's financial condition, and reviewed the Group's audited financial report for the year ended 31 December 2019 and other financial information. It believed that the financial report has reflected the Company's operating results and financial condition in a comprehensive, truthful and objective manner. Financial accounts were unambiguous, accounting and financial management were in compliance with relevant regulations, and no problem was found, and the Company was not aware of any violation of the relevant accounting standards and legal requirements by the personnel who were involved in the preparation and review of the annual report; the unqualified opinion on financial report issued by the auditing institution was objective and fair.

The Supervisory Committee of the Company has also reviewed the profit distribution plan for 2019, and considered that the decision-making and implementation procedures of the profit distribution plan were in compliance with the relevant laws and regulations and were in the interests of the Shareholders.

MAJOR INITIATIVES OF THE SUPERVISORY COMMITTEE FOR 2020

In 2020, the Supervisory Committee will work diligently and faithfully under relevant requirements of the Listing Rules, the Articles of Association and the rules of procedure of the Supervisory Committee, implement effective supervision on the Company, Directors and senior management, closely monitor the operation and management of the Company, pay attention to any significant development of the Company to promote sustainable development of the Company, and faithfully safeguard the interests of the Shareholders and the Company as a whole. In addition, the Supervisory Committee will further integrate supervision resources, procure improvement in management, assist in and ensure successful realisation of the Company's work goals for 2020.

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TO THE SHAREHOLDERS OF POLY PROPERTY DEVELOPMENT CO., LTD

(incorporated in the PRC with limited liability)

OPINION

We have audited the consolidated financial statements of Poly Property Development Co., Ltd (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 79 to 166, which comprise the consolidated statements of financial position as at 31 December 2019, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements 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 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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.

Assessing potential impairment of goodwill

Refer to summary of significant accounting policies in Note 3, accounting estimates and judgements in Note 4 and disclosure of goodwill in Note 17 to the consolidated financial statements.

As at 31 December 2019, the Group's goodwill, which amounted to RMB47,033,000, was allocated to the cash generating units ("**CGUs**"), representing Poly Huichuang (Chongqing) City Comprehensive Service Co., Ltd ("**Poly Huichuang Chongqing**") and Hunan Poly Tianchuang Property Development Co., Ltd ("**Hunan Poly Tianchuang**").

An annual impairment assessment of goodwill is performed by management. The recoverable amounts of the assets allocated to the property management business operated by Poly Huichuang Chongqing and Hunan Poly Tianchuang respectively are determined by management based on value in use calculations.

The value in use was estimated by preparing discounted cash flow forecasts. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, in particular in forecasting future revenue, future gross profit margins and future operating and administrative expenses and in determining the long-term growth rates and discounted rates applied.

No impairment losses of goodwill were recognised for the year ended 31 December 2019 as the recoverable amounts of the CGUs as determined on the basis set out above were higher than the carrying amounts.

We identified assessing potential impairment of goodwill as a key audit matter because the impairment assessment prepared by management is complex and involves a significant degree of judgement in determining the assumptions, particular the long term growth rates and the discount rates applied, and could be subject to management bias.

OUR RESPONSE

Our procedures in relation to assess potential impairment of goodwill included the following:

(i) Evaluating management's identification of CGUs and the amount of goodwill and asset allocated to the CGUs.

(ii) Using our independent and qualified valuation specialists to assist us in evaluating the methodology used by management in the preparation of the discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards.

(iii) Comparing the significant inputs used in the discounted cash flow forecasts, including future revenue, future gross profit margins and future operating and administrative expenses with the relevant data in the financial budgets approved by the board of directors, industry reports and agreements signed subsequent to the reporting date, if any.

(iv) Comparing the significant inputs used in discounted cash flow forecasts prepared in the prior year with the current year's performance to assess how accurate the prior year's discounted cash flow forecasts were and making enquiries of management as to the reasons for any significant variations identified.

(v) Assessing the long-term growth rate and discount rate used in the discounted cash flow forecasts by benchmarking against other similar property management companies;

(vi) Obtaining sensitivity analyses of the key assumptions adopted in the discounted cash flow forecasts prepared by management and considering the resulting impact on the impairment charges for the year and whether there were any indicators of management bias.

(vii) Considering the disclosures in the consolidated financial statements in respect of the impairment assessment of goodwill, including the key assumptions and sensitivities to changes in such assumptions, with reference to the requirements of the prevailing accounting standards.

Impairment assessment of trade receivables

Refer to summary of significant accounting policies in Note 3, accounting estimates and judgements in Note 4 and disclosure of impairment on trade receivables in Note 19 to the consolidated financial statements.

As at 31 December 2019, the gross amount of the Group's trade receivables totalled RMB406.4 million, against which a loss allowance of RMB15.5 million was made. The net carrying value of the Group's trade receivables represented approximately 5.2% of the total assets of the Group as at 31 December 2019.

The Group's loss allowance for trade receivables applies the simplified approach to calculate expected credit losses ("**ECLs**"), which is measured at an amount equal to lifetime expected credit losses. This approach is based on management's estimated loss rates for trade receivables. The estimated loss rates take into account the aging of the trade receivables, overdue balances and information regarding the ability and intent of the debtor to pay and historical data on default rates and forward looking information.

Management is required to apply judgement in assessing the loss allowance for trade receivables under the ECLs model. The ability of the debtors to repay the Group depends on shared credit risk characteristics of trade receivables groups and market conditions which involves inherent uncertainty.

We identified the loss allowance for trade receivables as a key audit matter because of the inherent uncertainty in assessing if trade receivables will be recovered and because the assessment of the ECLs requires the exercise of management judgement.

OUR RESPONSE

Our procedures in relation to management's impairment assessment on trade receivables included the following:

(i) Obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and the calculation of the ECLs;

(ii) Assessing the trade receivables ageing report by group based on shared credit risk characteristics and the days past due by comparing the details of individual items with underlying invoices on a sample basis;

(iii) Obtaining an understanding of the basis of management's approach to measuring ECLs of trade receivable balances and assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjust based on current economic conditions and Forward-looking information;

(iv) Comparing cash receipts from debtors subsequent to the financial year end relating to trade receivable balances at 31 December 2019 with bank statements and relevant underlying documentation on a sample basis.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include 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.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

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. This 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 skepticism throughout the audit. We also:

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

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

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

- conclude on the appropriateness of the 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 Audit Committee 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 Audit Committee 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, related safeguards.

From the matters communicated with the directors, 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.

BDO Limited
Certified Public Accountants

Wan Che Bun
Practising Certificate Number P05804
Hong Kong, 25 March 2020

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue	6	**5,966,836**	4,229,378
Cost of services		**(4,756,115)**	(3,378,100)
Gross profit		**1,210,721**	851,278
Other income and other net gain/(loss)	7	**34,510**	26,638
Administrative expenses		**(573,796)**	(415,266)
Share of associates'/joint ventures' results		**16,282**	4,607
Finance cost		**(898)**	(823)
Other expense		**(1,385)**	(3,621)
Profit before income tax expense	8	**685,434**	462,813
Income tax expense	9	**(182,252)**	(126,746)
Profit for the year		**503,182**	336,067
Profits for the year attributable to:			
– Owners of the Company		**490,511**	328,444
– Non-controlling interests		**12,671**	7,623
Profit for the year		**503,182**	336,067
Other comprehensive income, net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income ("FVTOCI")			
– Change in fair value		**2,200**	5,508
Profits and total comprehensive income for the year		**505,382**	341,575
Profits and total comprehensive income for the year attributable to:			
– Owners of the Company		**492,711**	333,952
– Non-controlling interests		**12,671**	7,623
Profits and total comprehensive income for the year		**505,382**	341,575
Earnings per share (expressed in RMB per share)			
Basic and diluted earnings per share	11	**1.21**	0.82

Consolidated Statements of Financial Position

As at 31 December 2019

		As at 31 December	
		2019	2018
	Notes	**RMB'000**	RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in associates/joint ventures	13	**27,254**	26,822
Property, plant and equipment	14	**98,989**	91,064
Investment properties	15	**15,475**	18,946
Financial assets at fair value through other comprehensive income ("FVTOCI")	16	**13,000**	10,800
Intangible assets	17	**95,709**	98,583
Prepayments for property, plant and equipment	20	**10,698**	5,304
Deferred tax assets	25	**6,636**	3,551
		267,761	255,070
Current assets			
Inventories	18	**46,268**	65,981
Trade and bills receivables	19	**391,388**	196,296
Prepayments, deposits and other receivables	20	**357,032**	223,515
Deposits and bank balances	21	**6,508,618**	1,811,570
		7,303,306	2,297,362
Current liabilities			
Trade payables	22	**253,359**	193,320
Accruals and other payables	23	**1,180,167**	887,885
Lease liabilities	24	**2,643**	2,284
Contract liabilities	6	**936,732**	704,493
Income tax payable		**51,024**	42,763
		2,423,925	1,830,745
Net current assets		**4,879,381**	466,617
Total assets less current liabilities		**5,147,142**	721,687

		As at 31 December	
		2019	2018
	Notes	**RMB'000**	RMB'000
Non-current liabilities			
Lease liabilities	24	**12,252**	15,445
Deferred tax liabilities	25	**12,642**	13,113
		24,894	28,558
Net assets		**5,122,248**	693,129
EQUITY			
Capital and reserves attributable to owners of the Company			
Capital	26	**533,333**	100,000
Reserves		**4,522,154**	549,858
Equity attributable to owners of the Company		**5,055,487**	649,858
Non-controlling interests		**66,761**	43,271
Total equity		**5,122,248**	693,129

The Consolidated financial statements on pages 79 to 166 were approved and authorised for issue by the board of directors and are signed on its behalf by:

Huang Hai	Wu Lanyu
Director	*Director*

Consolidated Statements of Changes in Equity

For the year ended 31 December 2019

		Reserves							
	Capital RMB'000	Share premium* RMB'000 (Note a)	Capital reserves* RMB'000	Statutory reserves* RMB'000 (Note b)	Fair value reserves* RMB'000 (Note c)	Retained profits* RMB'000	Equity attributable to owners of the Company RMB'000	Non–Controlling interests RMB'000	Total RMB'000
1 January 2018	100,000	–	85,594	23,335	3,792	173,185	385,906	14,401	400,307
Profit for the year	–	–	–	–	–	328,444	328,444	7,623	336,067
Unrealised fair value change on financial assets at FVTOCI	–	–	–	–	5,508	–	5,508	–	5,508
Appropriation of statutory reserve	–	–	–	22,121	–	(22,121)	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	21,247	21,247
Dividends approved in respect of previous year	–	–	–	–	–	(70,000)	(70,000)	–	(70,000)
At 31 December 2018 and 1 January 2019	**100,000**	**–**	**85,594**	**45,456**	**9,300**	**409,508**	**649,858**	**43,271**	**693,129**
Profit for the year	–	–	–	–	–	490,511	490,511	12,671	503,182
Unrealised fair value change on financial assets at FVTOCI	–	–	–	–	2,200	–	2,200	–	2,200
Issue of shares (Note d)	300,000	–	(80,000)	–	–	(220,000)	–	–	–
Shares issued pursuant to the public offering and placing (Note 26(c))	133,333	4,074,176	–	–	–	–	4,207,509	–	4,207,509
Transaction cost attributable to the public offering and placing (Note 26(c))	–	(134,591)	–	–	–	–	(134,591)	–	(134,591)
Capital contribution by non-controlling shareholders	–	–	–	–	–	–	–	7,768	7,768
Appropriation of statutory reserve	–	–	–	47,953	–	(47,953)	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	3,051	3,051
Dividend approved in respect of the previous year	–	–	–	–	–	(160,000)	(160,000)	–	(160,000)
At 31 December 2019	**533,333**	**3,939,585**	**5,594**	**93,409**	**11,500**	**472,066**	**5,055,487**	**66,761**	**5,122,248**

* The total of these amounts as at the reporting dates represents "Reserves" in the consolidated statements of financial position.

Notes:

(a) Share premium account of the Company represents the excess of the proceeds received over the nominal value of the Company's share issued.

(b) Statutory reserves represented the amount transferred from net profit for the year of the subsidiaries established in the People's Republic of China ("PRC") (based on the subsidiaries PRC statutory financial statements) in accordance with the relevant PRC laws until the statutory reserves reach 50% of the registered capital of the subsidiaries. The statutory reserves cannot be reduced except either in setting off the accumulated losses or increasing capital.

(c) Fair value reserves represented the cumulative net change in the financial assets at FVTOCI held at the end of each years and is dealt with in accordance with the accounting policy set out in Note 3.13.

(d) Pursuant to the Company's shareholder's resolution dated 7 May 2019, the Company has increased its share capital from RMB100,000,000 to RMB400,000,000 divided into 400,000,000 shares of RMB1 each, by way of the capitalization of capital reserves and retained earnings of the Company of RMB80,000,000 and RMB220,000,000 respectively.

Consolidated Statements of Cash Flows

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	35	**873,620**	544,199
Income tax paid		**(178,297)**	(110,625)
Interest paid		**(898)**	(823)
Net cash generated from operating activities		**694,425**	432,751
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**(26,301)**	(26,461)
Purchase of property, plant and equipment		**(35,152)**	(30,293)
Payment for acquisition of an associate and joint ventures		**–**	(4,747)
Placement of time deposits with original maturity over three months		**–**	(30,000)
Withdrawal of time deposits with original maturity over three months		**18,000**	64,000
Proceeds from disposal of property, plant and equipment		**1,588**	781
Proceeds from disposal of investment properties		**5,659**	6,745
Proceeds from disposal of financial assets at FVTOCI		**–**	2,052
Bank interest income received		**7,414**	9,279
Other interest income received		**21,115**	567
Deposits paid for acquisition of property, plant and equipment		**(11,647)**	(15,392)
Dividend income from an associate		**15,850**	–
Net cash used in investing activities		**(3,474)**	(23,469)
Cash flows from financing activities			
Dividends paid to owners of the Company		**(160,000)**	(210,000)
Payment of lease liabilities		**(4,103)**	(2,765)
Proceed from issue of shares pursuant to the public offering and placing		**4,207,509**	–
Transaction costs attributable to the public offering and placing		**(11,713)**	–
Capital injection from non-controlling interests		**7,768**	–
Net cash generated from/(used in) financing activities		**4,039,461**	(212,765)
Net increase in cash and cash equivalents		**4,730,412**	196,517
Cash and cash equivalents at beginning of the year		**1,793,570**	1,597,053
Effect of exchange rate changes on cash and cash equivalents		**(15,364)**	–
Cash and cash equivalents at end of the year		**6,508,618**	1,793,570

1. GENERAL INFORMATION

The Company was incorporated in the PRC on 26 June 1996 under the PRC Companies Law. On 25 October 2016, the Company was converted from a limited liability company into a joint stock company with limited liability. The address of the Company's registered office is located at Rooms 201-208, No.688 Yue Jiang Zhong Road, Hai Zhu District, Guangzhou, Guangdong Province, the PRC. The Company's principal place of business is located at the PRC.

The Company was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 December 2019.

The parent company is Poly Developments and Holdings Group Co., Ltd ("Poly Developments and Holdings") whose shares are listed on the Mainboard of Shanghai Stock Exchange in the PRC. The ultimate holding company is China Poly Group Corporation Limited ("China Poly Group"), a state-owned enterprise incorporated in the PRC.

The Company and its subsidiaries (the "Group") are principally engaged in provision of property management service, community value-added services and value-added services to non-property owners in the PRC.

The consolidated financial statements were authorised for issue by the Board of Directors on 25 March 2020.

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Adoption of new and revised standards

The adoption of Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") which are effective for the financial year beginning on 1 January 2019 has been consistently applied in the consolidated financial statements throughout the years ended 31 December 2019 and 2018.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations; HKFRS 11, Joint Arrangements; HKAS 12, Income Taxes and HKAS 23, Borrowing Costs

The impact of the adoption of HKFRS 16 Leases has been summarised below. The other new or amended HKFRSs and HKASs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)

2.1 Adoption of new and revised standards (Continued)

Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (i) to (ii) of this note.

(i) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from the use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee applies the practical expedient which allows the lessee to elect, by class of the underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and accounted for all each lease component and any associated non-lease components as a single lease component for all leases.

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)

2.1 Adoption of new and revised standards (Continued)

Impact of the adoption of HKFRS 16 (Continued)

(ii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been amortised on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at depreciated cost and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at depreciated cost.

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)

2.1 Adoption of new and revised standards (Continued)

Impact of the adoption of HKFRS 16 (Continued)

(ii) Accounting as a lessee (Continued)

Right-of-use asset (Continued)

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at depreciated cost. For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at depreciated cost. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, variable payments that subsequently become in substance fixed or a change in assessment to purchase the underlying asset.

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)

2.1 Adoption of new and revised standards (Continued)

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

The adoption of these amendment has no impacted on these financial statements as the Group has no uncertainty in accounting for income taxes.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

The adoption of these amendment has no impacted on these financial statements as the Group does not have any prepayment features with negative compensation.

Amendments to HKAS 19 – Plan amendments, curtailment or settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

The adoption of these amendment has no impact on these financial statements as the Group does not have any defined benefit plan.

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)

2.1 Adoption of new and revised standards (Continued)

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

The adoption of these amended has no impact on these financial statements as the Group does not have long-term interests in associates or joint ventures.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

The adoption of these amendments has no impact on these financial statements as the Group does not have any transaction in which it obtains control over a joint operation.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

The adoption of these amendments has no impact on these financial statements as the Group does not have any transaction in which it obtains joint control of the joint operation.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

The adoption of these amendments has no impacted on these financial statements as there were no income tax consequences to the dividends distributed by the Group during the year.

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)

2.1 Adoption of new and revised standards (Continued)

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

The adoption of these amendments has no impacted on these financial statements as the Group does not have any borrowing made specifically to obtain a qualifying asset.

2.2 New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Group's future financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 3	Definition of a Business[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2020.

2 Effective for annual periods beginning on or after 1 January 2021.

3 The amendments were originally intended to be effective for period beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3.2 Basis of measurement and going concern assumption

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at fair value through other comprehensive income ("FVTOCI") (see Note 3.13), which are stated at their fair values and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in the preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and other factors, actual results may ultimately different from those estimates. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

3.3 Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

3.4 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealized profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Business combination and basis of consolidation (Continued)

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets.

All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

3.5 Subsidiary

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Company's share of the post-acquisition change in the associates' net assets except that losses in excess of the Company's interest in the associate are not recognised unless there is an obligation to make good those losses.

3.7 Joint arrangements

The group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The group classifies its interests in joint arrangements as either:

- Joint ventures: where the group has rights to only the net assets of the joint arrangement; or

- Joint operations: where the group as both the rights to assets and obligations for the liabilities of the joint arrangement

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Joint arrangements

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

The Company accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method – see note 3.6).

3.8 Business combinations

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

– 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Business combinations (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Intangible assets

a) Goodwill

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or the groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see Note 3.20), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit on a pro-rata basis based on the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

b) Property management contracts

Property management contracts acquired in a business combination are recognised at fair value at the acquisition date. The property management contracts have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the contracts, which is range of three to nine years.

Intangible assets arising from these property management contracts with finite lives are tested for impairment when there is an indication that an asset may be impaired (see Note 3.20).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Property, plant and equipment

Property, plant and equipment including buildings, leasehold improvements, computer equipment, electronic equipment, transportation equipment and furniture and equipment in the production or supply of goods and services, or for administrative purposes as described below are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or derecognised 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. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their costs net of estimated residual values over their estimated useful lives on straight line method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each years. The useful lives are as follows:

Leasehold improvements	shorter of the unexpired lease terms and their useful lives
Computer equipment	3 –10 years
Electronic equipment	3–5 years
Transportation equipment	5–10 years
Furniture and equipment	3–8 years
Buildings	20–40 years

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

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognized in profit or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Property, plant and equipment (Continued)

Right-of-use assets included the rights to use certain properties under leases which are measured at cost. The initial costs of right-of use assets include the following:

– the amount of the initial measurement of lease liability

– any lease payments made at or before the commencement date

– any initial direct costs, and

– restoration costs.

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

3.11 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method/first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.12 Investment properties

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each years, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value.

A financial asset or financial liability (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(a) Financial assets

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

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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 receivables.

Deposits and other receivables due from related parties are considered to have low credit risk, and thus the impairment provision recognised during the period was limited to 12 months expected losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

(a) Financial assets (Continued)

Impairment of financial assets (Continued)

For other receivables from third parties, the Group adopted a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

- The receivable is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group;
- If a significant increase in credit risk since initial recognition is identified, the receivables is moved to "Stage 2" but is not yet deemed to be credit impaired;
- If the receivables is credit-impaired, the financial instrument is then moved to "Stage 3".

Receivables in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stage 2 or 3 have their expected credit loss measured based on expected credit losses on a lifetime basis.

When measuring expected credit loss, the Group considers forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in 'other income' when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in 'other gains – net' as applicable. Changes in the fair value on equity investments measured at financial assets at FVTOCI are not reported separately from other changes in fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

(a) Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statements of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

(a) *Financial assets (Continued)*

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(b) *Financial liabilities and equity instruments*

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

The Group's financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.14 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand as well as short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Revenue recognition

The Group provides property management services, value-added services to non-property owners and community value-added services. Revenue from providing services is recognised in the accounting period in which the services are rendered.

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 invoice and that corresponds directly with the value of performance completed.

(i) Property management services

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services.

For property management services income from properties managed under commission basis, the Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

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

Value-added services to non-property owners mainly includes preliminary planning and design consultancy services to property developers or other property management service providers and cleaning, security, greening and repair and maintenance services to property developers at the pre-delivery stage. The Group agrees the price for each service with the customers upfront and issues the monthly bill to the customers which varies based on the actual level of service completed in that month.

(iii) Community value-added services

For community value-added services, revenue is recognised when the related community value-added services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered to the customer.

If contracts involve the sale of multiple services, the transaction price will be 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Revenue recognition (Continued)

(iii) Community value-added services (Continued)

Revenue from sales of goods is recognised when the Group has delivered the goods to the purchaser and the collectability of related consideration is reasonable assured.

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

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

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

(iv) Interest income

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

3.16 Leases

The Group leases various properties either as its office or to provide community value-adding services. Property leases are made for fixed periods of one to ten years. Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Property leases are recognised as right-of-use assets (included in property, plant and equipment) and the corresponding liabilities at the date of which the respective leased asset is available for use by the Group. Each lease payment is allocated between the liability 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Leases

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 the in-substance fixed payments), less any lease incentives receivable

– variable lease payment 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.

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.

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 less than 12 months. Low-value assets comprise IT-equipment and small items of office furniture.

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. All extension options held are exercisable only by the Group and not by the respective lessor. The Group considers all facts and circumstances that create an economic incentive to exercise such options in determining the lease term. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects the assessment.

Variable lease payments that are not based on an index or a rate are not part of the lease liability, but they are recognised in the consolidated statements of comprehensive income when the event or condition that triggers those payments occurs.

3.17 Foreign currency translation

Transactions entered into by the Group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each years. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amount of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the years, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries, associates or joint venture to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the years. Deferred tax assets and liabilities are not discounted.

The carrying amount of deferred tax assets is reviewed at the end of each years and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

- the same taxable entity; or

- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

3.19 Employee benefits

(a) Defined contribution retirement plan

Pursuant to the relevant regulations of the PRC government, the Group participates in a central pension scheme operated by the local municipal government (the "Scheme"), whereby the Group in the PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary of the Company. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

(b) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the years in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Impairment of other assets

At the end of the years, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- interest in subsidiaries;
- investment properties;
- property, plant and equipment;
- interests in associates/joint ventures;
- property management contracts; and
- goodwill

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash generating unit).

Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash generating units are allocated to reduce the carrying amount of the assets in the cash generating unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use, (if determinable).

Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Government grant

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are deducted in reporting the related expense or recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted the grant in calculating the carrying amount of the asset that is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense. An unconditional government grant is recognised in profit or loss as other revenue when the grant becomes receivable.

3.22 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines.

For the purposes of assessing segment performance and allocating resources between segments, the directors assess segment profit or loss by gross profit or loss as measured in HKFRS financial statements.

For the purpose of presenting geographical location of the Group's revenue from external customers and the Group's non-current assets, country of domicile is determined by reference to the country where the majority of the Company's subsidiaries operate.

3.23 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.24 Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Our key sources of estimation uncertainty are as follows:

(i) Useful lives of property, plant and equipment

The Group determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated useful lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in estimated useful lives and therefore affect the depreciation charges in future periods.

(ii) Impairment of trade and other receivables

The impairment of trade and other receivables are based on assumptions about risk of default and expected credit loss rates. The Group adopts judgement in making these assumption and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward looking estimates at end of the years.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and impairment losses in the periods in which such estimate has been changed.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(iii) Income taxes and deferred tax

Significant judgement is required on the interpretation of tax laws and legislations during the estimation of the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome is different from the amounts that were initially recorded, such differences would impact the income tax and deferred income tax provisions, where applicable, in the period in which such determination is made.

Deferred tax assets are recognised for all unused tax losses and unabsorbed depreciation allowances to the extent that it is probable that future taxable profits would be available against which the losses and other deductible temporary differences could be utilised. Significant management judgement is required to determine the amount of deferred tax assets that could be recognised, based on the likely timing and extent of future taxable profits together with future tax planning strategies.

(iv) Impairment of non-financial assets (Other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each years. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset of cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(v) Fair value measurement

The fair value measurement of the Group's investment properties for disclosure and financial assets FVTOCI utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

(vi) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 3.20. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates.

Judgement is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumption applied, it may be necessary to take additional impairment charge to the consolidated statements of comprehensive income.

5. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segment, has been identified as the executive directors of the Company.

Information about major customer

For the years ended 31 December 2019 and 2018, revenue from a Shareholder – Poly Developments and Holdings and its subsidiaries ("Poly Developments and Holdings Group") contributed 14.7%, and 16.0% of the Group's revenue respectively. Other than the Poly Developments and Holdings 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 2019 and 2018.

Operating segment information

The Group is principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the chief operating decision-maker of the Company regards that there is only one segment which is used to make strategic decisions.

Information about geographical areas

The major operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue was derived in the PRC during the years ended 31 December 2019 and 2018.

As at 31 December 2019 and 2018, all of the non-current assets were located in the PRC.

6. REVENUE

Revenue mainly comprises of proceeds from property management services, value-added services to non-property owners and community value-added services. An analysis of the Group's revenue by category for the years ended 31 December 2019 and 2018 was as follows:

	Revenue from customers and recognised	Year ended 31 December 2019 RMB'000	2018 RMB'000
Property management services	over time	**3,843,828**	2,909,508
Value-added services to non-property owners	over time	**968,752**	696,502
Community value-added services			
– Other value-added services	over time	**910,253**	581,578
– Sales of goods	at a point in time	**244,003**	41,790
		5,966,836	4,229,378

For property management service, the performance obligation is satisfied upon services provided and there is no credit term for property owners and property developers. For value-added service to non-property owners, the performance obligation is satisfied upon services provided. For community value-added service, the performance obligation is satisfied upon services provided and the service income is due for payment by the residents upon issuance of demand note.

(a) 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. 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 service contracts do not have a fixed term. The term of the contracts for value-added services to 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 and there is no unsatisfied performance obligation at the end of respective periods.

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

During the years ended 31 December 2019 and 2018, there was no significant incremental costs to obtain a contract.

6. REVENUE (Continued)

(c) Details of contract liabilities

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Contract liabilities	**936,732**	704,493

(i) 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. Such liabilities increase as a result of the growth of the Group's business.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current year's carried-forward contract liabilities.

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Property management services	**609,992**	463,888
Community value-added services	**47,702**	23,155
Value-added service to non-property owners	**11,995**	5,313
	669,689	492,356

7. OTHER INCOME AND OTHER NET GAIN/(LOSS)

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Other income:		
Bank interest income	**9,798**	9,279
Other interest income (Note a)	**15,782**	7,280
Government grants (Note b)	**31,812**	4,013
Penalty income	**1,286**	2,513
Others	**426**	702
	59,104	23,787
Other net gain/(loss):		
Gain on disposal of investment properties	**2,835**	4,051
Loss on disposal of property, plant and equipment	**(279)**	(113)
Loss on disposal of other financial assets	**–**	(56)
(Impairment loss)/reversal of impairment loss on trade receivables	**(8,744)**	1,785
Impairment loss on other receivables	**(3,582)**	(2,816)
Exchange loss, net	**(14,824)**	–
	34,510	26,638

Notes:

(a) Other interest income represented the following:

i. The interest received from the amount due from Poly Developments and Holdings Group during the year ended 31 December 2019, which is unsecured, interest-bearing and repayable on demand (2018: Nil).

ii. The interest received from the amount due from a related party during the years ended 31 December 2019 and 2018, which is unsecured, interest-bearing and repayable on demand.

iii. During the years ended 31 December 2019 and 2018, interest was also received from the deposit maintained with a fellow subsidiary, Poly Finance Company Limited ("Poly Finance"), which is unsecured, interest-bearing and repayable on demand or with a 7-day notice.

(b) Government grants represented the financial support received from the local government as an incentive for business development and there are no unfulfilled conditions attached to the government grant.

8. PROFIT BEFORE INCOME TAX EXPENSE (Continued)

Profit before income tax expense is arrived at after charging/(crediting) the following:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Auditor's remuneration	**2,000**	800
Depreciation of property, plant and equipment	**33,029**	26,971
Depreciation of investment properties	**647**	780
Amortization of intangible assets	**6,778**	2,546
Impairment loss/(reversal of impairment loss) on trade receivables	**8,744**	(1,785)
Impairment loss on other receivables	**3,582**	2,816
Short-term leases expenses	**45,517**	36,739
Finance cost – interest on lease liabilities	**898**	823
Listing expenses	**6,070**	–
Staff costs (including directors' emoluments – Note 12):		
Salaries and bonus	**2,591,166**	1,870,958
Pension costs, housing funds, medical insurances and other social insurances	**381,747**	307,645
	2,972,913	2,178,603

9. INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current tax		
Tax for the current year	**186,558**	127,625
Deferred tax (Note 25)		
Credited to profit or loss for the year	**(4,306)**	(879)
	182,252	126,746

9. INCOME TAX EXPENSE (Continued)

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong for the years ended 31 December 2019 and 2018.

Under the PRC Corporate Income Tax Law (the "CIT Law"), which became effective on 1 January 2008, the Group's PRC entities are subject to income tax at a rate of 25%, unless otherwise specified.

Corporate income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The general corporate income tax rate in PRC is 25%. Two subsidiaries of the Group are located in western cities in PRC, and are subjected to a preferential corporate income tax rate of 15% in certain years.

The income tax expense for the years can be reconciled to the profit before income tax expense per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax expense	**685,434**	462,813
Tax calculated at the rates applicable to profits in the tax jurisdictions concerned	**171,359**	115,703
Tax effect of share of result of associates/joint ventures	**(4,071)**	(1,152)
Tax effect of expenses not deductible for tax purposes (Note)	**18,484**	9,637
Tax effect of income not taxable for tax purposes	**(796)**	(675)
Utilisation of tax losses previously not recognised	**(383)**	(150)
Tax effect of unused tax losses not recognised	**5,089**	4,262
Tax effect of other temporary differences recognised	**(4,306)**	(879)
Tax effects of different tax rates applicable to different subsidiaries of the Group	**(3,124)**	–
Income tax expense	**182,252**	126,746

Note: The nature of "Tax effect of expenses not deductible for tax purposes" mainly represented the impairment losses of trade and other receivables recognised and the entertainment expenses and some miscellaneous non-deductible expenses incurred during the years ended 31 December 2019 and 2018.

10. DIVIDENDS

During the year ended 31 December 2018, dividend of RMB70,000,000 in respect of 2017 was declared and paid by the Company to its Shareholders (Poly Developments and Holdings and Xizang Yingyue Investment Management Co., Ltd.).

During the year ended 31 December 2019, dividend of RMB160,000,000 in respect of 2018 was declared and paid by the Company to its Shareholders (Poly Developments and Holdings and Xizang Yingyue Investment Management Co., Ltd.).

Subsequent to the end of the reporting period, the Board of Directors proposed an annual dividend of RMB0.30 per share in respect of 2019, total amounted to RMB166,000,020. The annual dividend amount which shall be subject to the approval of the Shareholders at the annual general meeting to be held on 23 June 2020 has not been recognised as a liability at the end of the reporting period.

11. EARNINGS PER SHARE

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profits		
Profit attributable to owners of the Company	**490,511**	328,444

	Year ended 31 December	
	2019	2018
	Number'000	Number'000
Number of shares		
Weighted average number of ordinary shares (Note)	**404,749**	400,000
Basic and diluted earnings per share (RMB)	**1.21**	0.82

Note: Weighted average of 400,000,000 ordinary shares for the year ended 31 December 2018, being the number of shares in issue immediately after the completion of capitalisation issue on 7 May 2019 as detailed in Note 26, were deemed to have been issued throughout the year ended 31 December 2018.

Weighted average of 404,749,000 ordinary shares for the year ended 31 December 2019, includes the weighted average of 133,333,400 ordinary shares issued immediately after the completion of global offering, in addition to the aforementioned 400,000,000 ordinary shares for the year ended 31 December 2018.

Diluted earnings per share were the same as the basic earnings per share as the Group had no dilutive potential shares for the years ended 31 December 2019 and 2018.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Details of directors' emoluments are as follows:

	Fees RMB'000	Salaries and bonus RMB'000	Pension costs, housing funds, medical insurances and other social insurances RMB'000	Total RMB'000
Year ended 31 December 2018				
Directors				
Mr. Li Jiahe	–	2,005	110	2,115
Mr. Hu Zaixin	–	–	–	–
Ms. Fu Jun	–	–	–	–
Mr. Huang Hai	–	–	–	–
Mr. He Zhitao	–	–	–	–
Mr. He Jun	–	–	–	–
Ms. Cao Bin	–	–	–	–
Ms. Wu Lanyu	–	1,379	68	1,447
	–	3,384	178	3,562

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

	Fees RMB'000	Salaries and bonus RMB'000	Pension costs, housing funds, medical insurances and other social insurances RMB'000	Total RMB'000
Year ended 31 December 2019				
Directors				
Mr. Li Jiahe	–	2,382	102	2,484
Mr. Hu Zaixin	–	–	–	–
Ms. Fu Jun	–	–	–	–
Mr. Huang Hai	–	–	–	–
Mr. He Jun	–	–	–	–
Ms. Cao Bin	–	–	–	–
Ms. Wu Lanyu	–	2,171	101	2,272
Mr. Wang Xiaojun	100	–	–	100
Ms. Tan Yan	100	–	–	100
Mr. Wang Peng	–	–	–	–
	200	4,553	203	4,956

Notes:

(i) No directors received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2019 and 2018.

(ii) Mr. He Zhitao resigned as a director of the Company on 4 June 2018.

(iii) Ms. Wu Lanyu was appointed as a director of the Company on 20 June 2018.

(iv) Ms Fu Jun, Mr. He Jun and Ms. Cao Bin resigned as directors of the Company on 7 May 2019.

(v) Mr. Wang Xiaojun, Ms. Tan Yan and Mr. Wang Peng were appointed as independent non-executive director on 7 May 2019.

The independent non-executive director Mr. Wang Peng did not receive any emoluments from the Group or the related parties of the Group for the year ended 31 December 2019 (2018: nil). Except for those mentioned above, for the year ended 31 December 2019 and 2018, none of the Directors has waived or agreed to waive any emoluments.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) The five highest paid individuals

The five highest paid individuals of the Group during the years ended 31 December 2019 and 2018 are analysed as follows:

	Year ended 31 December	
	2019 Number of individuals	2018 Number of individuals
Directors	**2**	2
Non-directors, the highest paid individuals	**3**	3
	5	5

Details of the emoluments of the above non-directors, the highest paid individual for the years ended 31 December 2019 and 2018 are as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Salaries and bonus	**4,359**	3,549
Pension costs, housing funds, medical insurances and other social insurances	**245**	258
	4,604	3,807

Note: None of the above non-directors, the highest paid individual received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2019 and 2018.

The number of the highest paid non-directors fell within the following emoluments band:

	Year ended 31 December	
	2019 Number of individuals	2018 Number of individuals
Emolument bands (in HK dollar)		
HKD nil to HKD1,000,000	**–**	–
HKD1,000,001 to HKD1,500,000	**–**	2
HKD1,500,001 to HKD2,000,000	**3**	1
	3	3

There was no emolument paid by the Group to the abovementioned five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2019 and 2018.

13. INTERESTS IN ASSOCIATES/JOINT VENTURES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Share of net assets	**27,254**	26,822

Details of the Group's associates and joint ventures are as follows.

Name	Place of incorporation, operation and principal activity	Relationship	Percentage of ownership interests/ voting rights/ profit share
Guangdong Xinzhihui Technology Co., Ltd. ("Guangdong Xinzhihui"), 廣東芯智慧科技有限公司	Research and development in the Intelligent technology products, automatic system and electronic products in the PRC	Associate	30
Xizang Poly Aijia Property Agency Co., Ltd., ("Xizang Poly Aijia"), 西藏保利愛家房地產經紀有限公司	Real estate agency services in the PRC	Associate	30
Poly (Ziyang) City Comprehensive Service Co., Ltd. ("Poly Ziyang") 保利(資陽)城市綜合服務有限公司	Property management service in the PRC	Joint venture	60#
Shanxi Poly Deao Elevator Co., Ltd., ("ShanXi Poly Deao"), 山西保利德奧電梯工程有限公司	Elevator repair and maintenance services in the PRC	Joint venture	45

* The English names of associates and joint ventures listed above are translated for identification purpose only

\# Although the Group's ownership interest in Poly Ziyang is more than 50%, Poly Ziyang requires 80% votes to pass board resolutions and the Group only got 60% votes, so that the Group has no control over the financial and operating policies of Poly Ziyang but has joint control over it. The directors of the Company therefore treated the interest in Poly Ziyang as a joint venture.

13. INTERESTS IN ASSOCIATES/JOINT VENTURES (Continued)

(a) Summarised financial information of material associate, adjusted for any difference in accounting policies:

(i) Xizang Poly Aijia

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Current assets	**616,993**	349,300
Non-current assets	**13,729**	9,180
Current liabilities	**(550,062)**	(281,466)
Non-current liabilities	**–**	–
Net assets	**80,660**	77,014
Group's share of the net assets of the associate	**24,198**	23,104
Dividends received from the associate	**15,850**	–

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue	**946,716**	323,088
Post-tax profit	**56,476**	21,614
Total comprehensive income	**56,476**	21,614

(b) Summarised financial information (immaterial associate/joint ventures):

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associate/joint ventures in the consolidated financial statements	**3,056**	3,718
Aggregate financial information of the Group's associate/joint ventures:		
– Net assets	**4,342**	6,833
– Revenue	**9,619**	6,103
– Post-tax loss	**(2,490)**	(6,313)
Total comprehensive income	**(2,490)**	(6,313)

14. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Computer equipment RMB'000	Electronic equipment RMB'000	Transportation equipment RMB'000	Furniture and equipment RMB'000	Total RMB'000
COST								
At 1 January 2018	13,576	–	15,070	1,421	77,329	12,890	16,733	137,019
Acquired through acquisition of a subsidiary (note 28)	–	1,306	–	–	378	301	1,018	3,003
Additions	10,340	–	20,060	–	16,515	2,385	5,590	54,890
Disposals	(3,476)	–	(79)	–	(2,381)	(1,762)	(624)	(8,322)
At 31 December 2018 and 1 January 2019	20,440	1,306	35,051	1,421	91,841	13,814	22,717	186,590
Acquired through acquisition of a subsidiary (note 28)	–	–	–	–	99	31	18	148
Additions	1,269	–	14,989	93	18,144	2,007	6,171	42,673
Disposals	(2,004)	–	(985)	–	(5,155)	(82)	(1,243)	(9,469)
At 31 December 2019	19,705	1,306	49,055	1,514	104,929	15,770	27,663	219,942
ACCUMULATED DEPRECIATION								
At 1 January 2018	3,843	–	7,765	349	46,740	8,485	8,801	75,983
Depreciation	3,954	27	4,592	195	13,603	1,261	3,339	26,971
Disposals	(3,476)	–	(79)	–	(1,965)	(1,430)	(478)	(7,428)
At 31 December 2018 and 1 January 2019	4,321	27	12,278	544	58,378	8,316	11,662	95,526
Depreciation	4,427	64	7,896	198	15,240	1,576	3,628	33,029
Disposals	(2,004)	–	(253)	–	(4,582)	(65)	(698)	(7,602)
At 31 December 2019	6,744	91	19,921	742	69,036	9,827	14,592	120,953
NET BOOK VALUE								
At 31 December 2019	12,961	1,215	29,134	772	35,893	5,943	13,071	98,989
At 31 December 2018	16,119	1,279	22,773	877	33,463	5,498	11,055	91,064

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives and after taking into account of their estimate resided residual values.

Buildings are held for own use and situated in the PRC.

At 31 December 2019 and 2018, no property, plant and equipment was pledged.

15. INVESTMENT PROPERTIES

	Total RMB'000
COST	
At 1 January 2018	24,370
Disposals	(3,034)
At 31 December 2018 and 1 January 2019	21,336
Disposals	(3,258)
At 31 December 2019	18,078
ACCUMULATED DEPRECIATION	
At 1 January 2018	1,950
Depreciation	780
Disposals	(340)
At 31 December 2018 and 1 January 2019	2,390
Depreciation	647
Disposals	(434)
At 31 December 2019	2,603
NET BOOK VALUE	
At 31 December 2019	15,475
At 31 December 2018	18,946

The Group's investment properties are measured using a cost model and depreciated so as to write off their costs net of estimated residual values over their estimated useful lives on straight line basis.

The Group's investment properties are located on land in the PRC with land use period from 2004 to 2052.

15. INVESTMENT PROPERTIES (Continued)

Fair values of the investment properties as at 31 December 2019 and 2018 are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Investment properties in the PRC	**20,881**	27,092

The fair value of the Group's investment properties as at 31 December 2019 and 2018 are determined by valuations conducted by Guangzhou Yeqin Assets & Land and Real Estate Appraisal Co. Ltd (廣州業勤資產評估土地房地產估價有限公司), an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. Under the valuation models, income-based approach and market-based approach has been adopted for commercial properties and carpark spaces respectively.

The income approach uses discounting cash flow method, based on the estimated rental value of the properties. The market approach is based on market comparable transactions available in the market and adjustments of various factors would be made between the subject properties and comparable properties.

The fair value estimation was at level 3 of fair value hierarchy.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

For the years ended 31 December 2019 and 2018, there were no transfers into or out of Level 3 or any other Level.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Equity investments at fair value through other comprehensive income		
Unlisted equity investments, at fair value	**13,000**	10,800

The Group has designated these investments in equity instruments at FVTOCI as the Group plans to hold in the long term for strategic reasons.

17. INTANGIBLE ASSETS

	Property management contracts RMB'000	Goodwill RMB'000	Total RMB'000
COST			
At 1 January 2018	–	–	–
Acquired through acquisition of a subsidiary (Note 28a)	55,000	46,129	101,129
At 31 December 2018 and 1 January 2019	55,000	46,129	101,129
Acquired through acquisition of a subsidiary (Note 28b)	3,000	904	3,904
At 31 December 2019	58,000	47,033	105,033
ACCUMULATED AMORTISATION			
At 1 January 2018	–	–	–
Amortisation	2,546	–	2,546
At 31 December 2018 and 1 January 2019	2,546	–	2,546
Amortisation	6,778	–	6,778
At 31 December 2019	9,324	–	9,324
NET BOOK VALUE			
At 31 December 2019	48,676	47,033	95,709
At 31 December 2018	52,454	46,129	98,583

As set out in note 28a, the Group has acquired 60% of the equity interests in Hunan Poly Tianchuang at a consideration of RMB78,000,000. At the date of the Acquisition, intangible assets arising from property management contracts of RMB55,000,000 and goodwill of RMB46,129,000 have been recognised during the year ended 31 December 2018.

As set out in note 28b, the Group has acquired 51% of the equity interests in Poly Huichuang Chongqing at a consideration of RMB4,080,000. At the date of the acquisition, intangible assets arising from property management contracts of RMB3,000,000 and goodwill of RMB904,000 have been recognised during the year ended 31 December 2019.

Property management contracts primarily related to the existing contracts of Hunan Poly Tianchuang and Poly Huichuang Chongqing on the acquisition date. The existing contracts of Hunan Poly Tianchuang and Poly Huichuang Chongqing are with contract periods ranging from one to three years. Considering that termination or non-renewal of property management contracts with the property developers or property owners' association are uncommon, the Group estimates the useful life and determines the amortisation period to be three to nine years with reference to its industry experience.

17. INTANGIBLE ASSETS (Continued)

A valuation was performed by an independent valuer to determine the amount of the property management contracts. Methods and key assumptions in determining the fair value of property management contracts as at acquisition date are disclosed as follows:

	Valuation technique	Discount rate	Expected life of the intangible assets
Property management contracts	Multi period excess earnings method	16.6-17.4%	3–9 years, the estimated period of property management services to be provided to the relevant properties, taking into account the prior experience of the renewal pattern of property management contracts of similar characteristics

Goodwill of RMB47,033,000 arising from the acquisition were allocated to the property management business operated by Hunan Poly Tianchuang CGU and Poly Huichuang Chongqing CGU.

The goodwill has been tested for impairment by management. The recoverable amount of each cash generating unit ("CGU") has been assessed by APAC Asset Valuation and Consulting Limited ("APAC"), an independent valuer and determined based on value-in-use ("VIU") calculation. The calculation used cash flow projections based on financial budgets covering a five-year period approved by management and as suggested by HKAS 36 "Impairment of Assets".

17. INTANGIBLE ASSETS (Continued)

The following table sets forth each key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

	As at 31 December 2019	As at 31 December 2018
For Hunan Poly Tianchuang CGU		
– Long-term growth rate	3.0%	3.0%
– Pre-tax discount rate	15.2%	16.6%
For Poly Huichuang Chongqing CGU		
– Long-term growth rate	3.0%	N/A
– Pre-tax discount rate	16.3%	N/A

The following table sets out the sensitivity analysis of the impact of variations in each of the key underlying assumptions for goodwill impairment testing described above on the recoverable amount of each CGU as at the dates indicated. We showed the headroom (the recoverable amount of the CGU would exceed the carrying amount of the CGU) as at the end of each year by applying a 5% and 10% increase or decrease in long-term growth rate and applying a 0.5% and 1% increase or decrease in pre-tax discount rate. Although none of the hypothetical fluctuation ratios applied in this sensitivity analysis equals actual historical fluctuations, we believe that the application of the hypothetical fluctuations in each of the key assumptions presents a meaningful analysis of the potential impact of the changes in such assumptions on the recoverable amount of each CGU.

For Hunan Poly Tianchuang CGU:

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Long-term growth rate (decrease)/increase		
(5)%	59,615	13,002
(10)%	57,499	3,002
5%	64,064	33,002
10%	66,403	42,002
Pre-tax discount rate (decrease)/increase		
(0.5)%	69,338	28,002
(1)%	77,543	35,002
0.5%	54,859	17,002
1%	48,439	12,002

17. INTANGIBLE ASSETS (Continued)

For Poly Huichuang Chongqing CGU:

	As at 31 December 2019 RMB'000
Long-term growth rate (decrease)/increase	
(5)%	**2,437**
(10)%	**2,281**
5%	**2,763**
10%	**2,935**
Pre-tax discount rate (decrease)/increase	
(0.5)%	**3,101**
(1)%	**3,647**
0.5%	**2,130**
1%	**1,696**

As at 31 December 2019 and 2018, the recoverable amounts of the Hunan Poly Tianchuang CGU calculated based on VIU exceeded carrying value by approximately RMB61,346,000 and RMB23,002,000 respectively.

As at 31 December 2019, the recoverable amounts of the Poly Huichuang Chongqing CGU calculated based on VIU exceeded carrying value by approximately RMB2,435,000.

In the opinion of the directors of the Company, any reasonably possible change in key parameters on which the recoverable amount is based would not cause the carrying amount of each CGU to exceed its recoverable amount.

By reference to the recoverable amount assessed by the independent valuer, the directors of the Company determined that no impairment provision on goodwill was required as at 31 December 2019 and 2018.

In addition, no impairment is considered necessary for the property management contracts as at 31 December 2019 and 2018.

18. INVENTORIES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Carpark spaces	**43,900**	64,715
Raw materials	**86**	383
Consumables goods and other inventories	**2,282**	883
	46,268	65,981

19. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Related parties	**133,976**	99,711
Third parties	**272,447**	103,296
Total	**406,423**	203,007
Less: allowance for impairment of trade receivables	**(15,455)**	(6,711)
	390,968	196,296
Bills receivables	**420**	–
	391,388	196,296

As at 31 December 2019 and 2018, the trade receivables were denominated in RMB, and the fair value of trade receivables approximated its carrying amounts.

Trade receivables mainly arise from property management services income under lump sum basis and income under value-added services to non-property owners.

Property management services income under lump sum basis are received in accordance with the term of the relevant property service agreements. Service income from property management services is due for payment by the residents upon the issuance of demand note.

The maturity of the bills receivable of the Group as at 31 December 2019 is within 1 month. As at 31 December 2019, bills receivable is due from Poly Developments and Holdings Group.

19. TRADE AND BILLS RECEIVABLES (Continued)

As at 31 December 2019 and 2018, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 1 year	**383,526**	188,785
1 to 2 years	**20,962**	12,895
Over 2 years	**1,935**	1,327
	406,423	203,007

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current assets		
Prepayments for property, plant and equipment	**10,698**	5,304
Current assets		
Deposits and other receivables		
– Related parties	**42,814**	34,925
– Third parties	**279,654**	162,603
Total	**322,468**	197,528
Less: allowance for impairment of other receivables	**(11,076)**	(7,494)
	311,392	190,034
VAT receivables	**4,175**	1,866
Interest receivables (Note)	**2,807**	6,713
Prepayments	**38,658**	24,902
	357,032	223,515

Note: As at 31 December 2019 and 2018, included in the balance are the interest receivable from the deposit maintained with a fellow subsidiary, which amounts to RMB386,000 and RMB6,713,000 respectively. Please refer to note 7(a)(iii) for further details.

21. DEPOSITS AND BANK BALANCES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash on hand	**79**	103
Cash at banks and financial institution	**6,508,539**	1,811,467
Total deposits and bank balances	**6,508,618**	1,811,570
Less: Time deposits with original maturity over three months	**–**	(18,000)
Cash and cash equivalents in the consolidated statement of cash flows	**6,508,618**	1,793,570

Notes:

a) At 31 December 2019, deposits and bank balances in the amount of RMB4,220,845,000 (2018: Nil) and RMB2,287,773,000 (2018: RMB1,811,570,000) are denominated in HK$ and RMB respectively. Cash on hand and cash at bank placed in the PRC are denominated in RMB. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies only through banks that are authorised to conduct foreign exchange business. RMB is not freely convertible to other currencies.

b) As at 31 December 2019 and 2018, the Group's deposits and bank balances include deposits in Poly Finance, a fellow subsidiary and a licenced financial institution, amounting RMB1,102,469,000 and RMB1,006,234,000 respectively.

c) Cash at banks and financial institution earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.

22. TRADE PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Related parties(Note)	**10,217**	–
Third parties	**243,142**	193,320
	253,359	193,320

Based on the receipt of services and goods, which normally coincided with the invoice dates, the ageing analysis of the Group's trade payables as at the end of the year was as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 1 year	**244,999**	180,613
1 to 2 years	**8,194**	11,224
Over 2 years	**166**	1,483
	253,359	193,320

Note: The balance was unsecured, interest-free and repayable on demand.

23. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Accruals and other payables		
– Related parties	**28,335**	28,028
– Third parties	**1,076,745**	794,957
	1,105,080	822,985
Other tax payables	**50,697**	33,293
Dividend payables (Note)	**13,580**	13,580
Salaries payables	**10,810**	18,027
	1,180,167	887,885

Note: The dividend payable as of 31 December 2019 and 2018 represents the dividend declared by Hunan Poly Tianchuang to its two then-shareholders prior to being acquired by the Group.

24. LEASE LIABILITIES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Minimum lease payments due		
– Within 1 year	**4,426**	3,418
– Between 1 to 2 years	**4,565**	2,879
– Between 2 to 5 years	**9,457**	8,110
– Later than 5 years	**4,319**	6,655
	22,767	21,062
Less: future finance charges	**(7,872)**	(3,333)
Present value of lease liabilities	**14,895**	17,729
– Current	**2,643**	2,284
– Non-current	**12,252**	15,445

The Group leases various properties mainly as its office and these lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. Extension options are included in a number of property leases across the Group. Periods covered by the extension options were included in the lease terms if the Group was reasonably certain to exercise the options.

The total cash outflows for leases including payments of the lease liabilities, payments of interest expenses on leases for the years ended 31 December 2019 was RMB5,001,000 (2018:RMB3,588,000).

25. DEFERRED TAX

Details of the deferred tax assets and liabilities recognized and movements during the years ended 31 December 2019 and 2018 are as follows:

Deferred tax assets

	Impairment loss on trade receivables RMB'000	Impairment loss on other receivables RMB'000	Total RMB'000
At 1 January 2018	1,608	1,107	2,715
Acquired through acquisition of a subsidiary (Note 28)	516	78	594
(Charged to)/credited to profit or loss for the year	(447)	689	242
At 31 December 2018 and 1 January 2019	**1,677**	**1,874**	**3,551**
Credited to profit or loss for the year	**2,187**	**898**	**3,085**
At 31 December 2019	**3,864**	**2,772**	**6,636**

Deferred tax liabilities

	Amortization on intangible assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	–	–	–
Acquired through acquisition of a subsidiary (Note 28)	13,750	–	13,750
Credited to profit or loss for the year	(637)	–	(637)
At 31 December 2018 and 1 January 2019	**13,113**	**–**	**13,113**
Acquired through acquisition of a subsidiary (Note 28)	**750**	**–**	**750**
(Credited to)/charge to profit or loss for the year	**(1,695)**	**474**	**(1,221)**
At 31 December 2019	**12,168**	**474**	**12,642**

26. CAPITAL

	Notes	Domestic shares Number '000	Domestic shares Amount RMB'000	Listed H shares Number '000	Listed H shares Amount RMB'000	Total Number '000	Total Amount RMB'000
Registered, issued and fully paid:							
At 1 January 2018, 31 December 2018 and 1 January 2019	(a)	**100,000**	**100,000**	**–**	**–**	**100,000**	**100,000**
Issue of domestic shares upon capitalisation	(b)	**300,000**	**300,000**	**–**	**–**	**300,000**	**300,000**
Issue of H shares upon global offering	(c)	**–**	**–**	**133,333**	**133,333**	**133,333**	**133,333**
At 31 December 2019		**400,000**	**400,000**	**133,333**	**133,333**	**533,333**	**533,333**

Note:

(a) The Company was incorporated as a state-owned company under the laws of the PRC with limited liability on 26 June 1996 with a registered share capital of RMB3,000,000 divided into 3,000,000 domestic shares of par value of RMB1.00 each. The registered capital of Company was then increased to RMB5,000,000, RMB50,000,000 and RMB100,000,000 on 21 May 2003, 19 May 2011 and 26 September 2016 respectively.

(b) Pursuant to the written resolutions passed on 7 May 2019, the registered share capital was increased from approximately RMB100,000,000 to RMB400,000,000 by way of the capitalisation of capital reserves and retained earnings of the Company of approximately RMB80,000,000 and RMB220,000,000 respectively.

(c) On 19 December 2019, 133,333,400 H shares of par value RMB1.00 each of the Company were issued at a price of HK$35.10 by way of a global offering. On the same date, the Company's H shares were listed on the Stock Exchange. Gross proceeds from the issue amounted to HK$4,680,002,000 (equivalent to RMB4,207,509,400). After deducting the underwriting fees and relevant expenses of RMB134,591,000, net proceeds from the issue amounted to RMB4,072,918,400, of which, RMB133,333,400 was recorded as capital and RMB 3,939,585,000 was recorded as share premium.

(d) Both holders of domestic shares and H shares are ordinary Shareholders and have equal rights and obligations.

27. COMMITMENTS

Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follow:

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Property, plant and equipment	**4,936**	5,076

28. ACQUISITION OF SUBSIDIARIES

(a) Hunan Poly Tianchuang

On 29 June, 2018, the Group entered into a sales and purchase agreement with independent third parties for the acquisition of 60% of equity interests in Hunan Poly Tianchuang, a company whose principal activity is provision of property management and other community services. The total consideration for the acquisition was RMB78,000,000. The acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence.

Goodwill of RMB46,129,000 primarily arose from the expected future development of Hunan Poly Tianchuang's business, improvement on market coverage, enriching the service portfolio, integrating value-added services, and improvement on management efficiency, etc.. Goodwill recognised is not expected to be deductible for income tax purposes.

The fair value of identifiable assets acquired and liabilities assumed at the completion date of acquisition are as follows:

	Fair value RMB'000
Property, plant and equipment	3,003
Trade receivables	24,173
Deposits, prepayments and other receivables	4,614
Deferred tax assets	594
Intangible assets (Note 17)	55,000
Cash	12,539
Trade payables	(456)
Dividends payable	(16,411)
Accrual and other payables	(5,943)
Deferred tax liabilities (Note 25)	(13,750)
Contract liabilities	(3,237)
Income tax payable	(7,008)
	53,118
Non-controlling interest	(21,247)
Goodwill (Note 17)	46,129
Fair value of consideration	78,000

28. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Hunan Poly Tianchuang (Continued)

	Total RMB'000
Satisfied by:	
Cash	39,000
Consideration payable included in other payables	39,000
	78,000

An analysis of net outflow of cash and cash equivalents in respect of acquisition of a subsidiary are as follow:

	2019 **RMB'000**	2018 RMB'000
Net cash outflow arising on:		
Purchase consideration settled in cash	**(31,808)**	(39,000)
Deposits and bank balances acquired	**–**	12,539
	(31,808)	(26,461)

The Group has elected to measure the non-controlling interest in Hunan Poly Tianchuang at acquisition-date at the non-controlling interest's proportionate share of Hunan Poly Tianchuang's net identifiable assets.

Since the acquisition date, Hunan Poly Tianchuang has contributed RMB104,994,000 and RMB9,907,000 to the Group's revenue and profit for the year. If the acquisition had occurred on 1 January 2018, the Group's revenue and profit would have been RMB4,326,878,000 and RMB340,801,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of future performance.

28. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Poly Huichuang Chongqing

On 11 April 2019, the Group entered into a sales and purchase agreement with independent third parties for the acquisition of 51% of equity interests in Poly Huichuang Chongqing, a company whose principal activity is provision of property management and other community services. The total consideration for the acquisition was RMB4,080,000. The acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence.

The fair value of identifiable assets acquired and liabilities assumed at the completion date of acquisition are as follows:

	Fair value RMB'000
Property, plant and equipment	148
Inventories	82
Deposits, prepayments and other receivables	830
Intangible assets (Note 17)	3,000
Cash	7,037
Accrual and other payables	(1,250)
Deferred tax liabilities (Note 25)	(750)
Contract liabilities	(2,870)
	6,227
Non-controlling interest	(3,051)
Goodwill (Note 17)	904
Fair value of consideration	4,080

28. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Poly Huichuang Chongqing (Continued)

An analysis of net inflow of cash and cash equivalents in respect of acquisition of a subsidiary are as follow:

	Total RMB'000
Satisfied by:	
Cash	**1,530**
Consideration payable included in other payables	**2,550**
	4,080

	2019 RMB'000
Net cash inflow arising on:	
Purchase consideration settled in cash	**(1,530)**
Deposits and bank balances acquired	**7,037**
	5,507

The Group has elected to measure the non-controlling interest in Poly Huichuang Chongqing at acquisition-date at the non-controlling interest's proportionate share of Poly Huichuang Chongqing's net identifiable assets.

Since the acquisition date, Poly Huichuang Chongqing has contributed RMB16,193,000 and RMB3,303,000 to the Group's revenue and profit for the year. If the acquisition had occurred on 1 January 2019, the Group's revenue and profit would have been RMB5,974,000,000 and RMB499,644,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future performance.

29. HOLDING COMPANY STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment in subsidiaries		**166,100**	149,898
Interest in associates/joint ventures		**27,254**	26,822
Property, plant and equipment		**44,635**	43,770
Investment properties		**15,475**	18,946
Financial assets at fair value through other comprehensive income ("FVTOCI")		**13,000**	10,800
Prepayments for property, plant and equipment		**10,642**	2,368
Deferred tax assets		**4,903**	2,392
		282,009	254,996
Current assets			
Inventories		**45,405**	65,871
Trade and bills receivables		**236,430**	127,429
Prepayments, deposits and other receivables		**332,019**	232,615
Deposits and bank balances		**6,035,235**	1,475,487
		6,649,089	1,901,402
Current liabilities			
Trade payables		**153,944**	120,350
Accruals and other payables*		**1,457,249**	1,241,220
Lease liabilities		**886**	495
Contract liabilities		**454,399**	333,652
Income tax payable		**30,798**	23,711
		2,097,276	1,719,428
Net current assets		**4,551,813**	181,974
Total assets less current liabilities		**4,833,822**	436,970
Non-current liabilities			
Lease liabilities		**510**	436
Deferred tax liabilities		**474**	–
		984	436
Net assets		**4,832,838**	436,534
EQUITY			
Capital and reserves attributable to owners of the Company			
Capital	26	**533,333**	100,000
Reserves (Note)		**4,299,505**	336,534
Total equity		**4,832,838**	436,534

* Included in accruals and other payables are balances with its subsidiaries of RMB 678,105,000 (2018: RMB 668,868,000).

29. HOLDING COMPANY STATEMENTS OF FINANCIAL POSITION (Continued)

Note: Movement in reserves

			Reserves			
	Share premium RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	Fair value reserves RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2017 and 1 January 2018	–	83,962	23,335	4,444	48,265	160,006
Profit for the year	–	–	–	–	241,672	241,672
Unrealised fair value change on financial assets at FVTOCI	–	–	–	4,856	–	4,856
Appropriation of statutory reserve	–	–	22,121	–	(22,121)	–
Dividend approved in respect of the previous year	–	–	–	–	(70,000)	(70,000)
At 31 December 2018 and 1 January 2019	–	83,962	45,456	9,300	197,816	336,534
Profit for the year	–	–	–	–	481,186	481,186
Unrealised fair value change on financial assets at FVTOCI	–	–	–	2,200	-	2,200
Issue of shares (Note 26)	–	(80,000)	–	–	(220,000)	(300,000)
Shares issued pursuant to the public offering and placing (Note 26(c))	4,074,176	–	–	–	–	4,074,176
Transaction cost attributable to the public offering and placing (Note 26(c))	(134,591)	–	–	–	–	(134,591)
Appropriation of statutory reserve	–	–	47,953	–	(47,953)	–
Dividend approved in respect of the previous year	–	–	–	–	(160,000)	(160,000)
At 31 December 2019	3,939,585	3,962	93,409	11,500	251,049	4,299,505

30. NON-CONTROLLING INTERESTS

Details of particular of material non-controlling interests are as follows:

Name of subsidiary	Ownership interest held by non-controlling interests At December 31, 2019	2018
Poly (Changchun) Property Service Co., Limited, ("Poly (Changchun)"), 保利(長春)物業服務有限公司	**50%**	50%
Hunan Poly Tianchuang Property Development Co., Ltd., ("Hunan Poly Tianchuang"), 湖南保利天創物業發展有限公司	**40%**	40%
Poly Zhongshe (Beijing) Property Management Co., Ltd., ("Poly Zhongshe"), 保利中設(北京)物業管理有限公司	**40%**	–

Summarised financial information in relation to the material non-controlling interests ("NCI") are presented below:

(i) Poly (Changchun)

	As at 31 December 2019 RMB'000	2018 RMB'000
Current assets	**91,617**	90,980
Non-current assets	**724**	853
Current liabilities	**(53,984)**	(64,570)
Non-current liabilities	**–**	–
Net assets	**38,357**	27,263
Accumulated NCI	**19,179**	13,632

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue	**110,161**	90,395
Post-tax profit or loss	**11,093**	6,473
Total comprehensive income	**11,093**	6,473
Profit allocated to NCI	**5,547**	3,237
Dividends paid to NCI	**–**	–

30. NON-CONTROLLING INTERESTS (Continued)

(ii) Hunan Poly Tianchuang

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
Current assets	**70,243**	48,900
Non-current assets	**50,246**	56,132
Current liabilities	**(35,001)**	(30,803)
Non-current liabilities	**(11,586)**	(13,113)
Net assets	**73,902**	61,116
Accumulated NCI	**29,561**	24,446

	Year ended 31 December	
	2019 **RMB'000**	2018 RMB'000
Revenue	**264,406**	104,994
Post-tax profit or loss	**12,787**	7,998
Total comprehensive income	**12,787**	7,998
Profit allocated to NCI	**5,115**	3,199
Dividends paid to NCI	**–**	–

30. NON-CONTROLLING INTERESTS (Continued)

(iii) Poly Zhongshe

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
Current assets	**16,581**	–
Non-current assets	**430**	–
Current liabilities	**(470)**	–
Non-current liabilities	**–**	–
Net assets	**16,541**	–
Accumulated NCI	**6,616**	–

	Year ended 31 December	
	2019 **RMB'000**	2018 RMB'000
Revenue	**8,049**	–
Post-tax profit or loss	**1,541**	–
Total comprehensive income	**1,541**	–
Profit allocated to NCI	**616**	–
Dividends paid to NCI	**–**	–

31. INTEREST IN SUBSIDIARIES

Details of particular of material subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Attributable equity interest of the Company At 31 December 2018	Attributable equity interest of the Company At 31 December 2019	Issued and fully paid share capital	Principal activities and place of operations
Poly (Guangzhou) Property Development Co., Ltd, ("Poly (Guangzhou)"), 保利(廣州)物業發展有限公司 (Note (d))	Incorporated on 10 March 2017 in the PRC	100%	100%	RMB10,000,000	Property management, the PRC
Guangzhou Poly Business Commercial Property Development Co., Ltd, ("Guangzhou Poly Business"),廣州保利商業物業發展有限公司 (Note (d))	Incorporated on 30 March 2017 in the PRC	100%	100%	RMB10,000,000	Property management, the PRC
Poly (Foshan) Property Service Co., Ltd, ("Poly (Foshan)"), 保利(佛山)物業服務有限公司 (Note (d))	Incorporated on 24 December 2009 in the PRC	100%	100%	RMB5,000,000	Property management, the PRC
Yangjiang Poly Property Management Co., Ltd, ("Yangjiang Poly"), 陽江保利物業管理有限公司 (Note (d))	Incorporated on 11 December 2009 in the PRC	100%	100%	RMB3,000,000	Property management, the PRC
Poly Property Management (Beijing) Co., Ltd, ("Poly (Beijing)"), 保利物業管理(北京)有限公司 (Note (d))	Incorporated on 15 December 2003 in the PRC	100%	100%	RMB5,000,000	Property management, the PRC
Tianjin Poly Metropolis Property Service Co., Ltd, ("Tianjin Poly Metropolis"), 天津保利大都會物業服務有限公司 (Note (d))	Incorporated on 21 June 2010 in the PRC	100%	100%	RMB500,000	Property management, the PRC
Tianjin Xinhe Physical Fitness Service Co., Ltd, ("Tianjin Xinhe"), 天津鑫和健身服務有限公司 (Note (e))	Incorporated on 23 June 2014 in the PRC	100%	100%	RMB100,000	Fitness service, the PRC
Hebei Poly Property Service Co., Ltd, ("Hebei Poly"), 河北保利物業服務有限公司 (Note (d))	Incorporated on 26 August 2016 in the PRC	100%	100%	RMB nil	Inactive
Poly (Shanghai) Urban Development Service Co., Ltd., ("Poly (Shanghai)"), 保利上海城市建設服務有限公司, previously named Shanghai Poly Han Property Co., Ltd, ("Shanghai Poly Han"), 上海保利翰物業有限公司 (Note (d))	Incorporated on 13 September 2012 in the PRC	100%	100%	RMB1,000,000	Property management, the PRC

31. INTEREST IN SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Attributable equity interest of the Company At 31 December 2018	Attributable equity interest of the Company At 31 December 2019	Issued and fully paid share capital	Principal activities and place of operations
Zhejiang Poly Property Management Co., Ltd, ("Zhejiang Poly"), 浙江保利物業管理有限公司 (Note (d))	Incorporated on 12 July 2010 in the PRC	100%	100%	RMB5,000,000	Property management, the PRC
Poly (Xiamen) Property Management Co., Ltd, ("Poly (Xiamen)"), 保利(廈門)物業管理有限公司 (Note (d))	Incorporated on 3 June 2011 in the PRC	100%	100%	RMB1,000,000	Property management, the PRC
Poly Chongqing Property Management Co., Ltd. ("Poly Chongqing""), 保利重慶物業管理有限公司 (Note (d))	Incorporated on 31 October 2005 in the PRC	100%	100%	RMB5,000,000	Property management, the PRC
Hunan Poly Property Management Co., Limited, ("Hunan Poly"), 湖南保利物業管理有限公司 (Note (d))	Incorporated on 22 August 2003 in the PRC	100%	100%	RMB5,000,000	Property management, the PRC
Poly (Wuhan) Property Management Co., Ltd, ("Poly (Wuhan)"), 保利(武漢)物業管理有限公司 (Note (d))	Incorporated on 8 May 2004 in the PRC	100%	100%	RMB5,080,000	Property management, the PRC
Jiangxi Poly Property Management Co., Ltd, ("Jiangxi Poly"), 江西保利物業管理有限公司 (Note (d))	Incorporated on 31 March 2011 in the PRC	100%	100%	RMB3,000,000	Property management, the PRC
Liaoning Poly Property Management Co., Ltd, ("Liaoning Poly"), 遼寧保利物業管理有限公司 (Note (d))	Incorporated on 19 July 2004 in the PRC	100%	100%	RMB5,000,000	Property management, the PRC
Poly (Dalian) Property Management Co., Ltd, ("Poly (Dalian)"), 保利(大連)物業管理有限公司 (Note (d))	Incorporated on 28 June 2013 in the PRC	100%	100%	RMB 2,000,000	Property management, the PRC
Poly Baoding Property Service Co., Ltd, ("Poly Baoding"), 保利保定物業服務有限公司 (Note (e))	Incorporated on 5 August 2016 in the PRC	51%	51%	RMB1,000,000	Property management, the PRC

31. INTEREST IN SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Attributable equity interest of the Company At 31 December 2018	Attributable equity interest of the Company At 31 December 2019	Issued and fully paid share capital	Principal activities and place of operations
Hunan Poly Tongyuan Property Management Co., Ltd, ("Hunan Poly Tongyuan"), 湖南保利同元物業管理有限公司 (Note (d))	Incorporated on 17 November 2015 in the PRC	51%	51%	RMB 2,000,000	Property management, the PRC
Poly (Baotou) Property Service Co., Ltd, ("Poly (Baotou)"), 保利(包頭)物業服務有限公司 (Note (d))	Incorporated on 28 August 2006 in the PRC	77.5%	77.5%	RMB3,000,000	Property management, the PRC
Poly (Changchun) Property Service Co., Ltd, ("Poly (Changchun)"), 保利(長春)物業服務有限公司 (Note (d) & (f))	Incorporated on 1 February 2008 in the PRC	50%	50%	RMB3,000,000	Property management, the PRC
Ji An Shi Poly Jin Property Service Co., Ltd., ("Ji An Poly Jin"), 吉安市保利金物業服務有限公司, previously named Ji An Shi Poly Jin Property Management Co., Ltd, ("Ji An Poly Jin"), 吉安市保利金物業管理有限公司 (note (e))	Incorporated on 10 January 2018 in the PRC	51%	51%	RMB nil	Property management, the PRC
GuangZhou ZengCheng Poly Property Investment Co., Ltd, ("Guangzhou Zeng Cheng"), 廣州增城保利物業投資有限公司 (note (e))	Incorporated on 19 July 2018 in the PRC	100%	100%	RMB nil	Property management, the PRC
Hunan Poly Tianchuang Property Development Co., Ltd. ("Hunan Poly Tianchuang"), 湖南保利天創物業發展有限公司, previously named Changsha City Tianchuang Property Management Limted Liability Company, ("Changsha Tianchuang"), 長沙市天創物業管理有限責任公司 (Note (d))	Incorporated on 17 January 2008 in the PRC	60%	60%	RMB5,000,000	Property management, the PRC
Guangzhou Poly Heyue Elderly Healthcare Services Co., Ltd, ("Guangzhou Poly Heyue"), 廣州保利和悦健康養老服務有限公司 (Note (d))	Incorporated on 1 February 2018 in the PRC	100%	100%	RMB4,000,000	Elderly and disabled care service, the PRC
Guangzhou HeChuang Zhongwei Catering Services Co Ltd., ("Guangzhou HeChuang"), 廣州和創中味餐飲服務有限公司 (Note (d))	Incorporated on 15 November 2018 in the PRC	51%	51%	RMB2,000,000	Landscaping services, catering management, the PRC

31. INTEREST IN SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Attributable equity interest of the Company At 31 December 2018	Attributable equity interest of the Company At 31 December 2019	Issued and fully paid share capital	Principal activities and place of operations
Poly Guanlan (Wuhan) Property Services Co. Ltd., ("Poly GuanLan"), 保利觀瀾(武漢)物業服務有限公司 (Note (e))	Incorporated on 14 November 2018 in the PRC	80%	80%	RMB1,000,000	Property management, the PRC
Poly ZhongShe (Beijing) Property Management Ltd, ("Poly Zhongshe"), 保利中設(北京)物業管理有限公司 (Note (d))	Incorporated on 8 January 2019 in the PRC	–	60%	RMB15,000,000	Property management, the PRC
Poly Huichuang (Chongqing) City Comprehensive Services Co., Ltd., ("Poly Huichuang Chongqing"), 保利暉創(重慶)城市綜合服務有限公司, previously named Chongqing Xinxiangrui Property Management Co., Ltd., ("Chongqing Xinxiangrui"), 重慶新祥瑞物業管理有限公司 (Note (d))	Incorporated on 20 April 1995 in the PRC	–	51%	RMB3,000,000	Property management, the PRC
Hechuang Aiqi (Guangzhou) Operation and Management Co., Ltd., ("Hechuang Aiqi"), 和創愛奇(廣州)運營管理有限公司(Note (e))	Incorporated on 19 April 2019 in the PRC	–	51%	RMB 1,000,000	Property management, the PRC
Hunan Xingchuang City Operation and Management Co., Ltd., ("Hunan Xingchuang"), 湖南省星創城市運營管理有限公司 (Note (d))	Incorporated on 20 May 2019 in the PRC	–	51%	RMB200,000	Property management, the PRC
Yichang Baohe Property Service Co., Ltd.,("Yichang Baohe"), 宜昌保和物業服務有限公司 (Note (e))	Incorporated on 27 May 2019 in the PRC	–	100%	RMB nil	Inactive
Guangdong Hejia Home Technology Co., Ltd., ("Guangdong Hejia"), 廣東和加家居科技有限公司 (Note (d))	Incorporated on 18 July 2019 in the PRC	–	60%	RMB nil	Inactive
Poly Wanteng Hebei Property Services Co., Ltd., ("Poly Wanteng"), 保利萬騰河北物業服務有限公司 (Note (e))	Incorporated on 18 October 2019 in the PRC	–	51%	RMB nil	Inactive

31. INTEREST IN SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Attributable equity interest of the Company At 31 December 2018	Attributable equity interest of the Company At 31 December 2019	Issued and fully paid share capital	Principal activities and place of operations
Shandong Chengtou Poly Huichuang City Services Co., Ltd., ("Poly Huichuang Shandong"), 山東城投保利暉創城市服務有限公司 (Note (e))	Incorporated on 7 November 2019 in the PRC	–	51%	RMB nil	Inactive
Hengyuan (Hong Kong) Service Limited, ("Hengyuan (Hong Kong)"), 恒遠(香港)服務有限公司 (Note (d))	Incorporated on 23 December, 2019 in Hong Kong	–	100%	RMB nil	Inactive
Tangshan XinChengtou Poly City Services Co., Ltd., ("Poly Tangshan") 唐山新城投保利城市服務有限公司 (Note (e))	Incorporated on 25 December 2019 in the PRC	–	51%	RMB nil	Inactive

Notes:

(a) The English names of all subsidiaries established in the PRC are translated for identification purpose only.

(b) All companies comprising the Group have adopted 31 December as their financial year end date.

(c) All entities established in the PRC are in the form of domestic limited liability company.

(d) The equity interests are directly held by the Company at the date of this report.

(e) The equity interests are indirectly held by the Company at the date of this report.

(f) Poly (Changchun) Property Service Co., Ltd. ("Poly Changchun") was accounted for as 50%-interest subsidiary of the Group, as all the strategic financial and operating decisions required approval by unanimous consent of all of the shareholders. All the shareholders of Poly Changchun entered into an acting in concert agreement, by execution of the acting in concert agreement, the other shareholder agreed to follow the strategic financial and operating decision made by the Group when unanimous consent has not reached. Since the Group obtained the effective control of voting power to govern the relevant activities of Poly Changchun, Poly Changchun is accounted for as the subsidiary of the Group.

32. MATERIAL RELATED PARTIES TRANSACTIONS

The Group entered into the following material related party transactions during the years ended 31 December 2019 and 2018:

(a) Name and relationship

Name of related parties	Relationship with the Group
Poly Developments and Holdings Group	Immediate Holding Company and its subsidiaries
Poly Finance	Subsidiary of China Poly Group

32. MATERIAL RELATED PARTIES TRANSACTIONS (Continued)

(b) Material related party transactions

	Year ended 31 December	
	2019 **RMB'000**	2018 RMB'000
Poly Developments and Holdings Group		
Provision of services		
– Property management services	**138,046**	135,442
– Value-added services to non-property owners	**701,075**	534,477
– Community value-added services	**38,139**	8,441
Interest income	**38**	–
Disposal of financial assets at FVTOCI	**–**	2,052
Purchase of inventories	**7,007**	85,490
Lease contract arrangements		
– Right-of-use assets	**5,643**	4,829
– Lease liabilities	**6,683**	5,530
– Depreciation	**4,280**	1,900
– Interest expense	**418**	338
– Rental expense	**14,321**	8,904
Trademark fee	**–***	–*
Software development expenses	**3,633**	3,501
Hardware Procurement expenses	**549**	–
Associates of Poly Developments and Holdings Group		
Provision of services		
– Property management services	**3,816**	5,245
– Value-added services to non-property owners	**95,479**	58,866
– Community value-added services	**1,475**	1,904
Joint ventures of Poly Developments and Holdings Group		
Provision of services		
– Property management services	**4,253**	4,180
– Value-added services to non-property owners	**78,653**	33,675
– Community value-added services	**1,021**	337
Lease contract arrangements		
– Right-of-use assets	**1,313**	1,608
– Lease liabilities	**1,421**	1,698
– Depreciation	**295**	295
– Interest expense	**83**	96
Poly Finance		
Interest income	**14,788**	7,146

* The balances represent amount less than RMB1,000.

33. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits, respectively.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, new shares issue and share buy-back as well as the issue of new debts or redemption of existing debt, if necessary.

Management regards total equity as capital. The amount of capital as at 31 December 2019 and 2018 amounted to approximately RMB5,122,248,000 and RMB693,129,000 respectively, which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

34. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include financial assets at FVTOCI, trade receivables, deposits and other receivables, cash and cash equivalents, trade payables, accrued charges and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, currency risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate.

34. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

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

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

The Group has large number of customers and there was no concentration of credit risk. 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 years to ensure that adequate impairment losses are made for irrecoverable amounts.

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 years. 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 borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of individual property owner or the borrower
- Significant increases in credit risk on the other financial instruments of the individual property owner or the same borrower
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower

(i) Trade receivables

As at 31 December 2019 and 2018, the Group apply the general approach to provide for expected credit losses prescribed by HKFRS 9, which permits to recognise 12-month expected credit losses for other receivables. Trade receivables apply the simplified approach to provide for expected losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision.

34. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(i) Trade receivables (Continued)

As at 31 December 2019 and 2018, the loss allowance provision for the remaining balances was determined as follows. The expected credit losses below also incorporated forward looking information.

Trade receivables	Third parties				
	Up to 1 year RMB'000	1 to 2 year RMB'000	Over 2 years RMB'000	Related parties RMB'000	Total RMB'000
At 31 December 2018					
Expected loss rate	2.5%	3.5%	88.3%	3.1%	
Gross carrying amount (Note)	101,499	576	1,221	99,711	203,007
Loss allowance provision (Note)	2,570	20	1,078	3,043	6,711
At 31 December 2019					
Expected loss rate	**1.0%**	**70.8%**	**100%**	**3.1%**	
Gross carrying amount	**260,550**	**10,819**	**1,078**	**133,976**	**406,423**
Loss allowance provision	**2,570**	**7,661**	**1,078**	**4,146**	**15,455**

The expected credit loss rates for each individual financial year during the year ended 31 December 2019 and 2018 are different for the trade receivables from third parties, which applies the simplified approach to provide for expected losses prescribed by HKFRS 9. In the opinion of the directors, no material difference of the provision of loss allowance between the use of the different expected credit loss rate and the same expected credit loss rate disclosed as above. Therefore, same expected credit loss rate adopt during the years ended 31 December 2019 and 2018.

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowances for the year ended 31 December 2019:

– Origination of new trade receivables net of those settled resulted in an increase in loss allowances of RMB1,137,000; and

– Increase in amounts past due over 1 year resulted in an increase in loss allowances of RMB7,607,000.

Note: During 2018, gross carry amount and loss allowance provision of RMB26,237,000 and RMB2,064,000 respectively are arisen due to the acquisition of subsidiary during the year. The details are as follows:

Trade receivables	Third parties				
	Up to 1 year RMB'000	1 to 2 year RMB'000	Over 2 years RMB'000	Related parties RMB'000	Total RMB'000
Expected loss rate	**3.9%**	**Nil**	**100%**	**Nil**	
Gross carrying amount	**25,159**	**–**	**1,078**	**–**	**26,237**
Loss allowance provision	**986**	**–**	**1,078**	**–**	**2,064**

34. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(ii) Deposits and other receivables

Deposits and other receivables	Third parties RMB'000	Related parties RMB'000	Total RMB'000
At 31 December 2018			
Expected loss rate	4.1%	2.2%	88.3%
Gross carrying amount (Note a)	162,603	34,925	197,528
Loss allowance provision (Note a)	6,709	785	7,494
At 31 December 2019			
Expected loss rate	**3.6%**	**2.2%**	**100%**
Gross carrying amount (Note b)	**279,654**	**42,814**	**322,468**
Loss allowance provision (Note b)	**10,134**	**942**	**11,076**

Note a: In 2018, gross carry amount and loss allowance provision of RMB4,926,000 and RMB312,000 respectively are arisen due to the acquisition of a subsidiary during the year. The details are as follows:

Deposits and other receivables	Third parties RMB'000	Related parties RMB'000	Total RMB'000
Expected loss rate	6.3%	Nil	6.3%
Gross carrying amount	4,926	–	4,926
Loss allowance provision	312	–	312

Note b: In 2019, gross carry amount and loss allowance provision of RMB830,000 and RMB nil respectively are arisen due to the acquisition of a subsidiary during the year.

34. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(iii) Trade and other receivables

As at 31 December 2019 and 2018, the loss allowance provision for trade and other receivables reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB'000	Other receivables RMB'000	Total RMB'000
At 1 January 2018	6,432	4,366	10,798
Obtained through acquisition of a subsidiary	2,064	312	2,376
Provision for loss allowance recognized in profit or loss	–	2,816	2,816
Reversal of loss allowance recognized previously	(1,785)	–	(1,785)
At 31 December 2018 and 1 January 2019	**6,711**	**7,494**	**14,205**
Provision for loss allowance recognized in profit or loss	**8,744**	**3,582**	**12,326**
At 31 December 2019	**15,455**	**11,076**	**26,531**

As at 31 December 2019 and 2018, the gross carrying amount of trade and other receivables was RMB728,891,000,and RMB400,535,000 thus the maximum exposure to loss was RMB26,531,000 and RMB14,205,000 respectively.

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from current interest rate at the end of each years.

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

	Carrying amount RMB'000	Total contractual undiscounted cash flows RMB'000	Within one year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
As at 31 December 2018						
Trade payables	193,320	193,320	180,613	11,224	1,483	–
Accruals and other payables	854,592	854,592	625,384	174,026	55,182	–
Lease liabilities	17,729	21,062	3,418	2,879	8,110	6,655
	1,065,641	1,068,974	809,415	188,129	64,775	6,655
As at 31 December 2019						
Trade payables	**253,359**	**253,359**	**244,999**	**8,194**	**166**	**–**
Accruals and other payables	**1,129,471**	**1,129,471**	**873,893**	**206,305**	**49,273**	**–**
Lease liabilities	**14,895**	**22,767**	**4,426**	**4,565**	**9,457**	**4,319**
	1,397,725	**1,405,597**	**1,123,318**	**219,064**	**58,896**	**4,319**

(d) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that receipts of proceeds from listing on the Main Board of the Stock Exchange and accrued listing expense are in other currency. As at 31 December 2019, major non-RMB assets are cash and cash equivalents of RMB4,220,845,000 and non-RMB liabilities are accrual and other payables of RMB148,476,000 denominated in HK dollar ("HK$"). Fluctuation of the exchange rates of RMB against foreign currency could affect the Group's results of operations.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follow:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Monetary assets and liabilities		
– HK$		
Cash and cash equivalent and short term deposits	**4,220,845**	–
Accruals and other payables	**(148,476)**	–
	4,072,369	–

34. FINANCIAL RISK MANAGEMENT (Continued)

(d) Foreign exchange risk (Continued)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% increase/decrease in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
5% increase in RMB against HK$	**(152,714)**	–
5% decrease in RMB against HK$	**152,714**	–

(e) Fair value

(i) Financial instruments not measured at fair value

Financial instruments not measured at fair value include deposits and bank balances, trade receivables, deposits and other receivables, trade payables and accruals and other payables.

Due to their short term nature, the carrying values of these financial instruments approximates fair values.

(ii) Financial instruments measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the years on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

- Level 2 valuations: Fair value measured using only Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs; and

- Level 3 valuations: Fair value measured using significant unobservable inputs

The fair value of the Group's unlisted equity investments at 31 December 2019 and 2018 has been arrived at on the basis of valuation carried out by APAC, a firm of independent professionally qualified valuers not connected with the Group.

The unlisted equity investments are categorized into level 3 of fair value measurement.

34. FINANCIAL RISK MANAGEMENT (Continued)

(e) Fair value (Continued)

(ii) Financial instruments measured at fair value (Continued)

	31 December 2018			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through other comprehensive income				
– Unlisted equity investments	–	–	10,800	10,800

	31 December 2019			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at fair value through other comprehensive income				
– Unlisted equity investments	**–**	**–**	**13,000**	**13,000**

There were no transfers between levels during the years.

Valuation techniques and inputs used in Level 3 fair value measurements:

	Fair value at 31 December 2018 RMB'000	Valuation technique	Unobservable input	Range	Relationship of inputs to fair value
Financial assets at fair value through other comprehensive income					
– Unlisted equity investments	10,800	Market Comparable approaches	Discount for lack of marketability	30%	The higher the discount rate the lower the fair value

34. FINANCIAL RISK MANAGEMENT (Continued)

(e) Fair value (Continued)

(ii) Financial instruments measured at fair value (Continued)

	Fair value at 31 December 2019 RMB'000	Valuation technique	Unobservable input	Range	Relationship of inputs to fair value
Financial assets at fair value through other comprehensive income					
– Unlisted equity investments	**13,000**	**Market Comparable approaches**	**Discount for lack of marketability**	**40%**	**The higher the discount rate the lower the fair value**

The fair value of unlisted equity investments are determined using the price/book ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2019 and 2018, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's other comprehensive income by RMB130,000 and RMB108,000 respectively.

The movement during the years ended 31 December 2019 and 2018 in the balance of the level 3 fair value measurements are as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Unlisted equity investment:		
At 1 January	**10,800**	7,400
Net unrealised gains recognised in other comprehensive income during the year	**2,200**	5,508
Disposals	**–**	(2,108)
At 31 December	**13,000**	10,800

35. CASH FLOW INFORMATION

Cash generated from operations

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax expense	**685,434**	462,813
Adjustments for:		
Exchange losses, net	**14,824**	–
Depreciation of property, plant and equipment	**33,029**	26,971
Depreciation of investment properties	**647**	780
Amortization of intangible assets	**6,778**	2,546
Impairment/(reversal of impairment) loss on trade receivables	**8,744**	(1,785)
Impairment loss on other receivables	**3,582**	2,816
Share of an associate's/joint venture's results	**(16,282)**	(4,607)
Bank interest income	**(9,798)**	(9,279)
Other interest income	**(15,782)**	(7,280)
Finance costs	**898**	823
Gain on disposal of investment properties	**(2,835)**	(4,051)
Loss on disposal of property, plant and equipment	**279**	113
Loss on disposal of other financial assets	**–**	56
Net cash generated from operating activities before changes in working capital	**709,518**	469,916
Changes in working capital:		
Decrease/(increase) in inventories	**19,796**	(64,445)
(Increase)/decrease in trade and bills receivables	**(203,836)**	54,101
Increase in prepayments, deposits and other receivables	**(139,218)**	(93,169)
Increase in trade payables	**60,039**	34,879
Increase in accruals and other payables	**197,952**	1,103
Increase in contract liabilities	**229,369**	141,814
Cash generated from operations	**873,620**	544,199

35. CASH FLOW INFORMATION (Continued)

Reconciliation of liabilities arising from financing activities

	Accrual and other payable (Note 23) RMB'000	Lease liabilities (Note 24) RMB'000	Total RMB'000
At 1 January 2018	965,428	10,154	975,582
Changes from cash flows:			
Dividends paid	(140,000)	–	(140,000)
Payment of lease liabilities	–	(2,765)	(2,765)
Total changes from financing cash flows:	(140,000)	(2,765)	(142,765)
Other changes:			
Net change in accrual and other payable	62,457	–	62,457
Net change in lease liabilities	–	10,340	10,340
Total other changes	62,457	10,340	72,797
At 31 December 2018 and 1 January 2019	887,885	17,729	905,614
Changes from cash flows:			
Transaction costs attributable to the public offering and placing	**(11,713)**	**–**	**(11,713)**
Payment of lease liabilities	**–**	**(4,103)**	**(4,103)**
Total changes from financing cash flows:	**(11,713)**	**(4,103)**	**(15,816)**
Other changes:			
Transaction costs attributable to the public offering and placing	**134,591**	**–**	**134,591**
Net change in accrual and other payable	**169,404**	**–**	**169,404**
Net change in lease liabilities	**–**	**1,269**	**1,269**
Total other changes	**303,995**	**1,269**	**305,264**
At 31 December 2019	**1,180,167**	**14,895**	**1,195,062**

36. EVENTS AFTER THE REPORTING DATE

(a) On 10 January 2020, the over-allotment option described in the Prospectus has been fully exercised by GF Securities (Hong Kong) Brokerage Limited, Huatai Financial Holdings (Hong Kong) Limited, ABCI Capital Limited, CISA Limited and UBS AG Hong Kong Branch, the JGC Representatives, for themselves and on behalf of the International underwriters, in respect of an aggregate of 20,000,000 H Shares, representing approximately 15% of the total number of the offer shares initially available under the Global Offering before any exercise of the over-allotment option. The Over-allotment Shares was issued and allocated by the Company at HK$35.10 per H Share, being the Offer Price per H Share under the Global Offering, on 17 January 2020.

(b) Subsequent to the end of the reporting period, the Board of Directors proposed an annual dividend of RMB0.30 per share in respect of 2019. The annual dividend amount which shall be subject to the approval of the Shareholders at the annual general meeting to be held on 23 June 2020 has not been recognised as a liability at the end of the reporting period.

(c) Following the outbreak of Coronavirus Disease 2019 (the "COVID-19 Outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, which has affected the business and economic activities of the Group to a certain extent.

In light of the negative impact brought upon by the COVID-19 Outbreak in short term, it may lead to increase of costs incurred by additional hygiene and epidemic prevention requirements when rendering basic property management services, as well as decrease or delay of revenue from value-added services including property developer-related services and community value-added services due to various level of restrictions and controls over property development activities and community activities.

The Group is not yet able to quantify the aforesaid influence due to the COVID-19 Outbreak. However, the Group will pay close attention to the development of the COVID-19 Outbreak and its impact and will continue to perform relevant assessments and take proactive measures as appropriate.

FOUR YEAR FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December			
	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Revenue	2,564,187	3,240,334	4,229,378	**5,966,836**
Cost of services	(2,135,724)	(2,659,544)	(3,378,100)	**(4,756,115)**
Gross profit	428,463	580,790	851,278	**1,210,721**
Other income and other net gain	22,874	30,988	26,638	**34,510**
Administrative expenses	(240,904)	(307,292)	(415,266)	**(573,796)**
Share of associates'/joint ventures' results	(235)	1,237	4,607	**16,282**
Finance cost	(339)	(399)	(823)	**(898)**
Other expense	(2,553)	(2,059)	(3,621)	**(1,385)**
Profit before income tax expense	207,306	303,265	462,813	**685,434**
Income tax expense	(58,131)	(78,583)	(126,746)	**(182,252)**
Profit for the year	149,175	224,682	336,067	**503,182**
Other comprehensive income, net of tax				
Items that will not be reclassified subsequently to profit or loss:				
Financial assets at fair value through other comprehensive income ("FVTOCI")				
– Change in fair value	(200)	3,750	5,508	**2,200**
Profits and total comprehensive income for the year	148,975	228,432	341,575	**505,382**
Profits and total comprehensive income attributable to:				
– Owners of the Company	145,336	223,181	333,952	**492,711**
– Non-controlling interests	3,639	5,251	7,623	**12,671**
Earnings per share (expressed in RMB per share)				
– Basic and diluted earnings per share	N/A	N/A	0.82	**1.21**

FOUR YEAR FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF ASSETS, EQUITY AND LIABILITIES

	As at 31 December			
	2016	2017	2018	**2019**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets				
Non-current assets	102,559	115,208	255,070	**267,761**
Current assets	1,472,918	1,996,863	2,297,362	**7,303,306**
Total assets	1,575,477	2,112,071	2,552,432	**7,571,067**
Equity and liabilities				
Current liabilities	1,260,732	1,703,941	1,830,745	**2,423,925**
Non-current liabilities	3,850	7,823	28,558	**24,894**
Total liabilities	1,264,582	1,711,764	1,859,303	**2,448,819**
Total equity	310,895	400,307	693,129	**5,122,248**
Total equity and liabilities	1,575,477	2,112,071	2,552,432	**7,571,067**