POLY PROPERTY DEVELOPMENT CO., LTD.
保利物業發展股份有限公司
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 06049)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL SUMMARY

	Year ended 31 December		
	2019	2018	Change
	RMB million	*RMB million*	
Revenue	**5,966.8**	4,229.4	Increase 41.1%
Gross profit	**1,210.7**	851.3	Increase 42.2%
Gross profit margin	**20.3%**	20.1%	Increase 0.2 percentage points
Profit for the year	**503.2**	336.1	Increase 49.7%
Net profit margin	**8.4%**	7.9%	Increase 0.5 percentage points
Profit for the year attributable to owners of the Company	**490.5**	328.4	Increase 49.3%
Basic earnings per share *(RMB)*	**1.21**	0.82	Increase 47.6%
Cash and cash equivalents	**6,508.6**	1,793.6	Increase 262.9%
Net cash generated from operating activities	**694.4**	432.8	Increase 60.5%
Proposed annual dividend per share *(RMB)*	**0.3**		
Proposed payout ratio	**33.8%**		

- For the year ended 31 December 2019, Poly Property Development Co., Ltd. (the "**Company**" or "**Poly Property**", and together with its subsidiaries, the "**Group**" or "**we**") recorded approximately RMB5,966.8 million of revenue, representing an increase of approximately 41.1% as compared to the corresponding period of 2018. For the year ended 31 December 2019, revenue contribution by the Group's three major business lines is as follows: (i) revenue from property management services increased by approximately 32.1% to approximately RMB3,843.8 million as compared to the corresponding period of 2018; (ii) revenue from value-added services to non-property owners increased by approximately 39.1% to approximately RMB968.7 million as compared to the corresponding period of 2018; and (iii) revenue from community value-added services increased by approximately 85.2% to approximately RMB1,154.3 million as compared to the corresponding period of 2018.

- For the year ended 31 December 2019, the Group recorded (i) approximately RMB1,210.7 million of gross profit, representing an increase of approximately 42.2% as compared to the corresponding period of 2018 with a gross profit margin of approximately 20.3%, representing an increase of approximately 0.2 percentage points as compared to the corresponding period of 2018; (ii) approximately RMB503.2 million of profit for the year, representing an increase of 49.7% as compared to the corresponding period of 2018 with a net profit margin of approximately 8.4%, representing an increase of approximately 0.5 percentage points as compared to the corresponding period of 2018; (iii) approximately RMB490.5 million of profit for the year attributable to owners of the Company, representing an increase of approximately 49.3% as compared to the corresponding period of 2018; and (iv) approximately RMB1.21 of basic earnings per share.

- As at 31 December 2019, the cash and cash equivalents of the Group amounted to approximately RMB6,508.6 million, representing an increase of approximately RMB4,715.0 million or approximately 262.9% as compared to that of 31 December 2018. For the year ended 31 December 2019, the net cash generated from operating activities was approximately RMB694.4 million, representing an increase of approximately 60.5% as compared to the corresponding period of 2018.

- Taking into account the Group's business development needs and returns to the shareholders of the Company (the "**Shareholders**"), the board (the "**Board**") of directors (the "**Directors**") of the Company proposed an annual dividend of RMB0.3 per share for 2019, with a dividend payout ratio of approximately 33.8%.

RESULTS

The Board hereby announces the audited consolidated results of the Group for the year ended 31 December 2019, together with comparative figures for the corresponding period of 2018, as follows:

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**5,966,836**	4,229,378
Cost of services		**(4,756,115)**	(3,378,100)
Gross profit		**1,210,721**	851,278
Other income and other net gain/(loss)	*5*	**34,510**	26,638
Administrative expenses		**(573,796)**	(415,266)
Share of associates'/joint ventures' results		**16,282**	4,607
Finance cost		**(898)**	(823)
Other expense		**(1,385)**	(3,621)
Profit before income tax expense	*6*	**685,434**	462,813
Income tax expense	*7*	**(182,252)**	(126,746)
Profit for the year		**503,182**	336,067
Profits for the year attributable to:			
– Owners of the Company		**490,511**	328,444
– Non-controlling interests		**12,671**	7,623

	Notes	Year ended 31 December **2019** ***RMB'000***	 2018 *RMB'000*
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			
– Change in fair value		**2,200**	5,508
Profits and total comprehensive income for the year		**505,382**	341,575
Profits and total comprehensive income for the year attributable to:			
– Owners of the Company		**492,711**	333,952
– Non-controlling interests		**12,671**	7,623
Earnings per share (expressed in RMB per share)			
– Basic and diluted earnings per share	*9*	**1.21**	0.82

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Interests in associates/joint ventures		**27,254**	26,822
Property, plant and equipment		**98,989**	91,064
Investment properties		**15,475**	18,946
Financial assets at fair value through other comprehensive income		**13,000**	10,800
Intangible assets	*10*	**95,709**	98,583
Prepayments for property, plant and equipment		**10,698**	5,304
Deferred tax assets		**6,636**	3,551
		267,761	255,070
Current assets			
Inventories		**46,268**	65,981
Trade and bills receivables	*11*	**391,388**	196,296
Prepayments, deposits and other receivables		**357,032**	223,515
Deposits and bank balances		**6,508,618**	1,811,570
		7,303,306	2,297,362
Current liabilities			
Trade payables	*12*	**253,359**	193,320
Accruals and other payables		**1,180,167**	887,885
Income tax payable		**51,024**	42,763
Lease liabilities		**2,643**	2,284
Contract liabilities		**936,732**	704,493
		2,423,925	1,830,745
Net current assets		**4,879,381**	466,617
Total assets less current liabilities		**5,147,142**	721,687

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was incorporated in the PRC on 26 June 1996 under the PRC Companies Law. On 25 October 2016, the Company was converted from a limited liability company into a joint stock company with limited liability. The address of the Company's registered office is located at Rooms 201-208, No.688 Yue Jiang Zhong Road, Hai Zhu District, Guangzhou, Guangdong Province, the PRC. The Company's principal place of business is located at the PRC. The Company was listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 December 2019. The parent company is Poly Developments and Holdings Group Co., Ltd ("**Poly Developments and Holdings**") whose shares are listed on the Mainboard of Shanghai Stock Exchange in the PRC. The ultimate holding company is China Poly Group Corporation Limited ("**China Poly Group**"), a state-owned enterprise incorporated in the PRC.

The Group is principally engaged in provision of property management service, community value-added services and value-added services to non-property owners in the PRC. The consolidated financial statements were authorised for issue by the Board of Directors on 25 March 2020.

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Adoption of new and revised standards

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

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

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

Impact of the adoption of HKFRS 16

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

(i) *The new definition of a lease*

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

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

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

(ii) *Accounting as a lessee*

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

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

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

Right-of-use asset

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

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

Lease liability

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

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

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

2.2 New standards, interpretations and amendments not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for annual periods beginning on or after 1 January 2021.
3 The amendments were originally intended to be effective for period beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

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

3 SEGMENT INFORMATION

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

Information about major customer

For the years ended 31 December 2019 and 2018, revenue from a Shareholder - Poly Developments and Holdings and its subsidiaries ("**Poly Developments and Holdings Group**") contributed 14.7%, and 16.0% of the Group's revenue respectively. Other than the Poly Developments and Holdings Group, the Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue during the years ended 31 December 2019 and 2018.

Operating segment information

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

Information about geographical areas

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

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

4 REVENUE

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

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

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

(a) Unsatisfied performance obligations

For property management services and value-added services to non-property owners, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts. The majority of the property management service contracts do not have a fixed term. The term of the contracts for value-added services to non-property owners is generally set to expire when the counterparties notify the Group that the services are no longer required.

For community value-added services, they are rendered in short period of time and there is no unsatisfied performance obligation at the end of respective periods.

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

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

(c) Details of contract liabilities

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

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

(i) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Such liabilities increase as a result of the growth of the Group's business.

(ii) Revenue recognised in relation to contract liabilities

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

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

5 OTHER INCOME AND OTHER NET GAIN/(LOSS)

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

Notes:

(a) Other interest income represented the following:

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

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

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

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

6 PROFIT BEFORE INCOME TAX EXPENSE

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

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

7 INCOME TAX EXPENSE

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

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

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

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

8 DIVIDENDS

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

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

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

9 EARNINGS PER SHARE

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

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

Note: Weighted average of 400,000,000 ordinary shares for the year ended 31 December 2018, being the number of shares in issue immediately after the completion of capitalisation issue on 7 May 2019 as detailed in Note 13, were deemed to have been issued throughout the year ended 31 December 2018.

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

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

10 INTANGIBLE ASSETS

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

11 TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

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

12 TRADE PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Related parties *(Note)*	**10,217**	–
Third parties	**243,142**	193,320
	253,359	193,320

Based on the receipt of services and goods, which normally coincided with the invoice dates, the ageing analysis of the Group's trade payables as at the end of the year was as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**244,999**	180,613
1 to 2 years	**8,194**	11,224
Over 2 years	**166**	1,483
	253,359	193,320

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

13 CAPITAL

		Domestic shares		Listed H shares		Total	
		Number	Amount	**Number**	Amount	**Number**	Amount
	Notes	***'000***	*RMB'000*	***'000***	*RMB'000*	***'000***	*RMB'000*
Registered, issued and fully paid:							
At 1 January 2018, 31 December 2018 and 1 January 2019	*(a)*	**100,000**	100,000	**–**	–	**100,000**	100,000
Issue of domestic shares upon capitalisation	*(b)*	**300,000**	300,000	**–**	–	**300,000**	300,000
Issue of H shares upon global offering	*(c)*	**–**	–	**133,333**	133,333	**133,333**	133,333
At 31 December 2019		**400,000**	400,000	**133,333**	133,333	**533,333**	533,333

Note:

(a) The Company was incorporated as a state-owned company under the laws of the PRC with limited liability on 26 June 1996 with a registered share capital of RMB3,000,000 divided into 3,000,000 domestic shares of par value of RMB1.00 each. The registered capital of Company was then increased to RMB5,000,000, RMB50,000,000 and RMB100,000,000 on 21 May 2003, 19 May 2011 and 26 September 2016 respectively.

(b) Pursuant to the written resolutions passed on 7 May 2019, the registered share capital was increased from approximately RMB100,000,000 to RMB400,000,000 by way of the capitalisation of capital reserves and retained earnings of the Company of 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$35.1 by way of a global offering. On the same date, the Company's H shares were listed on the Stock Exchange. Gross proceeds from the issue amounted to HK$4,680,002,000 (equivalent to RMB4,207,509,400). After deducting the underwriting fees and relevant expenses of RMB134,591,000, net proceeds from the issue amounted to RMB4,072,918,400, of which, RMB133,333,400 was recorded as capital and RMB 3,939,585,000 was recorded as share premium.

(d) Both holders of domestic shares and H shares are ordinary Shareholders and have equal rights and obligations.

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

A look back at 2019

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

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

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

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

Outlook

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

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

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

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

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

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

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

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

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

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

Guangzhou, China, 25 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

Property management services – representing approximately 64.4% of total revenue

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

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

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

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

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

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

	For the year ended or as at 31 December									
	2019					2018				
Source of projects	**Revenue**		**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 *(Note)*	**3,148,908**	**81.9**	**128,757**	**44.9**	**608**	2,577,520	88.6	109,369	57.4	495
Third parties	**694,920**	**18.1**	**158,194**	**55.1**	**402**	331,988	11.4	81,152	42.6	260
Total	**3,843,828**	**100.0**	**286,951**	**100.0**	**1,010**	2,909,508	100.0	190,521	100.0	755

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

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

Equal emphasis on residential and non-residential businesses

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

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

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

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

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

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

Average property management fee per unit

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

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

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

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

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

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

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

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

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

Community value-added services

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

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

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

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

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

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

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

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

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

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

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

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

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

FUTURE DEVELOPMENT

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

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

Cost of services

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

Gross profit and gross profit margin

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

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

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

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

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

Administrative expenses

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

Other income and other net gain

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

Profit for the year

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

Current assets, reserves and capital structure

For the year ended 31 December 2019, the Group maintained a sound financial position. As at 31 December 2019, the current assets amounted to approximately RMB7,303.3 million, representing an increase of approximately 217.9% as compared to approximately RMB2,297.4 million as at 31 December 2018. Cash and cash equivalents of the Group as at 31 December 2019 amounted to approximately RMB6,508.6 million, representing an increase of approximately 262.9% as compared to approximately RMB1,793.6 million as at 31 December 2018, primarily because the Company has successfully raised funds from the issuance of H shares on the Stock Exchange on 19 December 2019 (the "**Listing**"), and benefited from its continuously increasing net operating cash inflows.

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

Property, plant and equipment

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

Intangible assets

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

Trade and bills receivables

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

Trade payables

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

Borrowings

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

PLEDGE OF ASSETS

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

MAJOR INVESTMENT, ACQUISITION AND DISPOSAL

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

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

PROCEEDS OF THE LISTING

The H shares of the Company (the "**H Shares**") were successfully listed on the Stock Exchange on 19 December 2019 (the "**Listing Date**") with 133,333,400 H Shares issued and, upon exercise of the over-allotment option in full, 153,333,400 new H Shares issued in aggregate. Total proceeds of the listing amounted to approximately HK$5,218.2 million (equivalent to RMB4,682.5 million) after deducting the underwriting fees and relevant expenses.

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

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

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

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

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

The net proceeds are currently held in the form of bank deposits and are intended to be used in the manner set out in the Prospectus.

CONTINGENT LIABILITIES

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

EXCHANGE RATE RISK

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

SUBSEQUENT EVENTS

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

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

EMPLOYEES AND REMUNERATION POLICIES

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

The Group has established a market-based, competitive and performance-oriented remuneration plan with reference to market standards and employee performance and contributions in order to encourage value creation of employees. Also, 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-caliber personnel and provides employees with continuous training programmes and career development opportunities. Its "Galaxy Operating Officers" and "Nebula Scheme" talent training systems provide employees with comprehensive position and skills training, under which 12 internal professional programmes are offered to enable employees to develop expertise and enhance their value. In particular, the training programme for project managers, "Galaxy Operating Officers", is based on the Company's strategy and business needs to nurture project managers' awareness of operation, management and service with a view to develop a mechanism for the cultivation of project talents at key positions.

ANNUAL DIVIDEND

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

NOTICE OF ANNUAL GENERAL MEETING

The 2019 AGM will be held on Tuesday, 23 June 2020. Notice of the 2019 AGM will be published on the respective websites of the Stock Exchange at www.hkexnews.com and of the Company at www.polywuye.com and will be dispatched to the Shareholders in due course and in such manner as required under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

CLOSURE OF REGISTER OF MEMBERS

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

REVIEW OF ACCOUNTS

The audit committee of the Company (the "**Audit Committee**") was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The Audit Committee is delegated by the Board and is responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assisting the Board to fulfill 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 had reviewed the audited consolidated financial statements and annual results of the Group for the year ended 31 December 2019, and discussed with the management of the Group regarding the accounting principles and practices adopted by the Group, and the internal controls and financial reporting matters.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's announcement of annual results for the year ended 31 December 2019 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the announcement of annual results.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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 and supervisors of the Company. Having made specific enquiries of all Directors and supervisors of the Company, they have confirmed that they have complied with the required standard as set out in the Model Code from the Listing Date to the year ended 31 December 2019.

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

On 19 December 2019, 133,333,400 H Shares of the Company of par value of RMB1.0 each were issued and listed on the main board of the Stock Exchange. Subsequently, upon exercise of the over-allotment option in full, an aggregate of 20,000,000 new H Shares were issued by the Company on 17 January 2020. As at the date of this announcement, the Company has in issue an aggregate of 153,333,400 H Shares and an aggregate of 400,000,000 domestic shares.

Save as disclosed above, from the Listing Date and up to 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

Throughout the period from the Listing Date and up to the date of this announcement, the Company maintained sufficient public float in compliance with the Listing Rules.

PUBLICATION OF ANNOUNCEMENT OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the respective websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.polywuye.com. The annual report of the Company for the year ended 31 December 2019 containing all the information required under the Listing Rules will be despatched to the Shareholders and made available on the above websites in due course.

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

Guangzhou, China, 25 March 2020

As at the date of this announcement, the non-executive Directors are Mr. Huang Hai and Mr. Hu Zaixin; the executive Directors are Mr. Li Jiahe and Ms. Wu Lanyu; and the independent non-executive Directors are Mr. Wang Xiaojun, Ms. Tan Yan and Mr. Wang Peng.

* *For identification purposes only*