



保利物業服務股份有限公司

POLY PROPERTY SERVICES CO., LTD.

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

Stock code : 06049.HK

SERVICES



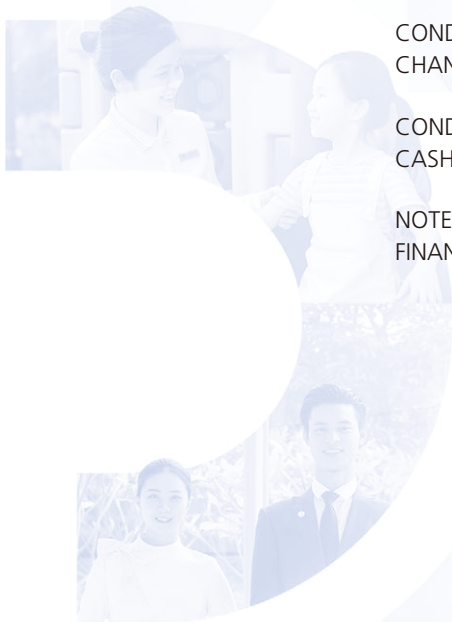
2020 | INTERIM REPORT

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

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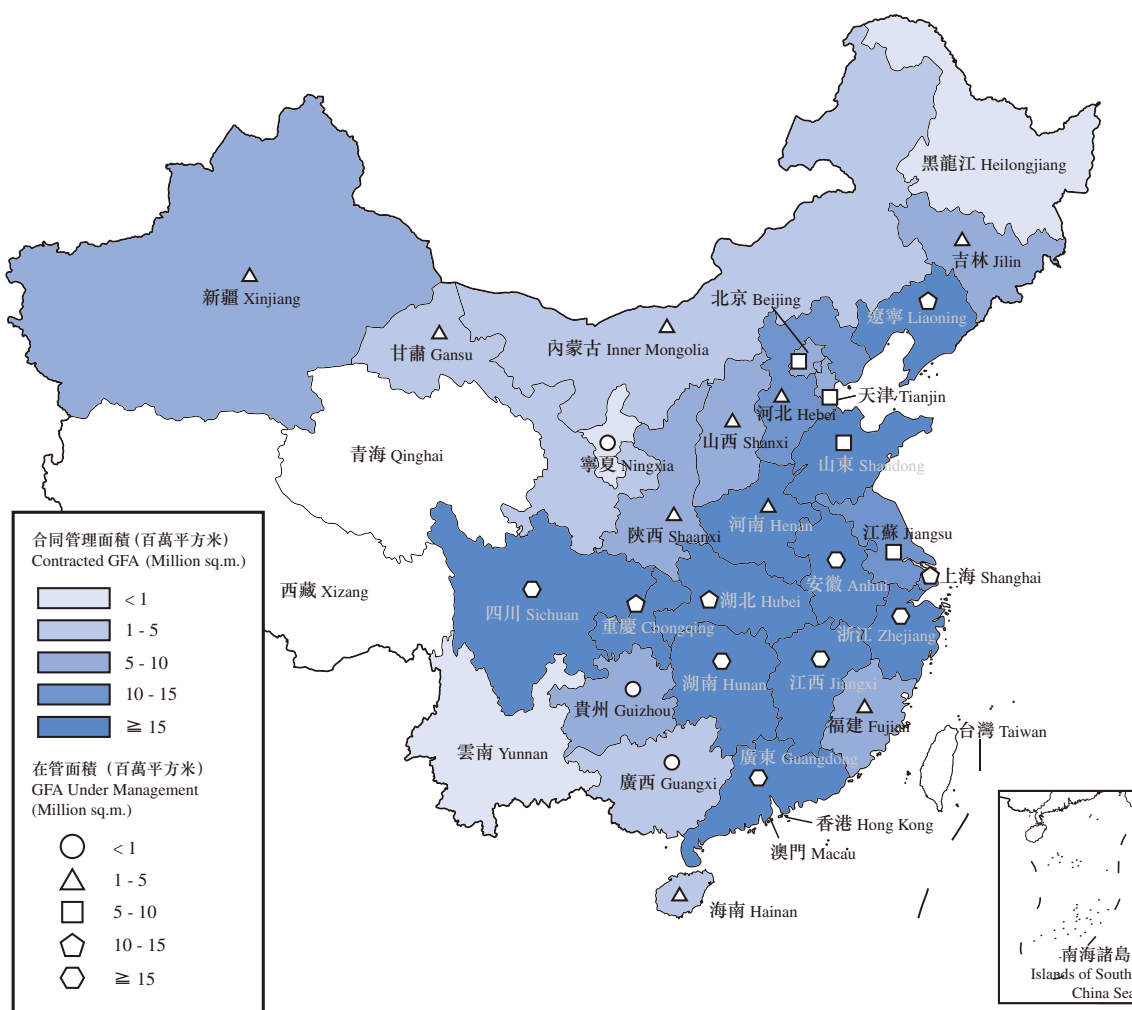
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SERVICES



COMPANY OVERVIEW

Poly Property Services 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. According to the 2020 Ranking of Top 100 Property Management Companies in China of the China Index Academy (the “**CIA**”), the Group ranked third among the top 100 property management companies in China and first among the top 100 property management companies with state-owned background. With high-quality services and brand strength, we have enjoyed an industry-wide reputation. Our brand was valued at more than RMB9.0 billion in 2019. The Group’s three main business lines, namely, property management services, value-added services to non-property owners, and community value-added services, form a comprehensive service offering to its customers along the value chain of property management. As of 30 June 2020, the Group has entered 172 cities in 29 provinces, autonomous regions and municipalities across the country, and recorded a gross floor area (“**GFA**”) under management of approximately 316.8 million sq.m. with 1,142 projects under management, and a contracted GFA of approximately 493.4 million sq.m. with 1,647 contracted projects. The Group continuously pushes forward the “Comprehensive Property” strategy and its business portfolio covers residential communities, commercial and office buildings and public and other properties.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors

Mr. Huang Hai (Chairman)
Mr. Hu Zaixin

Executive Directors

Mr. Li Jiahe
Ms. Wu Lanyu (General Manager)

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

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

AUTHORISED REPRESENTATIVES

Ms. Wu Lanyu
Mr. Lau Kwok Yin

AUDITOR

BDO Limited
25/F, Wing On Centre
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LEGAL ADVISER

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Central
Hong Kong

COMPLIANCE ADVISER

GF Capital (Hong Kong) Limited
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Hong Kong

PRINCIPAL BANKER

China Construction Bank
Poly Grand Mansion Branch
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The PRC

CORPORATE INFORMATION

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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H SHARE REGISTRAR AND TRANSFER OFFICE

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COMPANY WEBSITE

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STOCK CODE ON THE HONG KONG STOCK EXCHANGE

06049

FINANCIAL SUMMARY

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

	For the six months ended 30 June	
	2020	2019
Revenue (RMB million)	3,600.9	2,822.0
Gross profit (RMB million)	734.0	666.5
Gross profit margin	20.4%	23.6%
Profit for the Period (RMB million)	410.7	320.8
Net profit margin	11.4%	11.4%
Profit for the Period attributable to owners of the Company (RMB million)	399.6	313.6
Basic earnings per share (RMB)*	0.72	0.78
Return on shareholders' equity (weighted average)	6.9%	40.2%

* The H shares of the Company were listed on 19 December 2019. The over-allotment option was exercised in full on 10 January 2020, and the shares were issued on 17 January 2020. The weighted average number of ordinary shares for the six months ended 30 June 2020 (the "Period") and for the six months ended 30 June 2019 was 551,575,000 and 400,000,000, respectively. Details are set out in note 11 in the notes to the condensed consolidated financial statements of this interim report.

SUMMARY OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at	As at
	30 June 2020	31 December 2019
Total assets (RMB million)	8,782.3	7,571.1
Cash and cash equivalents (RMB million)	7,245.4	6,508.6
Total equity (RMB million)	5,964.4	5,122.2
Total liabilities/Total assets	32.1%	32.3%

AWARDS AND HONOURS



2020 Top 10 Listed Company of Property Management Service



2020 TOP100 Property Management Companies in China in terms of Business Size TOP10



2020 TOP100 Property Management Companies in China in terms of Business Performance TOP10



2020 TOP100 Property Management Companies in China in terms of Leading Customer Satisfaction



2020 Property Management Companies in China in terms of Social Responsibility



2020 Top 10 Listed Company of Property Management Service in terms of Leading Innovation



2020 TOP100 Property Management Companies in China (TOP 3)



2020 Property Management Companies in China in terms of Leading Urban Services



2020 China Leading Property Management Companies in terms of Characteristic Service - Nebula Ecology - Commercial and Office Service Brand

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2020, in the face of the severe challenges of the novel coronavirus, property management companies took the lead and spared full effort to protect the communities and homes, safeguard the health and normal life of property owners, and cooperate with the government to build a gridded pandemic prevention front. As a large-scale and comprehensive state-owned property management service provider, Poly Property has always upheld a high sense of responsibility for protecting the country and the people, and focused on both pandemic prevention and control and customer service, which has been highly recognized by the government, society and property owners.

As of 30 June 2020, the Group has entered 172 cities in 29 provinces, autonomous regions and municipalities across the country, providing professional, humanistic and valuable property management services for 1,142 projects including residential, commercial office and diversified public service businesses. The Group recorded a GFA under management of approximately 316.8 million sq.m., representing an increase of 29.9 million sq.m. as compared to the end of 2019. The Group recorded a contracted GFA of 493.4 million sq.m. with 1,647 contracted projects, representing an increase of 157 as compared to the end of 2019.

For the six months ended 30 June 2020, the Group recorded a revenue of approximately RMB3,600.9 million, representing an increase of approximately 27.6% as compared to the corresponding period of 2019; a gross profit of approximately RMB734.0 million, representing an increase of approximately 10.1% as compared to the corresponding period of 2019; a profit for the Period of approximately RMB410.7 million, representing an increase of approximately 28.0% as compared to the corresponding period of 2019; and a profit for the Period attributable to owners of the Group of approximately RMB399.6 million, representing an increase of approximately 27.4% as compared to the corresponding period of 2019.

According to the CIA's 2020 Ranking of Top 100 Property Management Companies in China, the Group ranked third among the top 100 property management companies in China and first among the top 100 property management companies with state-owned background. With high-quality service capabilities and brand strength, the Group has won a good reputation in the industry. The brand value of the Group in 2019 exceeded RMB9 billion.

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.

Property management services – representing approximately 63.5% of total revenue

For the six months ended 30 June 2020, the Group's revenue from property management services amounted to approximately RMB2,285.9 million, representing an increase of approximately 25.4% as compared to the corresponding period of 2019, which is mainly due to the expansion of GFA under management and the increase in the number of projects under management of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Source of projects	2020		2019		New GFA acquired '000 sq.m.	Growth rate %
	Contracted	Percentage	Contracted	Percentage		
	GFA '000 sq.m.	of contracted GFA %	GFA '000 sq.m.	of contracted GFA %		
Poly Developments and Holdings Group (Note)	218,935	44.4	185,844	40.9	33,091	17.8
Third parties	274,498	55.6	269,071	59.1	5,427	2.0
Total	493,433	100.0	454,915	100.0	38,518	8.5

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 the benchmark leader in the real estate industry in China, the steady development of our controlling shareholder, Poly Developments and Holdings Group Co., Ltd. ("**Poly Developments and Holdings**"), has brought us continuous business growth. As of 30 June 2020, the contracted GFA from Poly Developments and Holdings Group reached approximately 218.9 million sq.m., representing an increase of approximately 9.1 million sq.m. and approximately 33.1 million sq.m. as compared to the end of 2019 and the corresponding period of 2019, respectively.

As of 30 June 2020, the Group's contracted GFA from third parties was approximately 274.5 million sq.m., representing a decrease of approximately 13.8 million sq.m. as compared to the end of 2019, primarily due to the expiry of certain project contracts with a larger contracted area. During the Period, we further expanded our market expansion efforts and optimized the quality of project development. We strengthened the layout of key non-residential businesses and key projects, highlighted the resource advantages of a state-owned enterprise, vigorously explored joint investment and cooperation with state-owned enterprises and local state-owned capital investment and operation platforms, and established a comprehensive strategic partnership with Huaihua Economic Development Zone Wushui State-owned Assets Operation Management Co., Ltd.* (懷化經濟開發區舞水國有資產經營管理有限公司) and Jiujiang Industrial Investment Holdings Development Co., Ltd.* (九江工投控股發展有限公司).

For the six months ended 30 June 2020, the Group completed the signing of 137 new third-party projects with a single-year contract value of approximately RMB650 million, more than half of which were projects regarding non-residential business. In the expansion of third-party residential projects, we still maintained a good momentum of expansion. The contracted area of third-party residential projects increased by approximately 11.2 million sq.m. to approximately 78.9 million sq.m. as compared to the end of 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

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

For the six months ended or as at 30 June

Source of projects	2020					2019				
	Revenue		GFA under management		Number of projects under management	Revenue		GFA under management		Number of projects under management
	RMB'000	%	'000 sq.m.	%		RMB'000	%	'000 sq.m.	%	
Poly Developments and Holdings Group	1,734,353	75.9	136,909	43.2	657	1,509,079	82.8	112,131	43.1	532
Third parties	551,577	24.1	179,927	56.8	485	313,896	17.2	148,202	56.9	314
Total	2,285,930	100.0	316,836	100.0	1,142	1,822,975	100.0	260,333	100.0	846

As of 30 June 2020, the GFA under management of the Group was approximately 316.8 million sq.m., of which approximately 136.9 million sq.m. was from the projects of Poly Developments and Holdings Group and approximately 179.9 million sq.m. was from the projects of third parties. In addition, revenue from property management services to third parties amounted to approximately RMB551.6 million, representing a significant increase of approximately 75.7% as compared to the corresponding period of 2019 and accounting for approximately 24.1% of the total revenue from property management services, representing a year-on-year increase of nearly 7 percentage points.

Equal emphasis on residential and non-residential businesses

For the six months ended 30 June 2020, the Group accelerated its "Comprehensive Property Strategy". Based on the steady growth of the residential management scale, the diversified business structure has been further optimized. The non-residential business has become one of the important driving forces for the scale development of the Group. During the Period, the GFA under management of non-residential business increased to approximately 167.0 million sq.m., accounting for approximately 52.7% of the total GFA under management. During the Period, we recorded property management revenue from non-residential properties of approximately RMB655.0 million, representing an increase of approximately 42.9% as compared to the corresponding period of 2019. The proportion of such revenue to the overall property management revenue increased by 3.6 percentage points year-on-year to 28.7%.

MANAGEMENT DISCUSSION AND ANALYSIS

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 six months ended or as at 30 June

Source of projects	2020					2019				
	Revenue		GFA under management		Number of projects under management	Revenue		GFA under management		Number of projects under management
	RMB'000	%	'000 sq.m.	%		RMB'000	%	'000 sq.m.	%	
Residential communities	1,630,962	71.3	149,820	47.3	724	1,364,616	74.9	121,165	46.5	565
Non-residential properties	654,968	28.7	167,015	52.7	418	458,359	25.1	139,168	53.5	281
– Commercial and office buildings	308,377	13.5	8,584	2.7	110	241,934	13.2	6,974	2.7	71
– Public and other properties	346,591	15.2	158,431	50.0	308	216,425	11.9	132,194	50.8	210
Total	2,285,930	100.0	316,835	100.0	1,142	1,822,975	100.0	260,333	100.0	846

For residential communities, the Group has established two major property service brands of “Harmony Courtyard” and “Oriental Courtesy” as part of its dedicated effort to provide high-quality residential experience for property owners with refined management and standardized services. As of 30 June 2020, the GFA under management of the Group's residential communities was approximately 149.8 million sq.m., accounting for approximately 47.3% of the total GFA under management. For the six months ended 30 June 2020, revenue from property management services for residential communities amounted to approximately RMB1,631.0 million, representing an increase of approximately 19.5% as compared to the corresponding period of 2019 and accounting for approximately 71.3% of total revenue from the Group's property management services.

For commercial and office buildings, the Group has established the property service brand of “Nebula Ecology” to provide a trinity service system including property management, asset management and corporate services around the service concept of “scenario operation” while taking into account the commercial and office needs of Chinese enterprises. During the Period, we signed new contracts for landmark projects such as the China Development Bank Tower and the International Convention and Exhibition Center in Heping District, Shenyang. As of 30 June 2020, the GFA under management of the Group's commercial and office buildings was approximately 8.6 million sq.m. For the six months ended 30 June 2020, revenue from property management services for commercial and office buildings amounted to approximately RMB308.4 million, representing an increase of approximately 27.5% as compared to the corresponding period of 2019.

In the field of public services, the need for grid management in pandemic prevention and control and the in-depth promotion of the policy of strengthening the modernization of grassroots governance are expected to further accelerate the marketization of public services, and a number of property management peers' active layout in diversified public service fields including urban services will also accelerate the promotion of market-oriented service models.

MANAGEMENT DISCUSSION AND ANALYSIS

Poly Property adheres to its original mission of serving the government, serving the society, and serving the residents. In the development of public services, it insists on scale growth, quality assurance, and model innovation, and has achieved certain results:

First, the scale of our public service projects saw continuous growth. As of 30 June 2020, the number of projects under management increased by 42 to 308 as compared to the end of 2019, with a total GFA under management of approximately 158.4 million sq.m. During the Period, we completed the signing of 66 new projects. For the six months ended 30 June 2020, the Group's revenue from public and other properties amounted to approximately RMB346.6 million, representing an increase of 60.1% as compared to the corresponding period of 2019 and accounting for approximately 15.2% of the total revenue from property management services, which reflected an increase of approximately 3.3 percentage points in its percentage of revenue as compared to the corresponding period of 2019.

Second, we focused on three core property types, i.e. higher education, teaching and research properties, railway and transportation properties, and properties in towns and scenic areas, accelerated the implementation of landmark projects, and continuously improved the depth and breadth of services through deep project development and superimposed services. As of 30 June 2020, the number of projects under management for the three property types reached 176, accounting for more than 50% of the total number of public service projects. During the Period, new contracted projects regarding public services included urban and transportation comprehensive management for Yaozhuang Town, Adou Village Scenic Area in Henan, Zhengzhou Rail Transit Line 3, Hunan Institute of Technology and other landmark projects.

Third, we actively explored public service-related industries such as the integration of environmental sanitation, smart towns, improved special service skills, increased industrial synergies, and provided full-process solutions for the government's grassroots governance. During the Period, we successfully signed contracts for environmental sanitation service projects such as road sweeping and cleaning services for Jianxi District, Luoyang City, and urban and rural environmental sanitation of Tancheng County. We launched the pilot of the urban smart information platform, and realized the digitalization and visualization of urban management through applications such as public facility sensing systems and smart patrol systems, which further improved governance efficiency.

Fourth, we continuously strengthened quality control and training of professional talents. During the Period, we have completed the formulation of service standard manuals for industrial parks, railway and transportation properties, properties in towns and scenic areas, higher education, teaching and research properties, and achieved continuous improvement in service quality by continuously standardizing work processes and service standards. On the other hand, we have cultivated the core capabilities of public service through the "Starlight Public Service Professional Talents Plan", actively prepared the establishment of public service institutes, improved the construction of public service talent pipelines, and supported the rapid development of our business.

MANAGEMENT DISCUSSION AND ANALYSIS

Average property management fee per unit

Benefiting from higher pricing standards for new projects, price increases for certain projects under management, and higher standards for third-party projects, 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:

	For the six months ended 30 June		
	2020 (RMB/sq. m./month)	2019	Changes (RMB)
Residential communities	2.22	2.18	Increase 0.04
– Poly Developments and Holdings Group	2.30	2.27	Increase 0.03
– Third parties	1.70	1.48	Increase 0.22
Commercial and office buildings	7.94	6.71	Increase 1.23
– Poly Developments and Holdings Group	8.95	7.97	Increase 0.98
– Third parties	5.90	3.15	Increase 2.75

Value-added services to non-property owners – representing 15.4% 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:

Service Type	For the six months ended 30 June			
	2020		2019	
	RMB'000	Percentage of revenue %	RMB'000	Percentage of revenue %
Pre-delivery services	443,752	80.1	358,633	78.2
Other value-added services to non-property owners	110,171	19.9	100,013	21.8
Total	553,923	100.0	458,646	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2020, the Group's revenue from value-added services to non-property owners amounted to approximately RMB553.9 million, representing an increase of approximately 20.8% as compared to the corresponding period of 2019, which was mainly due to (i) the continuous increase in the number of projects providing pre-delivery services to Poly Developments and Holdings; and (ii) the rapid growth of value-added services to non-property owners in projects of third-party developers.

Community value-added services – representing approximately 21.1% of total revenue

Affected by the COVID-19 pandemic, the development of community value-added services such as home-entry value-added services, community media operations, and community space operations was subject to phased restrictions. Poly Property, which is committed to meeting the needs of its customers, actively initiated special services such as delivery of vegetables and fresh produce to communities, and cumulatively delivered more than 300,000 orders of fresh vegetables to over 330 communities across the country, using its best efforts to ensure the normal life of property owners in communities, especially those in key pandemic areas.

Despite the impact of the pandemic, we are still actively exploring and reforming. Through a combined model of “convenience services + vertical services + special pandemic services”, we have achieved rapid growth in revenue from community value-added services. For the six months ended 30 June 2020, the Group's revenue from community value-added services amounted to approximately RMB761.1 million, representing an increase of approximately 40.8% as compared to the corresponding period of 2019.

In the field of convenience services, based on the premise of solid basic property services, we provide property owners in communities with convenience services in various categories such as household cleaning, maintenance, household appliance cleaning, maternity care and babysitting. We also launched special anti-pandemic and disinfection services for families and cars during the pandemic, and cumulatively provided disinfection services for more than 30,000 families, protecting the health and safety of property owners in communities.

In the field of vertical services, we have carried out intensive cultivation around business lines such as move-in and furnishing and community retail. On the one hand, we continued to expand our regional coverage and penetration rate, and accelerated the implementation of standardized service systems. The coverage of our move-in and furnishing business in the delivery of furnished properties has greatly improved. On the other hand, we continued to optimize the supply chain system, make use of economies of scale, and actively introduce large-scale high-quality brands to enrich the supply categories, so as to meet the multi-level needs of property owners. In addition, we built a three-dimensional marketing channel integrating online and offline channels, and created a convenient consumer experience through multiple channels such as online shopping malls and live broadcast marketing. By strengthening follow-up services with property owners, we paid attention to customer feedback in a timely manner and formulated targeted improvement measures to promote a positive business cycle.

MANAGEMENT DISCUSSION AND ANALYSIS

Move-in and furnishing services: realising approximately RMB199.3 million in revenue, accounting for approximately 26.2% of the total revenue from community value-added services

Being user-driven at its core and enabled by technology, our move-in and furnishing services reconstruct the chain of channels of pan-home products and services and aim at providing a full coverage housing solution from design, installation, delivery to repair and maintenance, with a focus on three major service scopes, namely decoration of furnished houses, house renovation and smart home services.

Community retail: realising approximately RMB176.1 million in revenue, accounting for approximately 23.1% 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 through mutual access of online and offline resources in order to provide property owners with a cost-effective shopping experience.

Parking lot management services: realising approximately RMB100.8 million in revenue, accounting for approximately 13.2% of the total revenue from community value-added services

Parking lot management services aim at providing operation solutions targeting order management and 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.

Community media: realising approximately RMB34.4 million in revenue, accounting for approximately 4.5% of the total revenue from community value-added services

Community media services are committed to developing a multi-dimensional value chain of media operation. We have developed the resources of core areas in our projects such as elevators and carparks, in depth to actively integrate the resources of suppliers.

Community space management: realising approximately RMB49.1 million in revenue, accounting for approximately 6.5% of the total revenue from community value-added services

Our community space management provided services such as venue rental, courier service, charging service, sharing service and recycling service by optimizing the usage of public resources.

Community convenience and other services: realising approximately RMB201.4 million in revenue, accounting for approximately 26.5% 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, business ancillary services as well as property-specific services such as garbage disposal and removal.

FUTURE DEVELOPMENT

The COVID-19 pandemic has had a profound impact on the development of the property management industry. The value of quality services is perceived and recognized faster. Property management companies with brand influence, industry reputation and excellent service capabilities will be met with new development opportunities. Changes in residents' living needs and consumption habits under the pandemic will provide property management services with the potential to expand its boundaries, and promote category innovation and model upgrade of community value-added services. In addition, the property management industry is accelerating its integration into the social governance service system. Cross-industry cooperation with related upstream and downstream industries, complementary advantages, and joint efforts in public utilities including urban services will become a new trend of industry growth. Technology-based and intelligent infrastructure in property management will accelerate the upgrading and transformation of industry development models and become a necessary tool for property management companies to reduce costs, increase efficiency, and drive the scale development.

Poly Property will maintain a high degree of strategic determination, follow its established development rhythm, adhere to the path of scale development, comprehensively strengthen its operation and management capabilities, continue to strengthen informatization construction and investment in technology, and maintain rapid and healthy development of the Company.

First, we will highlight development themes and continue to improve the way we grow at a larger scale. We will make full use of the resource advantages of a state-owned enterprise, and promote the implementation of joint investment and cooperation with large state-owned enterprises and local state-owned capital investment and operation platforms. We will highlight the strategic function of investment, mergers and acquisitions in industrial development, expand our industry layout in public services, community value-added services and other fields, and create industry portfolio advantages.

Second, we will comprehensively strengthen our operational capabilities and facilitate improvements in quality and efficiency. We will accelerate the promotion of the national implementation of ultimate standardized management, and comprehensively improve operational efficiency and stabilize service quality in six standard systems including service standards, operating standards, staffing standards, management and control standards, assessment and incentive standards, and personnel competence standards. In addition, we will further refine the multi-layered incentive and evaluation mechanism, optimize the "United Spirit" performance assessment system, and continuously stimulate the internal vitality of our development.

Third, we will strengthen technology empowerment and increase investment in informatization and intelligentization. We will accelerate the overall upgrade of information infrastructure such as management information systems and smart parking systems, actively carry out the exploration and application of the Internet of Things and big data technologies in community scenarios, and promote the research and pilot projects of special informatization tools such as smart towns, smart buildings, and smart campuses. In addition, we will further improve our customer service system through informatization means, improve the timeliness, convenience and accessibility of various services, and continuously improve service experience.

MANAGEMENT DISCUSSION AND ANALYSIS

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:

For the six months ended 30 June					
	2020		2019		Growth rate %
	RMB'000	Percentage of revenue %	RMB'000	Percentage of revenue %	
Property management services	2,285,930	63.5	1,822,975	64.6	25.4
Value-added services to non-property owners	553,923	15.4	458,646	16.3	20.8
Community value-added services	761,066	21.1	540,399	19.1	40.8
Total	3,600,919	100.0	2,822,020	100.0	27.6

For the six months ended 30 June 2020, total revenue of the Group amounted to approximately RMB3,600.9 million (for the six months ended 30 June 2019: approximately RMB2,822.0 million), representing an increase of approximately 27.6% as compared to the corresponding period of 2019. It was primarily due to: (i) an increase in revenue driven by the continuous increase in the management scale of the Group; and (ii) the rapid growth of various value-added services of the Group during the Period.

Cost of services

During the Period, the cost of services of the Group amounted to approximately RMB2,867.0 million (for the six months ended 30 June 2019: approximately RMB2,155.5 million), representing an increase of approximately 33.0% as compared to the corresponding period of 2019. The increase in the cost of services was primarily due to (i) the expansion of GFA under management and the increase in the number of projects under management of the Group, which resulted in a corresponding increase in staff costs and subcontracting costs; (ii) a faster growth of vertical value-added services, including move-in and furnishing services and community retail, which resulted in an increase in the corresponding raw material costs.

MANAGEMENT DISCUSSION AND ANALYSIS

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:

	For the six months ended 30 June					
	2020			2019		
	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	389,152	53.0	17.0	330,753	49.7	18.1
Value-added services to non-property owners	114,679	15.6	20.7	97,611	14.6	21.3
Community value-added services	230,122	31.4	30.2	238,154	35.7	44.1
Total	733,953	100.0	20.4	666,518	100.0	23.6

For the six months ended 30 June 2020, the Group's gross profit was approximately RMB734.0 million, representing an increase of approximately 10.1% as compared to approximately RMB666.5 million of the corresponding period of 2019. The Group's gross profit margin decreased from approximately 23.6% in the corresponding period of 2019 to approximately 20.4%.

For the six months ended 30 June 2020, the Group's gross profit margin for property management services was approximately 17.0% (for the six months ended 30 June 2019: approximately 18.1%), representing a slight decrease, which was primarily due to increased maintenance of public equipment and facilities in certain projects to improve service quality.

For the six months ended 30 June 2020, the gross profit margin for value-added services to non-property owners was approximately 20.7% (for the six months ended 30 June 2019: approximately 21.3%), representing a slight decrease, which was primarily due to the corresponding delay in the commencement of construction, sales and delivery of projects due to the pandemic, and the preparation cost of the projects having been incurred.

For the six months ended 30 June 2020, the Group's gross profit margin for community value-added services was approximately 30.2% (for the six months ended 30 June 2019: approximately 44.1%), representing a decrease of approximately 13.9 percentage points as compared to the corresponding period of 2019, which was primarily due to changes in the business structure during the Period: (i) affected by the pandemic, the development of high-margin businesses such as certain home-entry value-added services, community media and community space was periodically restricted, which led to a decline in revenue; (ii) during the pandemic, in order to satisfy the living needs of property owners, the Group actively carried out community retail businesses to ensure people's livelihood such as the provision of fresh vegetables and fruits; and (iii) vertical businesses which are still in the growth stage such as move-in and furnishing have grown rapidly and their proportion of revenue has increased.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

For the six months ended 30 June 2020, the total administrative expenses of the Group were approximately RMB307.5 million, representing an increase of approximately 26.0% as compared to approximately RMB244.1 million for the six months ended 30 June 2019. Such increase was primarily due to an increase in employee wages and welfare and relevant expenses as compared to the corresponding period of 2019 as a result of the Group's increased headcount to cope with its rapid business development. The administrative expenses of the Group accounted for approximately 8.5% (for the six months ended 30 June 2019: approximately 8.7%) of the total revenue, representing a decrease of approximately 0.2 percentage points as compared to the corresponding period of 2019.

Other income and other net gain

For the six months ended 30 June 2020, other income and other net gain was approximately RMB122.9 million, representing an increase of approximately 1,762.1% as compared to approximately RMB6.6 million for the six months ended 30 June 2019. Such increase was primarily due to (i) an increase in interest income and government grants; and (ii) the net exchange gain recognised in respect of changes in foreign exchange rates.

Profit for the Period

For the six months ended 30 June 2020, the profit for the Period of the Group was approximately RMB410.7 million, representing an increase of approximately 28.0% as compared to approximately RMB320.8 million of the corresponding period of 2019. The profit for the Period attributable to owners of the Company was approximately RMB399.6 million, representing an increase of approximately 27.4% as compared to approximately RMB313.6 million of the corresponding period of 2019. The net profit margin was approximately 11.4%, which was constant as compared to the corresponding period of 2019.

Current assets, reserves and capital structure

For the six months ended 30 June 2020, the Group maintained a sound financial position. As at 30 June 2020, the current assets amounted to approximately RMB8,502.6 million, representing an increase of approximately 16.4% as compared to approximately RMB7,303.3 million as at 31 December 2019. Cash and cash equivalents of the Group as at 30 June 2020 amounted to approximately RMB7,245.4 million, representing an increase of approximately 11.3% as compared to approximately RMB6,508.6 million as at 31 December 2019, primarily due to additional funds raised from the Company's over-allotment of H shares. As at 30 June 2020, the gearing ratio of the Group was approximately 32.1%, representing a decrease of approximately 0.2 percentage points as compared to approximately 32.3% as at 31 December 2019. Gearing ratio represents the ratio of total liabilities over total assets.

As at 30 June 2020, the Group's total equity was approximately RMB5,964.4 million, representing an increase of approximately RMB842.2 million or approximately 16.4% as compared to approximately RMB5,122.2 million as at 31 December 2019, which was primarily due to the funds raised from the over-allotment which resulted in an increase in the Company's equity and the contributions of the realised profits for the Period.

Property, plant and equipment

The Group's property, plant and equipment primarily includes right-of-use assets, buildings, leasehold improvements, computer equipment, electronic equipment, transportation equipment, furniture and equipment. As at 30 June 2020, the Group's property, plant and equipment amounted to approximately RMB118.5 million, representing an increase of approximately RMB19.5 million as compared to approximately RMB99.0 million as at 31 December 2019, which was primarily due to the purchase of electronic equipment for office use and the increase in renovations for leasehold properties for the purpose of the Group's business operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Intangible assets

The Group's intangible assets primarily includes property management contracts and goodwill obtained from a business combination. As at 30 June 2020, the Group's intangible assets amounted to approximately RMB92.2 million, representing a decrease of approximately RMB3.5 million as compared to approximately RMB95.7 million as at 31 December 2019, which was primarily due to the amortisation of property management contracts.

Trade and bills receivables

As at 30 June 2020, trade and bills receivables amounted to approximately RMB775.4 million, representing an increase of approximately RMB384.0 million as compared to approximately RMB391.4 million as at 31 December 2019, which was primarily due to an increase in trade receivables in line with the continuous expansion of the Group's business scale, as well as cyclical fluctuations caused by certain property owners' preference for paying their property management fees before year-end.

Trade payables

As at 30 June 2020, trade payables amounted to approximately RMB427.1 million, representing an increase of approximately 68.5% as compared to approximately RMB253.4 million as at 31 December 2019, which was primarily due to the expansion of the Group's GFA under management and the increase in the scale of subcontracting of services to independent third-party service providers.

Borrowings

As at 30 June 2020, the Group had no borrowings or bank loans.

Pledge of Assets

As at 30 June 2020, the Group had no pledge of assets.

MAJOR INVESTMENT, ACQUISITION AND DISPOSAL

The Group had no major investment, acquisition and disposal during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

PROCEEDS FROM THE LISTING

The H shares of the Company (the “H Shares”) were successfully listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 19 December 2019 (the “Listing Date”) with 133,333,400 new H Shares issued and, upon the exercise of the over-allotment option in full, 153,333,400 H Shares were issued in aggregate. Net proceeds from the listing amounted to approximately HK\$5,218.2 million after deducting the underwriting fees and relevant expenses. As of 30 June 2020, the Group has used approximately HK\$5.6 million of the proceeds. Such used proceeds were allocated and used in accordance with the use of proceeds as set out in the prospectus of the Company dated 9 December 2019 (the “Prospectus”). The unutilised net proceeds are approximately HK\$5,212.6 million, which will be allocated and used in accordance with the purposes and proportions as set out in the Prospectus. Details of the specific use are as follows:

Category	Plan for the net proceeds in the Prospectus		Proceeds actually utilised as of 30 June 2020	Proceeds unutilised as of 30 June 2020	
	Percentage	Net amount HK\$ in millions	Net amount HK\$ in millions	Balance HK\$ in millions	Expected timetable for the usage
Pursuit of selective strategic investment and acquisition opportunities and further development of strategic alliances and expansion of the scale of the Group’s property management business	57.0%	2,974.4	4.7	2,969.7	On or before 31 December 2022
Including: investment matters such as joint investment and cooperation in respect of public services property management	7.4%	386.1	4.7	381.4	On or before 31 December 2022
Further development of the Group’s value-added services	15%	782.7	0.0	782.7	On or before 31 December 2022
Upgrade of the Group’s systems for digitisation and smart management	18%	939.3	0.0	939.3	On or before 31 December 2022
Working capital and general purpose	10%	521.8	0.9	520.9	N/A
Total	100%	5,218.2	5.6	5,212.6	

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

EXCHANGE RATE RISK

The Group conducts its business in Renminbi. Except for the bank deposits and payables denominated in foreign currencies, the Group was not subject to any significant risk relating to foreign exchange rate fluctuation. The management will continue to keep track of the exchange rate risk and take prudent measures to mitigate exchange rate risk.

SUBSEQUENT EVENTS

The Company's Chinese full name has been changed from “保利物業發展股份有限公司” to “保利物業服務股份有限公司” and its English full name has been changed from “POLY PROPERTY DEVELOPMENT CO., LTD.” to “POLY PROPERTY SERVICES CO., LTD.”. Its English stock short name has been changed from “POLY PPT DEV” to “POLY PPT SER” with effect from 9:00 a.m. on 30 July 2020, while its Chinese stock short name “保利物業” and stock code “06049” remain unchanged. For further details, please refer to the announcement of the Company dated 23 July 2020.

Save as disclosed above, the Group does not have any other subsequent events after 30 June 2020 until the date of this report.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had 40,026 employees (as at 30 June 2019: 35,190 employees). For the six months ended 30 June 2020, the total staff costs were approximately RMB1,617.2 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. In addition, the Group 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 high-quality personnel and provides employees with continuous training programmes and career development opportunities. In response to the recruitment under the pandemic, the Group made advance arrangements and took the lead in launching the national spring recruitment. Through the “Galaxy Talent Programme” and four recruitment campaigns, i.e. “Green Channel”, “Commander Programme”, “Companion Programme”, and “Heartwarming Journey”, the Group recruited for various professional management positions and project management positions across the country. The Group actively responded to the job stabilisation policy, and innovated the form of school recruitment by launching the recruitment live broadcast activities including CCTV Video APP's “National Recruitment Action” and GMW.cn's “2020 Guangming Live Broadcast for Enterprises' School Recruitment”, to provide more jobs for the society and more development opportunities for young people. The Group launched the “Starlight Public Service Professional Talents Plan” to create special training for core development, forge “special forces” for the development of public services, and provide strong talent support for the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The board of directors of the Company (the “**Board**”) does not recommend the payment of an interim dividend for the six months ended 30 June 2020.

REVIEW OF ACCOUNTS

The audit committee of the Company (the “**Audit Committee**”) was established with written terms of reference in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Audit Committee is authorised by the Board and is responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assisting the Board in fulfilling its responsibility over the audit of the Group.

The Audit Committee comprises Mr. Huang Hai and Mr. Hu Zaixin as non-executive Directors and Ms. Tan Yan, Mr. Wang Xiaojun and Mr. Wang Peng as independent non-executive Directors. Ms. Tan Yan is the chairlady of the Audit Committee.

The Audit Committee has reviewed the consolidated financial statements and interim results of the Group for the six months ended 30 June 2020, and discussed with the management of the Group regarding the accounting principles and practices adopted by the Group, and the internal control and financial reporting matters.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions in the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with all the applicable code provisions of the Corporate Governance Code during the six months ended 30 June 2020.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding dealing of securities transactions by the directors of the Company (the “**Directors**”) and the supervisors of the Company (the “**Supervisors**”). Having made specific enquiries of all Directors and supervisors of the Company, each of them has confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 June 2020.

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

The Company exercised the over-allotment option in full on 10 January 2020, and issued a total of 20,000,000 new H Shares of par value of RMB1.0 each at HK\$35.10 per share on 17 January 2020 (the closing price per share on 10 January 2020 was HK\$52.00). The over-allotment shares were allotted to investors of the international offering. After the issue of the new H Shares, the Company had a total of 553,333,400 issued shares, comprising 400,000,000 domestic shares and 153,333,400 H Shares.

Save as disclosed above, during the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 30 June 2020, the interests and/or short positions of the Directors, Supervisors and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director/ Supervisor	Name of associated corporation	Capacity	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(L) ⁽²⁾	0.002
Hu Zaixin	Poly Developments and Holdings	Beneficial owner	882,784(L)	0.007
	Poly Developments and Holdings	Beneficial owner	187,713(L) ⁽²⁾	0.002
Li Jiahe	Poly Developments and Holdings	Beneficial owner	136,519(L) ⁽²⁾	0.001
Wu Lanyu	Poly Developments and Holdings	Beneficial owner	102,388(L) ⁽²⁾	0.001
	Poly Developments and Holdings	Interest of spouse	100,000(L)	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	53,001(L)	0.00044
		Beneficial owner	216,021(L) ⁽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 of associated corporations as at 30 June 2020. 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 30 June 2020.
- (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 30 June 2020, 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 Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2020, the persons (other than Directors, Supervisors and 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 issued shares of the Company (%)
H Shares	Citigroup Inc.	Interest in controlled corporation	2,060,700(L)	1.34	0.37
			1,986,231(S)	1.29	0.35
		Approved lending agent	24,164,354(L)	15.75	4.36
			24,164,354(P)	15.75	4.36
	GIC Private Limited	Investment manager	20,210,400(L)	13.18	3.65
	JPMorgan Chase & Co.	Interest in controlled corporation	2,975,200(L)	1.94	0.53
			2,716,600(S)	1.77	0.49
		Investment manager	2,546,600(L)	1.66	0.46
		Person having a security interest in shares	698,800(L)	0.46	0.12
		Approved lending agent	4,073,354(L)	2.65	0.73
	4,073,354(P)		2.65	0.73	
	Gaoling Fund, L.P.	Beneficial owner	7,795,000(L) ⁽¹⁾	5.85 ⁽¹⁾	1.40
	Hillhouse Capital Advisors, Ltd.	Investment manager	7,795,000(L) ⁽¹⁾	5.85 ⁽¹⁾	1.40
	Schroders Plc	Investment manager	8,863,000(L)	5.78	1.60
	China International Capital Corporation Limited ⁽²⁾	Interest in controlled corporation	8,764,200(L) ⁽²⁾	5.72 ⁽²⁾	1.58
6,642,000(S) ⁽²⁾			4.33 ⁽²⁾	1.20	
CCB Investment Funds Management Co., Ltd. ⁽³⁾	Interest in controlled corporation	6,681,400(L) ⁽³⁾	5.01 ⁽³⁾	1.20	

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 issued shares of the Company (%)
Domestic shares	China Poly Group Corporation Limited ⁽⁴⁾	Interest in controlled corporation	400,000,000(L)	100.00	72.289
	Poly Southern Group Co., Ltd. ⁽⁴⁾	Interest in controlled corporation	400,000,000(L)	100.00	72.289
	Poly Developments and Holdings ⁽⁴⁾	Beneficial owner	380,000,000(L)	95.00	68.675
		Interest in controlled corporation	20,000,000(L)	5.00	3.614
	Xizang Yingyue Investment Management Co., Ltd. ⁽⁴⁾	Beneficial owner	20,000,000(L)	5.00	3.614

Notes:

As shown in the disclosed information:

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

- * As at 30 June 2020, the Company had a total of 553,333,400 issued shares, comprising 400,000,000 domestic shares and 153,333,400 H Shares.
- (1) Disclosure of the number of H Shares held is made pursuant to the latest disclosure of interests notice filed as of 30 June 2020 (date of the relevant event: 19 December 2019).
- (2) China International Capital Corporation Limited has full control over several corporations, and is deemed by the SFO to be interested in the long positions held in a total of 8,764,200 H Shares and short positions in 6,642,000 H Shares of the Company. Disclosure of the number of H Shares held is made pursuant to the latest disclosure of interests notice filed as of 30 June 2020 (date of the relevant event: 26 February 2020).
- (3) China Structural Reform Fund Co., Ltd (“**China Structural Reform Fund**”) is held as to 38.20% 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. Disclosure of the number of H Shares held is made pursuant to the latest disclosure of interests notice filed as of 30 June 2020 (date of the relevant event: 19 December 2019).
- (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 Corporation Limited (“**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 Holdings; and (ii) Xizang Yingyue Investment Management Co., Ltd. (“**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 30 June 2020, 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.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF POLY PROPERTY SERVICES CO., LTD. (FORMERLY KNOWN AS POLY PROPERTY DEVELOPMENT CO., LTD.)

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

OPINION

We have reviewed the interim condensed consolidated financial statements of Poly Property Services Co., Ltd. (formerly known as Poly Property Development Co., Ltd.) (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages 27 to 56, which comprise the condensed consolidated statements of financial position as at 30 June 2020, and the related condensed consolidated statements of profit or loss and other comprehensive income, the condensed consolidated statements of changes in equity and the condensed consolidated statements of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “**interim condensed consolidated financial statements**”).

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

Wan Che Bun

Practising Certificate Number P05804

Hong Kong, 24 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Revenue	6	3,600,919	2,822,020
Cost of services		(2,866,966)	(2,155,502)
Gross profit		733,953	666,518
Other income and other net gain/ (loss)	7	122,935	6,589
Selling and marketing expenses		(1,563)	(877)
Administrative expenses		(307,494)	(244,132)
Share of associates'/joint ventures' results		9,018	10,002
Finance cost		(399)	(435)
Other expense		(415)	(513)
Profit before income tax expense	8	556,035	437,152
Income tax expense	9	(145,329)	(116,381)
Profit for the period		410,706	320,771
Profits for the period attributable to:			
– Owners of the Company		399,588	313,584
– Non-controlling interests		11,118	7,187
Profit for the period		410,706	320,771
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		(6,000)	2,900
Profits and total comprehensive income for the period		404,706	323,671
Profits and total comprehensive income for the period attributable to:			
– Owners of the Company		393,588	316,484
– Non-controlling interests		11,118	7,187
Profits and total comprehensive income for the period		404,706	323,671
Earnings per share (expressed in RMB per share)			
Basic and diluted earnings per share	11	0.72	0.78

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Interests in associates/joint ventures	12	34,993	27,254
Property, plant and equipment	13	118,539	98,989
Investment properties	14	15,185	15,475
Financial assets at fair value through other comprehensive income ("FVTOCI")	15	7,000	13,000
Intangible assets	16	92,153	95,709
Prepayments for property, plant and equipment	19	757	10,698
Deferred tax assets		10,983	6,636
		279,610	267,761
Current assets			
Inventories	17	45,064	46,268
Trade and bills receivables	18	775,422	391,388
Prepayments, deposits and other receivables	19	436,786	357,032
Deposits and bank balances	20	7,245,369	6,508,618
		8,502,641	7,303,306
Current liabilities			
Trade payables	21	427,134	253,359
Accruals and other payables	22	1,230,760	1,180,167
Income tax payable		128,752	51,024
Lease liabilities	23	3,426	2,643
Contract liabilities	6	999,305	936,732
		2,789,377	2,423,925
Net current assets		5,713,264	4,879,381
Total assets less current liabilities		5,992,874	5,147,142

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities	23	16,720	12,252
Deferred tax liabilities		11,753	12,642
		28,473	24,894
Net assets		5,964,401	5,122,248
EQUITY			
Share capital and reserves attributable to owners of the Company			
Share capital	24	553,333	533,333
Reserves		5,345,636	4,522,154
Equity attributable to owners of the Company		5,898,969	5,055,487
Non-controlling interests		65,432	66,761
Total equity		5,964,401	5,122,248

The interim condensed consolidated financial statements on pages 27 to 56 were approved and authorised for issue by the board of directors and are signed on its behalf by:

Huang Hai
Director

Wu Lanyu
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Reserves					Retained profits*	Equity attributable to owners of the Company	Non-Controlling interests	Total
	Capital	Share premium*	Capital reserves*	Statutory reserves*	Fair value reserves*				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note a)		(Note b)	(Note c)				
Balance at 1 January 2019 (Audited)	100,000	–	85,594	45,456	9,300	409,508	649,858	43,271	693,129
Profit for the period	–	–	–	–	–	313,584	313,584	7,187	320,771
Unrealised fair value change on financial assets at FVTOCI	–	–	–	–	2,900	–	2,900	–	2,900
Issue of shares (Note d)	300,000	–	(80,000)	–	–	(220,000)	–	–	–
Capital contribution by non-controlling shareholders	–	–	–	–	–	–	–	6,980	6,980
Appropriation of statutory reserve	–	–	–	40,341	–	(40,341)	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	3,051	3,051
Dividend approved in respect of the previous period	–	–	–	–	–	(160,000)	(160,000)	–	(160,000)
At 30 June 2019 (Audited)	400,000	–	5,594	85,797	12,200	302,751	806,342	60,489	866,831
Balance at 31 December 2019 and 1 January 2020 (Audited)	533,333	3,939,585	5,594	93,409	11,500	472,066	5,055,487	66,761	5,122,248
Profit for the period	–	–	–	–	–	399,588	399,588	11,118	410,706
Unrealised fair value change on financial assets at FVTOCI	–	–	–	–	(6,000)	–	(6,000)	–	(6,000)
Shares issued pursuant to the over-allotment (Note 24(c))	20,000	602,098	–	–	–	–	622,098	–	622,098
Transaction cost attributable to the over-allotment of shares (Note 24(c))	–	(6,204)	–	–	–	–	(6,204)	–	(6,204)
Capital contribution by non-controlling shareholders	–	–	–	–	–	–	–	3,630	3,630
Appropriation of statutory reserve	–	–	–	43,518	–	(43,518)	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	853	853
Dividend approved in respect of the previous period	–	–	–	–	–	(166,000)	(166,000)	(16,930)	(182,930)
Balance at 30 June 2020 (Unaudited)	553,333	4,535,479	5,594	136,927	5,500	662,136	5,898,969	65,432	5,964,401

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

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 period 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 period.
- (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 capitalisation of capital reserves and retained earnings of the Company of RMB80,000,000 and RMB220,000,000 respectively.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

Six months ended 30 June

	Notes	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Cash flows from operating activities			
Cash generated from operations		171,671	334,840
Income tax paid		(68,551)	(87,421)
Interest paid		(399)	(435)
<i>Net cash generated from operating activities</i>		102,721	246,984
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		1,174	5,507
Purchase of property, plant and equipment		(20,632)	(13,282)
Withdrawal of time deposits with original maturity over three months		–	18,000
Proceeds from disposal of property, plant and equipment		48	1,126
Proceeds from disposal of investment properties		–	2,330
Bank interest income received		46,650	1,382
Other interest income received		9,818	9,863
Deposits paid for acquisition of property, plant and equipment		(840)	(7,213)
<i>Net cash generated from investing activities</i>		36,218	17,713
Cash flows from financing activities			
Dividends paid to owners of the Company		–	(160,000)
Payment of lease liabilities		(2,508)	(2,839)
Shares issued pursuant to the over-allotment		622,098	–
Transaction costs attributable to the over-allotment of shares		(80,082)	–
Capital injection from non-controlling interests		3,630	6,980
<i>Net cash generated from/(used in) financing activities</i>		543,138	(155,859)
Net increase in cash and cash equivalents		682,077	108,838
Cash and cash equivalents at beginning of the period		6,508,618	1,793,570
Effect of exchange rate changes on cash and cash equivalents		54,674	–
Cash and cash equivalents at end of the period		7,245,369	1,902,408

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL INFORMATION

Poly Property Services Co., Ltd. (formerly known as Poly Property Development Co., Ltd.) (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 interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 24 August 2020.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”), issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2019 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2020. The Group has not early adopted any new and revised HKFRSs that have been issued but not yet effective in the current accounting period.

The preparation of these interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

2. BASIS OF PREPARATION (Continued)

These interim condensed consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. These interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) and should be read in conjunction with the 2019 consolidated financial statements.

These interim condensed consolidated financial statements are unaudited, but have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. BDO Limited’s independent review report to the Board of Directors is included on page 26.

3. ADOPTION OF NEW AND REVISED STANDARDS

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 3	Definition of a Business

The new or amended HKFRSs that are effective from 1 January 2020 did not have any significant impact on the Group’s accounting policies.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2019 annual financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 six months ended 30 June 2020 and 2019, revenue from a Shareholder – Poly Developments and Holdings and its subsidiaries (“Poly Developments and Holdings Group”) contributed 13.7% and 15.5% 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 six months ended 30 June 2020 and 2019.

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 six months ended 30 June 2020 and 2019.

As at 30 June 2020 and 31 December 2019, 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 six months ended 30 June 2020 and 2019 was as follows:

		Six months ended 30 June	
Revenue from customers and recognised		2020 RMB’000 (Unaudited)	2019 RMB’000 (Audited)
Property management services	over time	2,285,930	1,822,975
Value-added services to non-property owners	over time	553,923	458,646
Community value-added services			
– Other value-added services	over time	451,289	412,616
– Sales of goods	at a point in time	309,777	127,783
		3,600,919	2,822,020

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

6. REVENUE (Continued)

For property management service, the performance obligation is satisfied upon services provided. 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 types 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 six months ended 30 June 2020 and 2019, there were no significant incremental costs to obtain a contract.

(c) Details of contract liabilities

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Contract liabilities	999,305	936,732

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. RMB649,680,000 of the contract liabilities as of 1 January 2020 has been recognised as revenue for the six months ended 30 June 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Other income:		
Bank interest income	47,938	2,243
Other interest income (Note a)	10,043	7,540
Government grants (Note b)	30,210	4,505
Penalty income	596	608
Others	393	371
	89,180	15,267
Other net gain/(loss):		
Gain on disposal of investment properties	–	1,256
Loss on disposal of property, plant and equipment	(89)	(88)
Impairment loss on trade receivables	(14,833)	(7,149)
Impairment loss on other receivables	(2,554)	(2,697)
Exchange gain, net	51,231	–
	122,935	6,589

Notes:

- (a) Other interest income represented the following:
- i. The interest received from the amount due from Poly Developments and Holdings Group during the six months ended 30 June 2020 and 2019, which is unsecured, interest-bearing and repayable on demand.
 - ii. The interest received from the amount due from a related party during the six months ended 30 June 2020 and 2019, which is unsecured, interest-bearing and repayable on demand.
 - iii. During the six months ended 30 June 2020 and 2019, 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 mainly included 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

8. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging the following:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Auditor's remuneration	400	–
Depreciation of property, plant and equipment	19,650	16,155
Depreciation of investment properties	290	337
Amortisation of intangible assets	3,556	3,223
Impairment loss on trade receivables	14,833	7,149
Impairment loss on other receivables	2,554	2,697
Short-term leases expenses	31,214	22,861
Finance cost – interest on lease liabilities	399	435
Staff costs (including directors' emoluments):		
Salaries and bonus	1,485,218	1,201,658
Pension costs, housing funds, medical insurances and other social insurances	131,968	180,373
	1,617,186	1,382,031

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current tax		
Tax for the current period and prior year	150,565	118,955
Deferred tax		
Credited to profit or loss for the period	(5,236)	(2,574)
	145,329	116,381

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong for the six months ended 30 June 2020 and 2019.

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 periods, based on the existing legislation, interpretations and practices in respect thereof. The general corporate income tax rate in PRC is 25%. Certain 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 periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

10. DIVIDENDS

During the six months ended 30 June 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.).

During the six months ended 30 June 2020, dividend of RMB166,000,020 (tax inclusive) in respect of 2019 was declared and unpaid.

No interim dividend was declared for the six months ended 30 June 2020 and the six months ended 30 June 2019.

11. EARNINGS PER SHARE

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Profits		
Profit attributable to owners of the Company	399,588	313,584

	Six months ended 30 June	
	2020 Number'000 (Unaudited)	2019 Number'000 (Audited)
Number of shares		
Weighted average number of ordinary shares (Note)	551,575	400,000
Basic and diluted earnings per share (RMB)	0.72	0.78

Note: Weighted average of 551,575,000 ordinary shares for the six months ended 30 June 2020 includes the weighted average of 20,000,000 ordinary shares issued due to over-allotment, in addition to the 533,333,400 ordinary shares for the year ended 31 December 2019.

Weighted average of 400,000,000 ordinary shares for the six months ended 30 June 2019, being the number of shares in issue immediately after the completion of capitalisation issued on 7 May 2019 as detailed in Note 24, was deemed to have been issued throughout the year ended 31 December 2018 and until immediately before the global offering.

Diluted earnings per share were the same as the basic earnings per share as the Group had no dilutive potential shares for the six months ended 30 June 2020 and 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

12. INTERESTS IN ASSOCIATES/JOINT VENTURES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Share of net assets	34,993	27,254

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	
			30 June 2020	31 December 2019
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	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	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	45

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

As of 31 December 2019, 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.

During the six months ended 30 June 2020, the joint venture partners of Poly Ziyang signed a supplemental agreement. According to the supplemental agreement, the Group has the discretion in all significant financial and operating decisions that are approved at the shareholders meetings. Since the Group obtained effective control of Poly Ziyang, Poly Ziyang became a subsidiary of the Group and the assets, liabilities and financial results of Poly Ziyang were consolidated in the financial statements of the Group since then.

The Group has elected to measure the non-controlling interest in Poly Ziyang at acquisition-date at the non-controlling interest's proportionate share of Poly Ziyang's net identifiable assets.

Since the acquisition date 1 January 2020, Poly Ziyang has contributed RMB2,939,000 and RMB491,000 to the Group's revenue and profit for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment with an aggregate cost of RMB39,173,000 (six months ended 30 June 2019: RMB19,939,000). Property, plant and equipment with carrying amount of RMB101,000 (six months ended 30 June 2019: RMB1,214,000) were disposed of during the six months ended 30 June 2020. Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives and after taking into account of their estimate residual values.

In addition, the Group has entered into several leases for offices during the six months ended 30 June 2020. Right-of-use assets amounted to RMB7,760,000 has been recognised for the current period.

Buildings in property, plant and equipment are held for own use and situated in the PRC.

At 30 June 2020 and 31 December 2019, no property, plant and equipment was pledged.

14. INVESTMENT PROPERTIES

There were no acquisition of investment properties during the six months ended 30 June 2020 and 2019. Investment properties with carrying amount of RMBNil (six months ended 30 June 2019: RMB1,074,000) were disposed of during the six months ended 30 June 2020.

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 2054.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Equity investments at fair value through other comprehensive income		
Unlisted equity investments, at fair value	7,000	13,000

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

16. INTANGIBLE ASSETS

	Property management contracts RMB'000	Goodwill RMB'000	Total RMB'000
COST			
At 1 January 2019 (Audited)	55,000	46,129	101,129
Acquired through acquisition of a subsidiary	3,000	904	3,904
At 31 December 2019 (Audited), 1 January 2020 (Audited) and 30 June 2020 (Unaudited)	58,000	47,033	105,033
ACCUMULATED AMORTISATION			
At 1 January 2019 (Audited)	2,546	–	2,546
Amortisation	6,778	–	6,778
At 31 December 2019 and 1 January 2020 (Audited)	9,324	–	9,324
Amortisation	3,556	–	3,556
At 30 June 2020 (Unaudited)	12,880	–	12,880
NET BOOK VALUE			
At 30 June 2020 (Unaudited)	45,120	47,033	92,153
At 31 December 2019 (Audited)	48,676	47,033	95,709

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

16. INTANGIBLE ASSETS (Continued)

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".

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 30 June 2020	As at 31 December 2019
For Hunan Poly Tianchuang CGU		
– Long-term growth rate	3.0%	3.0%
– Pre-tax discount rate	15.2%	15.2%
For Poly Huichuang Chongqing CGU		
– Long-term growth rate	3.0%	3.0%
– Pre-tax discount rate	16.5%	16.3%

As at 30 June 2020 and 31 December 2019, the recoverable amounts of the Hunan Poly Tianchuang CGU calculated based on VIU exceeded carrying value by approximately RMB65,151,000 and RMB61,346,000 respectively.

As at 30 June 2020 and 31 December 2019, the recoverable amounts of the Poly Huichuang Chongqing CGU calculated based on VIU exceeded carrying value by approximately RMB9,476,000 and RMB2,435,000 respectively.

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 30 June 2020 and 31 December 2019. In addition, no impairment is considered necessary for the property management contracts as at 30 June 2020 and 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

17. INVENTORIES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Carpark spaces	40,725	43,900
Raw materials	187	86
Consumables goods and other inventories	4,152	2,282
	45,064	46,268

18. TRADE AND BILLS RECEIVABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Related parties	220,497	133,976
Third parties	585,213	272,447
Total	805,710	406,423
Less: allowance for impairment of trade receivables	(30,288)	(15,455)
	775,422	390,968
Bills receivables	–	420
	775,422	391,388

As at 30 June 2020 and 31 December 2019, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

18. TRADE AND BILLS RECEIVABLES (Continued)

As at 30 June 2020 and 31 December 2019, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within 1 year	744,225	383,526
1 to 2 years	51,635	20,962
Over 2 years	9,850	1,935
	805,710	406,423

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Non-current assets		
Prepayments for property, plant and equipment	757	10,698
Current assets		
Deposits and other receivables		
– Related parties	40,638	42,814
– Third parties	351,433	279,654
Total	392,071	322,468
Less: allowance for impairment of other receivables	(13,630)	(11,076)
	378,441	311,392
VAT receivables	8,224	4,175
Interest receivables (Note)	3,844	2,807
Prepayments	46,277	38,658
	436,786	357,032

Note: As at 30 June 2020 and 31 December 2019, included in the balance are the interest receivable from the deposit maintained with a fellow subsidiary, which amounts to RMB107,000 and RMB386,000 respectively. Please refer to note 7(a)(iii) for further details.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

20. DEPOSITS AND BANK BALANCES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Cash on hand	122	79
Cash at banks and financial institution	7,245,247	6,508,539
Total deposits and bank balances	7,245,369	6,508,618

Notes:

- a) At 30 June 2020, deposits and bank balances in the amount of RMB339,522,000 (31 December 2019: RMB4,220,845,000) and RMB6,905,847,000 (31 December 2019: RMB2,287,773,000) 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 30 June 2020 and 31 December 2019, the Group's deposits and bank balances include deposits in Poly Finance, a fellow subsidiary and a licenced financial institution, amounting to RMB1,162,167,000 and RMB1,102,469,000 respectively.
- c) Cash at banks and financial institution also included short-term time deposits 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. The remaining of the bank balance earns interest at floating rates based on daily bank deposit rates.

21. TRADE PAYABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Related parties (Note)	6,529	10,217
Third parties	420,605	243,142
	427,134	253,359

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

21. TRADE PAYABLES (Continued)

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 period/year was as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within 1 year	400,088	244,999
1 to 2 years	26,136	8,194
Over 2 years	910	166
	427,134	253,359

Note: The balance was unsecured, interest-free and repayable on demand.

22. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Accruals and other payables		
– Related parties	29,628	28,335
– Third parties	936,187	1,076,745
	965,815	1,105,080
Other tax payables	57,283	50,697
Dividend payables (Note)	196,510	13,580
Salaries payables	11,152	10,810
	1,230,760	1,180,167

Note: The dividend payable as of 30 June 2020 and 31 December 2019 includes RMB13,580,000 dividend declared by Hunan Poly Tianchuang to its two then-shareholders prior to being acquired by the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

23. LEASE LIABILITIES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Minimum lease payments due		
– Within 1 year	6,664	4,426
– Between 1 to 2 years	6,569	4,565
– Between 2 to 5 years	13,688	9,457
– Later than 5 years	3,797	4,319
	30,718	22,767
Less: future finance charges	(10,572)	(7,872)
Present value of lease liabilities	20,146	14,895
– Current	3,426	2,643
– Non-current	16,720	12,252

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 six months ended 30 June 2020 was RMB2,907,000 (six months ended 30 June 2019: RMB3,274,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

24. CAPITAL

	Notes	Domestic shares		Listed H shares		Total	
		Number '000	Amount RMB'000	Number '000	Amount RMB'000	Number '000	Amount RMB'000
Registered, issued and fully paid:							
At 1 January 2019 (Audited)	(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 and 1 January 2020 (Audited)		400,000	400,000	133,333	133,333	533,333	533,333
Issue of H shares upon over-allotment	(d)	–	–	20,000	20,000	20,000	20,000
At 30 June 2020 (Unaudited)		400,000	400,000	153,333	153,333	553,333	553,333

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 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 RMB3,939,585,000 was recorded as share premium.
- (d) On 17 January 2020, 20,000,000 H shares of par value RMB1.00 each of the Company were issued pursuant to the exercise of over-allotment option in full on 10 January 2020 at HK\$35.1 per share.
- (e) Both holders of domestic shares and H shares are ordinary Shareholders and have equal rights and obligations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

25. CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of the period but not yet incurred is as follow:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Property, plant and equipment	437	4,936

26. MATERIAL RELATED PARTIES TRANSACTIONS

The Group entered into the following material related party transactions during the six months ended 30 June 2020 and 2019:

(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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

26. MATERIAL RELATED PARTIES TRANSACTIONS (Continued)

(b) Material related party transactions

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Poly Developments and Holdings Group		
Provision of services		
– Property management services	64,241	75,056
– Value-added services to non-property owners	396,337	346,953
– Community value-added services	31,197	15,253
Interest income	27	11
Lease contract arrangements		
– Right-of-use assets	3,995	6,053
– Lease liabilities	6,449	6,806
– Depreciation	1,648	1,648
– Interest expense	161	207
– Rental expense	8,546	7,508
Software development expenses	–	1,572
Hardware Procurement expenses	1,051	549
Associates of Poly Developments and Holdings Group		
Provision of services		
– Property management services	2,476	1,294
– Value-added services to non-property owners	64,226	46,034
– Community value-added services	2,162	744
Joint ventures of Poly Developments and Holdings Group		
Provision of services		
– Property management services	2,221	808
– Value-added services to non-property owners	32,615	30,439
– Community value-added services	10,692	118
Lease contract arrangements		
– Right-of-use assets	1,166	1,461
– Lease liabilities	918	1,559
– Depreciation	146	146
– Interest expense	35	41
Poly Finance		
Interest income	9,540	7,055

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

27. FINANCIAL RISK MANAGEMENT

(a) 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.

(b) 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 periods 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 30 June 2020 and 31 December 2019 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

27. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial instruments measured at fair value (Continued)

30 June 2020 (Unaudited)				
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through other comprehensive income				
– Unlisted equity investments	–	–	7,000	7,000

31 December 2019 (Audited)				
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	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 periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

27. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial instruments measured at fair value (Continued)

Valuation techniques and inputs used in Level 3 fair value measurements:

	Fair value at 30 June 2020 RMB'000 (Unaudited)	Valuation technique	Unobservable input	Range	Relationship of inputs to fair value
Financial assets at fair value through other comprehensive income					
– Unlisted equity investments	7,000	Market Comparable approaches	Discount for lack of marketability	40%	The higher the discount rate the lower the fair value
	Fair value at 31 December 2019 RMB'000 (Audited)	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 30 June 2020 and 31 December 2019, 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 RMB70,000 and RMB130,000 respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

27. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial instruments measured at fair value (Continued)

The movement during the six months ended 30 June 2020 and year ended 31 December 2019 in the balance of the level 3 fair value measurements are as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Unlisted equity investment:		
At 1 January	13,000	10,800
Net unrealised (losses)/gains recognised in other comprehensive income during the period/year	(6,000)	2,200
At 30 June / 31 December	7,000	13,000

28. EVENTS AFTER THE REPORTING DATE

After the special resolution regarding the change of company name was passed by the shareholders of the Company at the 2019 Annual General Meeting, the Administration for Market Regulation of Guangzhou Municipality issued the business licence in relation to the changed company name on 30 June 2020, and the change of company name took effect on 30 June 2020 accordingly. The Companies Registry of Hong Kong issued the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company on 16 July 2020. The English name of the Company has been changed from "POLY PROPERTY DEVELOPMENT CO., LTD." to "POLY PROPERTY SERVICES CO., LTD.", and the Chinese name of the Company has been changed from "保利物業發展股份有限公司" to "保利物業服務股份有限公司".

For details, please refer to the Company's circular dated 22 May 2020 and Company's announcements dated 22 May 2020 and 23 July 2020.