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POLY PROPERTY SERVICES CO., LTD.

保利物業服務股份有限公司

(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 2021**

FINANCIAL SUMMARY

	Year ended 31 December		Change
	2021 <i>RMB million</i>	2020 <i>RMB million</i>	
Revenue	10,782.5	8,037.2	Increase 34.2%
Gross profit	2,014.6	1,499.1	Increase 34.4%
Gross profit margin	18.68%	18.65%	Increase 0.03 percentage points
Profit for the year	870.9	696.1	Increase 25.1%
Net profit margin	8.1%	8.7%	Decrease 0.6 percentage points
Profit for the year attributable to owners of the Company	845.7	673.5	Increase 25.6%
Basic earnings per share (<i>RMB</i>)	1.53	1.22	Increase 25.4%
Cash and cash equivalents	7,690.6	7,448.1	Increase 3.3%

- For the year ended 31 December 2021 (the “**year**” or “**period**”), Poly Property Services Co., Ltd. (the “**Company**” or “**Poly Property**”, and together with its subsidiaries, the “**Group**” or “**we**”) recorded approximately RMB10,782.5 million of revenue, representing an increase of approximately 34.2% as compared to the corresponding period of 2020. For the year ended 31 December 2021, revenue contribution by the Group’s three major business lines was as follows: (i) revenue from property management services increased by approximately 34.8% to approximately RMB6,670.4 million as compared to the corresponding period of 2020; (ii) revenue from value-added services to non-property owners increased by approximately 35.0% to approximately RMB1,811.2 million as compared to the corresponding period of 2020; and (iii) revenue from community value-added services increased by approximately 31.6% to approximately RMB2,300.9 million as compared to the corresponding period of 2020.
- For the year ended 31 December 2021, the Group recorded (i) approximately RMB2,014.6 million of gross profit, representing an increase of approximately 34.4% as compared to the corresponding period of 2020 with a gross profit margin of 18.68%, which representing an increase of approximately 0.03 percentage points as compared to 2020; (ii) approximately RMB870.9 million of profit for the year, representing an increase of approximately 25.1% as compared to the corresponding period of 2020 with a net profit margin of approximately 8.1%, representing a decrease of approximately 0.6 percentage points as compared to the corresponding period of 2020; (iii) approximately RMB845.7 million of profit for the year attributable to owners of the Company, representing an increase of approximately 25.6% as compared to the corresponding period of 2020; and (iv) approximately RMB1.53 of basic earnings per share.
- As at 31 December 2021, the cash and cash equivalents of the Group amounted to approximately RMB7,690.6 million, representing an increase of approximately RMB242.5 million or approximately 3.3% as compared to that as of 31 December 2020.

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby announces the audited consolidated results of the Group for the year ended 31 December 2021, together with comparative figures for the corresponding period of 2020, as follows:

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2021	2020
	<i>Notes</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	4	10,782,549	8,037,156
Cost of services		<u>(8,767,909)</u>	<u>(6,538,095)</u>
Gross profit		2,014,640	1,499,061
Other income and other net gain/(loss)	5	153,909	210,477
Selling and marketing expenses		(9,460)	(15,187)
Administrative expenses		(1,006,025)	(769,722)
Share of associates’/joint venture’ results		21,915	17,745
Finance cost		(10,563)	(4,805)
Other expense		<u>(1,979)</u>	<u>(2,377)</u>
Profit before income tax expense	6	<u>1,162,437</u>	<u>935,192</u>
Income tax expense	7	<u>(291,553)</u>	<u>(239,077)</u>
Profit for the year		<u>870,884</u>	<u>696,115</u>
Profits for the year attributable to:			
— Owners of the Company		845,693	673,525
— Non-controlling interests		<u>25,191</u>	<u>22,590</u>

		Year ended 31 December	
		2021	2020
	<i>Notes</i>	RMB'000	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		<u>7,000</u>	<u>(8,000)</u>
Profits and total comprehensive income for the year		<u>877,884</u>	<u>688,115</u>
Profits and total comprehensive income for the year attributable to:			
— Owners of the Company		852,693	665,525
— Non-controlling interests		<u>25,191</u>	<u>22,590</u>
Earnings per share (expressed in RMB per share)			
— Basic and diluted earnings per share	9	<u>1.53</u>	<u>1.22</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December	
		2021	2020
	Notes	RMB'000	RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in associates/joint ventures		72,985	43,720
Property, plant and equipment		199,506	161,770
Leased assets and investment properties		704,039	180,403
Financial assets at fair value through other comprehensive income		12,000	5,000
Intangible assets	10	125,126	136,137
Prepayments for property, plant and equipment		13,327	5,196
Deferred tax assets		20,372	13,303
		<u>1,147,355</u>	<u>545,529</u>
Current assets			
Inventories		50,559	50,636
Trade and bills receivables	11	1,424,778	888,057
Prepayments, deposits and other receivables		824,659	511,858
Deposits and bank balances		7,690,572	7,448,102
		<u>9,990,568</u>	<u>8,898,653</u>
Current liabilities			
Trade payables	12	803,640	397,096
Accruals and other payables		1,780,840	1,246,828
Lease liabilities		35,851	211,476
Contract liabilities	4	1,381,095	1,181,881
Income tax payable		134,736	92,478
		<u>4,136,162</u>	<u>3,129,759</u>
Net current assets		<u>5,854,406</u>	<u>5,768,894</u>
Total assets less current liabilities		<u><u>7,001,761</u></u>	<u><u>6,314,423</u></u>

		As at 31 December	
		2021	2020
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities			
		21,337	22,716
Other financial liabilities			
Lease liabilities		78,741	26,645
Deferred tax liabilities		12,921	18,283
		112,999	67,644
Net assets		6,888,762	6,246,779
EQUITY			
Capital and reserves attributable to owners of the Company			
Capital	13	553,333	553,333
Reserves		6,232,333	5,617,573
Equity attributable to owners of the Company		6,785,666	6,170,906
Non-controlling interests		103,096	75,873
Total equity		6,888,762	6,246,779

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 Room 201-208, 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 established in the PRC.

The Group is principally engaged in provision of property management services, 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 15 March 2022.

2 ADOPTION OF NEW AND REVISED STANDARDS

2.1 Adoption of new and revised standards — effective on 1 June 2020

The Hong Kong Institute of Certified Public Accountants has issued a number of new or amended Hong Kong Financial Reporting Standards (the "**HKFRSs**") and Hong Kong Accounting Standards (the "**HKASs**") that are first effective and adopted for the current accounting period of the Group:

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

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

2.2 New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the HKICPA that are effective in future accounting periods that the Group has decided not to adopt early.

Amendment to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021 ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKAS 16	Proceeds before Intended Use ²
Annual Improvements to HKFRSs 2018–2020 cycle	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards, HKFRS 9 Financial Instruments, HKFRS 16 Leases and HKAS 41 Agriculture ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
HKFRS 17 and Amendment to HKFRS17	Insurance Contracts ³
Amendments to HKAS 1	Classification of Liabilities as Current or Noncurrent ³
Amendments to HKAS 1 and HKFRS Practice Statement	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
HK Interpretation 5 (2021)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after 1 April 2021 with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segment, has been identified as the executive directors of the Company.

Information about major customer

For the years ended 31 December 2021 and 2020, revenue from a Shareholder — Poly Developments and Holdings and its subsidiaries (“**Poly Developments and Holdings Group**”) contributed 14.0%, and 15.1% 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 2021 and 2020.

Operating segment information

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

Information about geographical areas

The major operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group’s revenue was derived in the PRC during the years ended 31 December 2021 and 2020.

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

4 REVENUE

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

		Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Property management services	over time	6,670,397	4,947,555
Value-added services to non-property owners			
— Pre-delivery services and other value-added services to non-property owners	over time	1,506,387	1,305,802
— Rental income	over the lease term	304,844	35,449
Community value-added services			
— Other community value-added services	over time	1,506,489	1,089,828
— Sales of goods	at a point in time	794,432	658,522
		10,782,549	8,037,156

For property management services, the performance obligation is satisfied upon services provided and for property management services provided to the public services projects, most of the credit term granted to customers range from 30 to 90 days in general. For value-added services to non-property owners, the performance obligation is satisfied upon services provided. For community value-added services, 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 2021 and 2020, 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	
	2021	2020
	RMB'000	RMB'000
Contract liabilities	<u>1,381,095</u>	<u>1,181,881</u>

(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	
	2021	2020
	RMB'000	RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Property management services	1,003,276	745,852
Community value-added services	86,585	77,014
Value-added services to non-property owners	<u>14,080</u>	<u>11,453</u>
	<u>1,103,941</u>	<u>834,319</u>

5 OTHER INCOME AND OTHER NET GAIN/(LOSS)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Other income:		
Bank interest income	80,088	98,413
Other interest income (<i>Note a</i>)	21,644	20,403
Government grants and tax incentives (<i>Note b</i>)	81,552	85,358
Penalty income	2,277	1,565
Others	1,364	822
	<u>186,925</u>	<u>206,561</u>
Other net gain/(loss):		
Gain on modification of lease contracts, net	8,942	—
Loss on disposal of property, plant and equipment	(190)	(59)
Impairment loss on trade receivables	(22,765)	(21,203)
Impairment loss on other receivables	(7,869)	(4,112)
Impairment loss on interests in associates	(1,309)	—
Exchange (loss)/gain, net	(8,872)	29,290
Change in fair value of financial liabilities at fair value through profit and loss	(953)	—
	<u>153,909</u>	<u>210,477</u>

Notes:

- (a) Other interest income during the years ended 31 December 2021 and 2020 mainly represented the interest received from the amount due from Poly Developments and Holdings Group and from the amount due from a related party, which is unsecured, interest-bearing and repayable on demand. Interest was also received from the deposit maintained with a fellow subsidiary, Poly Finance Company Limited, which is unsecured, interest-bearing and repayable on demand or with a 7-day notice.
- (b) Government grants mainly 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 grants. Tax incentives mainly included an additional deduction of input value-added tax applicable to the Company and its certain subsidiaries.

6 PROFIT BEFORE INCOME TAX EXPENSE

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Auditor's remuneration	2,992	2,600
Depreciation of property, plant and equipment	70,527	60,643
Depreciation of leased assets and investment properties	240,653	35,495
Amortisation of intangible assets	11,011	7,436
Impairment loss on trade receivables	22,765	21,203
Impairment loss on other receivables	7,869	4,112
Short-term leases expenses	48,367	51,607
Finance cost — interest on lease liabilities	10,563	4,805
	<u> </u>	<u> </u>
Staff costs (including director's emoluments):		
Salaries and bonus	3,739,219	3,233,559
Pension costs, housing funds, medical insurances and other social insurances	563,270	293,165
	<u> </u>	<u> </u>
	<u>4,302,489</u>	<u>3,526,724</u>

7 INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current tax		
Tax for the current year and prior years	303,984	247,379
Deferred tax		
Credited to profit or loss for the year	(12,431)	(8,302)
	<u> </u>	<u> </u>
	<u>291,553</u>	<u>239,077</u>

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 2021 and 2020. The current tax during the year ended 31 December 2021 included the under-provision of RMB3,442,000 (2020: RMB4,418,000) in prior years.

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 the PRC under the PRC Corporate Income Tax Law is 25%. Certain subsidiaries of the Group in PRC are either located in cities of Western China or qualified as a small and micro enterprise, and are subjected to a preferential income tax rate of 15% or 5% in certain years.

8 DIVIDENDS

During the year ended 31 December 2020, dividend of RMB166,000,020 (tax inclusive) in respect of 2019 was declared and paid.

During the year ended 31 December 2021, dividend of RMB237,933,362 (tax inclusive) in respect of 2020 was declared and paid.

Subsequent to the end of the reporting period, the directors proposed an annual dividend of RMB0.305 per share (tax inclusive) in respect of 2021, total amounted to RMB168,766,687 (tax inclusive). The annual dividend amount which shall be subject to the approval of the Shareholders at the annual general meeting to be held on 8 June 2022 has not been recognised as a liability at the end of the reporting period.

9 EARNINGS PER SHARE

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profits		
Profit attributable to owners of the Company	<u>845,693</u>	<u>673,525</u>
	Year ended 31 December	
	2021	2020
	<i>Number'000</i>	<i>Number'000</i>
Number of shares		
Weighted average number of ordinary shares (<i>Note</i>)	<u>553,333</u>	<u>552,459</u>
Basic and diluted earnings per share (<i>RMB</i>)	<u>1.53</u>	<u>1.22</u>

Note: Weighted average of 552,459,000 ordinary shares for the year ended 31 December 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.

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 2021 and 2020.

10 INTANGIBLE ASSETS

	Property management contracts RMB'000	Goodwill RMB'000	Total RMB'000
COST			
At 1 January 2020	58,000	47,033	105,033
Acquired through acquisition of a subsidiary	<u>30,000</u>	<u>17,864</u>	<u>47,864</u>
At 31 December 2020, 1 January 2021 and 31 December 2021	<u><u>88,000</u></u>	<u><u>64,897</u></u>	<u><u>152,897</u></u>
ACCUMULATED AMORTISATION			
At 1 January 2020	9,324	—	9,324
Amortisation	<u>7,436</u>	<u>—</u>	<u>7,436</u>
At 31 December 2020 and 1 January 2021	16,760	—	16,760
Amortisation	<u>11,011</u>	<u>—</u>	<u>11,011</u>
At 31 December 2021	<u><u>27,771</u></u>	<u><u>—</u></u>	<u><u>27,771</u></u>
NET BOOK VALUE			
At 31 December 2021	<u><u>60,229</u></u>	<u><u>64,897</u></u>	<u><u>125,126</u></u>
At 31 December 2020	<u><u>71,240</u></u>	<u><u>64,897</u></u>	<u><u>136,137</u></u>

11 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Related parties	389,073	349,826
Third parties	1,092,643	570,583
	<hr/>	<hr/>
Total	1,481,716	920,409
Less: allowance for impairment of trade receivables	(59,423)	(36,658)
	<hr/>	<hr/>
	1,422,293	883,751
Bills receivables	2,485	4,306
	<hr/>	<hr/>
	1,424,778	888,057
	<hr/>	<hr/>

As at 31 December 2021 and 2020, 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 from 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 receivables of the Group as at 31 December 2021 and 2020 is within 1-12 months. As at 31 December 2021 and 2020, bills receivables is due from Poly Developments and Holdings Group amounted to RMB985,000 and RMB4,306,000 respectively.

As at 31 December 2021 and 2020, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 1 year	1,393,425	850,989
1 to 2 years	60,373	51,630
Over 2 years	27,918	17,790
	<hr/>	<hr/>
	1,481,716	920,409
	<hr/>	<hr/>

12 TRADE PAYABLES

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Related parties (<i>Note</i>)	42,758	2,128
Third parties	760,882	394,968
	<u>803,640</u>	<u>397,096</u>

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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	786,329	368,356
1 to 2 years	16,875	24,408
Over 2 years	436	4,332
	<u>803,640</u>	<u>397,096</u>

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

13 CAPITAL

	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 2020	400,000	400,000	133,333	133,333	533,333	533,333
Issue of H shares upon over-allotment	—	—	20,000	20,000	20,000	20,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020, 1 January 2021 and 31 December 2021	<u>400,000</u>	<u>400,000</u>	<u>153,333</u>	<u>153,333</u>	<u>553,333</u>	<u>553,333</u>

Note:

Both holders of domestic shares and H shares are ordinary Shareholders and have the 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 2021. During the year, the Group recorded a revenue of approximately RMB10,782.5 million, representing an increase of approximately 34.2% as compared to the corresponding period of 2020; a gross profit of approximately RMB2,014.6 million, representing an increase of approximately 34.4% as compared to the corresponding period of 2020; a profit for the year of approximately RMB870.9 million, representing an increase of approximately 25.1% as compared to the corresponding period of 2020; and a profit for the year attributable to owners of the Company of approximately RMB845.7 million, representing an increase of approximately 25.6% as compared to the corresponding period of 2020.

In 2021, the property management industry experienced significant and unexpected changes. An increasingly competitive market brought about both opportunities and challenges. The industry experienced an expansion in scale as a result of various favorable policies, which accelerated the process of property companies in breaking through service boundaries and establishing capabilities for multi-business type servicing capabilities, continued the incubation of value-added business types, and enhanced the management of innovation and technology investments. The Group has been maintaining strategic stability, implementing the core operational strategies of “deeply cultivating in the markets, operating with enhanced effectiveness and comprehensive informatization” in the first year of the 14th Five-Year Plan, with the achievement of steady growth in multiple performance indicators, laying a solid foundation for the realisation of our 14th Five-Year Plan strategy.

A review of 2021

1. Cultivating core cities and core business types and maintaining high-quality growth in the course of market expansion.

In the increasingly competitive market environment, we firmly laid out key regions concentrated in the core economic belts, raised regional density to realise centralized management, enhanced the layout of the core non-residential business and strengthened the quality of all business types. We also took various measures to improve our market expansion capabilities and continued to maintain a high-quality growth in the course of market expansion. With numerous applicable measures, we strived to upgrade our capability and keep our high-quality growth tendency in market expansion. The newly signed single-year contract value of projects from third parties acquired was approximately RMB1,900.9 million during the year, with the proportion of non-residential businesses and the number of benchmark projects rising further and the structure of business types and the quality of projects continuously improved. We formed joint ventures with four

local state-funded platforms and targeted superior regional strategic resources to facilitate the overall scale in reaching a new level. As at 31 December 2021, we had expanded into 196 cities in 29 provinces, municipalities and autonomous regions across China, with a contracted gross floor area (“GFA”) of approximately 656.3 million sq.m., 2,428 contracted projects, GFA under management of approximately 465.3 million sq.m. and 1,786 projects under management.

2. Improving core business types and extending the supply chain of city services to solidify our competitive advantages in public services.

We further solidified our leading advantages in three type of business, namely urban scenic spots, high schools and universities, as well as railway transportations, by improving the standards of services under different business types, better satisfying differentiated service needs, enhancing the development of benchmark projects, amplifying our regional influence, endeavoring in market expansion and raising the levels of scale of business types in full force. The newly signed single-year contract value of public service projects was approximately RMB950 million during the year, with the proportion of the three core business types accounting for over 60%, and the implementation of benchmark projects such as the improvement project of Canton Tower in Guangzhou City, Shanghai Metro Line 15, Yubei District of Southwest University of Political Science & Law, etc. We extended the supply chain of the city services layout. By incorporating a professional marketization team and forming companies providing professional environmental sanitation services with business partners, we constructed our capabilities in the vertical industry of environmental protection and sanitation, supporting the implementation of our city service strategy.

3. Committing to satisfying customers’ needs and promoting the in-depth development of value-added service business.

We promoted the development of the breadth and depth of our capabilities in value-added business sub-sectors with our commitment to satisfying customer needs. During the year, through community portrait analysis, we constructed the models of consumption potential and customers distribution, and realised the precise connection of the property-owners needs and service products. We focused on core businesses, including move-in and furnishing services, community retail, space operation and housekeeping services, continued to optimize our business model and supply chain, expedited large scale centralized procurement, expanded our co-operation with industry-leading companies, increased our access to premium resources, and hence extended the breadth and depth of our community coverage. We commenced our parking space agency business with Poly Developments and Holdings Group during the year, opened up the new business unit of existing community asset management. In terms of our abilities in implementation, we proactively searched for service contact points, constructed services models, and rapidly upgraded various customer-servicing systems to enhance service efficacy and improve customer experience.

4. *Improving our medium-and long-term incentive mechanisms to stimulate the vitality of corporate development.*

We have always regarded innovative incentive mechanism as the top priority in corporate reform. We established medium-and long-term incentive mechanisms for the Company with the adoption of restricted share incentive during the year, making us the first state-owned enterprise in the property management industry to develop a share incentive scheme, which in turn solidify the foundation of development for the Company's incentive mechanism in the next ten years, and exerted vital influence in the stimulation of team competitiveness and corporate development vitality. At the same time, we actively seized the opportunities coming along with “Double Hundred Enterprises” (「雙百企業」), to provide incentive guarantee for the incubation of new business by exploring incentive mechanism herein.

5. *Enhancing quality and effectiveness comprehensively with organizational reform and empowerment of digitalization*

We promoted the transformation of “pan-market expansion and pan-operation” organizational structure during the year, high-lighting our frontstage expansion and middle-and backstage professional management and control, the centralized management of expansion across various business types, as well as the established full business types and full life cycle project management and control capacities, with the integration of quality management, cost control and project operation. At the same time, we facilitated further the precise cost management and control. The improvement of standardized project cost model and facilitation of centralized procurement for core outsourcing business significantly enhanced our cost management and control capability. In the field of digitalization empowerment, our upgraded and unifying finance internal control system had realised the overall real-time management control for matters from project units, regional platforms in the perspective of the Company as a whole, facilitated the effective management and precise operation of the Company, and better adapted to management requirements under such trend of rapid development. We also proactively explored the application of intelligent community layout. Through the continuous improvement of online applications for property-owners, endeavoring promotion of implementation of intelligent pedestrian and vehicular facilities, enriching the residential experience of property owners, and the practice of inter-connection between EBA facilities in certain testing spots, we continued the exploration of our technological management capability for community properties.

6. *Proactively practicing the social responsibility of a state-owned enterprise by assisting the government in fighting the pandemic and the flood.*

In 2021, the staff of Poly Property proactively practiced the social responsibility of a state-owned enterprise by standing on the front line in fighting the pandemic and the flood, exerting the hardworking and fearless spirit of a member in the property management industry to the full extent. Our staff co-operated with government departments in the works of pandemic control and disaster relief to ensure the safety of property-owners and protect communities. At the same time, we worked actively to coordinate resources, giving our best efforts in securing livelihood by providing services such as importing vegetables and other fresh food into communities, which in turn brought us unanimous acclaim from the government, residents and society.

Outlook

We remain optimistic about the long-term development of the property management industry. With the continuous development of society and economy, residents' pursuit of quality of life will drive the continuous increase in demand for quality property services and therefore support the long-term, high-quality development of the property management industry in the future. At the same time, properties have been closely connecting the daily lives of residents to various public spaces, which gives the industry intrinsic advantages in undertaking city services and management needs. We believe that during the national facilitation of management and control reform, socialization of logistic services and increasing precision in essential society management and city management, more service needs will emerge and facilitate unstoppable breakthroughs in service scenarios and continue to enrich service content of the property management industry.

The nature of our industry's social value will become more prominent. With the support of relevant policies and the encouragement for enterprises to explore the business model of "property service + lifestyle service", we strive to satisfy the diversified and multi-level residential, and livelihood needs of residents. A property management company should be able to provide traditional and essential services and enhance their abilities to offer residents-oriented, convenient and security services within communities at the same time. With the improvement of industrial capability around various fields in daily lives, the enrichment of functions in community services will be achieved. At the same time, being the smallest unit in fundamental social management, properties have been vital in connecting entities such as residents, streets, the government, etc. Under the guidance of relevant policies, the industry will infiltrate deeply into the management of communities and exert greater values in establishing a basic social management system with the features of co-construction, co-governance and co-utilization.

The industry is accelerating towards specialisation and differentiation. As the industry has entered a refined development stage, it is important for property enterprises to pay extra attention to the differentiated needs of customers under various service scenarios. From residential communities, commercial offices to city-wise services, the different types of business will catalyze the gradual formation of targeted service standards and features, leading to the establishment of differentiated competitive advantages, facilitating the formation of technical barriers and service advantages of leading property enterprises in sub-sector businesses.

Refining operations will become the core competitiveness of the industry in the future.

With the upscaling of management and diversification of services, the property management industry has entered a trans-regional, trans-business and trans-industry business model. As an industry with high manpower density, promoting growth in business scale and ensuring service quality and profitability simultaneously will become a prominent challenge on the corporate management level. Property enterprises are required to continuously promote refined operation capabilities while enhancing the construction in fields such as operating system, incentive assessment system, cost control system, and informative platform. We will endeavour for the scientific balance of scale, quality, cost, and profitability to raise the core competitiveness of our very own large scale refined management.

Facing the development opportunities of the industry, we will commit to national policies. With service quality as our backbone, we will proactively capitalize on the development of the industry, continuously raise our endogenous competitiveness, insist on the upscaling of in-depth regional cultivation, and enhance business innovation around sub-sectors. At the same time, continuously improve our management efficacy and speed up digitalization transformation, giving our best efforts for realising our corporate vision of becoming the leading provider of the Comprehensive Property ecosystem.

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. According to the ranking of 2021 Top100 Property Management Companies in China by the China Index Academy, the Group ranked fifth among the Top100 Property Management Companies in China and first in terms of management scale among the 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 approximately RMB15.9 billion in 2021. The Group has actively pushed forward the “Comprehensive Property” strategic layouts and its management business portfolio covers residential communities, commercial and office buildings, and public and other properties. As at 31 December 2021, the Group has entered 196 cities in 29 provinces, autonomous regions and municipalities across the country, and recorded a GFA under management of approximately 465.3 million sq.m. with a total of 1,786 projects under management, and a contracted GFA of approximately 656.3 million sq.m. with a total of 2,428 contracted projects.

The Group’s revenue is derived from three main business lines, namely (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services.

Property management services — representing approximately 61.9% of the total revenue

For the year ended 31 December 2021, the Group’s revenue from property management services amounted to approximately RMB6,670.4 million, representing an increase of approximately 34.8% as compared to the corresponding period of 2020, 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 management scale:

Source of projects	As at 31 December					
	2021		Number of contracted projects	2020		Number of contracted projects
	Contracted	Percentage		Contracted	Percentage	
	GFA '000 sq.m.	of contracted GFA %		GFA '000 sq.m.	of contracted GFA %	
Poly Developments and Holdings Group (<i>Note 1</i>)	278,993	42.5	1,227	240,145	42.3	1,027
Third parties (<i>Note 2</i>)	377,266	57.5	1,201	327,057	57.7	921
Total	<u>656,259</u>	<u>100.0</u>	<u>2,428</u>	<u>567,202</u>	<u>100.0</u>	<u>1,948</u>

Note 1: The related information of “Poly Developments and Holdings Group” set out in the section headed “Management Discussion and Analysis” in this announcement include properties developed, solely or jointly with other parties, by Poly Developments and Holdings Group Co., Ltd (“**Poly Developments and Holdings**”) and its subsidiaries, joint ventures and associates.

Note 2: The GFA from “third parties” as set out in the section headed “Management Discussion and Analysis” in this announcement excludes projects that do not clearly stipulate the agreed GFA in the contracts. With the Group enhancing its market expansion, certain third-party project contracts only stipulate the total contract price rather than the GFA.

As one of the leaders in the real estate industry in China, the steady development and support of Poly Developments and Holdings Group, our controlling shareholder, brought along with increasing business demand for the Group. As at 31 December 2021, the contracted GFA from Poly Development and Holdings Group reached approximately 279.0 million sq.m., representing an increase of approximately 38.8 million sq.m. as compared to the contracted GFA as at 31 December 2020.

In the increasingly competitive market environment, the Group adheres to the strategy of intensive cultivation in core cities and core business types. Leveraging on our excellent service quality and brand influence, the Group continues to enhance its efforts in market development. During the year, the single-year contract value of projects from third parties newly signed by the Group amounted to approximately RMB1,900.9 million (excluding renewed projects), of which, largescale projects with single-year contract value of over RMB10 million accounted for over 40% and the single-year contract value from non-residential businesses accounted for over 73%, showing rapid implementation of the Comprehensive Property strategy. As at 31 December 2021, the number of contracted projects from third parties newly signed by the Group was 1,201, representing a net increase of 280 as compared to that of the end of 2020.

The Group also proactively explored joint venture co-operation with state-owned enterprises and local state-funded platforms. During the year, the Group completed the establishment of joint ventures and entered into strategic co-operation agreement with four state-funded platforms, to capitalize preemptively on the market of scale services with the co-operative complementation of resources and capabilities.

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:

Source of projects	Year ended 31 December or as at 31 December									
	2021					2020				
	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 1)	4,376,229	65.6	185,966	40.0	904	3,642,596	73.6	152,288	40.1	746
Third parties (Note 2)	2,294,168	34.4	279,347	60.0	882	1,304,959	26.4	227,838	59.9	643
Total	<u>6,670,397</u>	<u>100.0</u>	<u>465,313</u>	<u>100.0</u>	<u>1,786</u>	<u>4,947,555</u>	<u>100.0</u>	<u>380,126</u>	<u>100.0</u>	<u>1,389</u>

Note: See note 1 and note 2 on page 25.

Continuous improvement in marketisation ability provides reliable assurance for the steady growth of the scale of property management of the Group. For the year ended 31 December 2021, revenue from property management services to third parties amounted to approximately RMB2,294.2 million, representing a significant increase of approximately 75.8% as compared to the corresponding period of 2020 and accounting for approximately 34.4% of the total revenue from property management services, representing a year-on-year increase of approximately 8.0 percentage points.

Leveraging on the extensive service experience and brand influence in non-residential businesses, the Group accelerated the expansion of businesses in the field of commercial and office buildings as well as public and other properties, hence, the structure of property management business was further optimised and accelerated the implementation of the Comprehensive Property strategy. As at 31 December 2021, the GFA under management of non-residential businesses increased to approximately 256.0 million sq.m., accounting for approximately 55.0% of the total GFA under management. During the year, we recorded revenue of property management from non-residential properties of approximately RMB2,435.3 million, representing an increase of approximately 62.4% as compared to the corresponding period of 2020. The proportion of such revenue to the overall revenue of property management services increased by approximately 6.2 percentage points year-on-year to approximately 36.5%.

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:

Source of projects	Year ended 31 December or as at 31 December									
	2021					2020				
	Revenue		GFA under	Number		Revenue		GFA under	Number	
	RMB'000	%	'000 sq.m.	of projects	%	RMB'000	%	'000 sq.m.	of projects	%
Residential										
communities	4,235,111	63.5	209,362	45.0%	1,020	3,448,240	69.7	167,525	44.1	832
Non-residential										
properties	2,435,286	36.5	255,951	55.0%	766	1,499,315	30.3	212,601	55.9	557
— Commercial and										
office buildings	973,369	14.6	15,878	3.4%	225	695,291	14.1	11,285	3.0	164
— Public and other										
properties	1,461,917	21.9	240,073	51.6%	541	804,024	16.2	201,316	52.9	393
Total	<u>6,670,397</u>	<u>100.0</u>	<u>465,313</u>	<u>100.0%</u>	<u>1,786</u>	<u>4,947,555</u>	<u>100.0</u>	<u>380,126</u>	<u>100.0</u>	<u>1,389</u>

The Group adheres to the principle of quality, and further improved the service standards and quality control system for the overall business during the year, so as to strengthen the establishment of product competitiveness of property service. With the establishment of the standardised management control system and cost standard system for overall business and full life-cycle, we promoted the smallest unit of the project to achieve improvements in quality, efficiency and effectiveness. We also strengthened staff empowerment through informatisation tools and training systems.

For residential communities, the Group has established two major property service brands of “Harmony Courtyard” and “Oriental Courtesy” as its effort to establish a differentiated service system, and hence satisfying the residential needs of different customer groups and offering premium living experience through refined management, standardised services and scenario-base experience. As at 31 December 2021, the GFA under management of the Group in the residential communities was approximately 209.4 million sq.m., accounting for approximately 45.0% of the total GFA under management. For the year ended 31 December 2021, revenue from property management services for residential communities amounted to approximately RMB4,235.1 million, representing an increase of approximately 22.8% as compared to the corresponding period of 2020 and accounting for approximately 63.5% 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 a trinity service system including property management, asset management and corporate services around the service concept of “scenario operation”, all for the aim of developing a leading brand for commercial and office services with state-owned background. During the year, the Group successfully implemented the standardised service system of “Nebula Ecology” in various benchmark projects, so as to promote market expansion through benchmarking effect. During the year, newly signed contracts included quality commercial projects, such as Tianjin Bohai Bank building, Guangzhou Haizhu District Administration office building, Agricultural Bank of China office building (Beijing branch), Guangzhou Enterprises Mergers and Acquisitions Services, China Life Anhui Financial Centre. As at 31 December 2021, the GFA under management of commercial and office buildings of the Group was approximately 15.9 million sq.m. For the year ended 31 December 2021, revenue from property management services for commercial and office buildings amounted to approximately RMB973.4 million, representing an increase of approximately 40.0% as compared to the corresponding period of 2020.

For public and other properties, the Group has established the property service brand of “Towns Revitalisation” and formed the 5G product system with gridded governance, integrated municipal services, reconstruction and operation of old communities, smart towns and business empowerment as the core. By cultivating diversified business types in cities and town-wide services, we assisted the improvement in basic social governance. As a pioneer in the public services sector, the Group has established a nationwide presence with leading advantages in diverse business portfolios covering higher education and teaching and research properties, towns and scenic areas, railways and transportation properties, hospitals, government offices, urban public facilities, and etc.

During the year, the Group continued to maintain a rapid expansion trend in the public services sector, continued to intensively cultivate three core business types, namely higher education and teaching and research properties, railways and transportation properties and towns and scenic areas, and achieved breakthroughs in many landmark projects in the hospital businesses. For the year ended 31 December 2021, the single-year contract value of public and other property projects newly contracted by the Group reached approximately RMB950 million, of which three core business types accounted for over 61.2%. The key projects included, among others, the comprehensive enhancement project of Canton Tower in Guangzhou City, public service for Nanhu subdistricts in Jiaxing City, Mount Wutai in Xinzhou City, Shanghai Metro Line 15, Yubei Campus of Southwest University of Political Science & Law, Beijing Hospital and the Affiliated Hospital of Chengdu University. The Group also promoted the industry layout of integrated environmental sanitation services and signed contracts for and have undertaken environmental sanitation projects in Nansha District of Guangzhou City, Hecun Town of Jiangshan City and Xiangzhou District of Xiangyang City, etc., as well as incorporating professional marketing team for the establishment of environmental sanitation joint venture with a industry partner, so as to develop vertical business capability for environmental sanitation services, to improve the industry chain of city services and hence support the deepening and solidification of city service strategy.

As at 31 December 2021, the number of projects under management for public and other properties was 541, representing an increase of 148 as compared with that of the end of 2020. For the year ended 31 December 2021, the revenue of the Group from public and other properties was approximately RMB1,461.9 million, representing an increase of approximately 81.8% as compared with the corresponding period of 2020 and accounted for approximately 21.9% of the total revenue from property management services, representing an increase of approximately 5.7 percentage points in its percentage of revenue as compared with the corresponding period of 2020.

Steady increase in the average property management fee per unit

Benefiting from higher pricing standards for new projects and price increase for certain projects under management, the average property management fee per unit of the Group increased steadily.

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		Changes (RMB)
	2021 (RMB/sq. m./month)	2020	
Residential communities	2.24	2.23	Increase 0.01
— Poly Developments and Holdings Group	2.32	2.30	Increase 0.02
— Third parties	1.78	1.78	Stable
Commercial and office buildings	7.39	7.83	Decrease 0.44
— Poly Developments and Holdings Group	8.67	8.98	Decrease 0.31
— Third parties	6.34	5.91	Increase 0.43

Value-added services to non-property owners — representing approximately 16.8% of the 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 asset 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	Year Ended 31 December			
	2021		2020	
	<i>Percentage of revenue</i>		<i>Percentage of revenue</i>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Pre-delivery services	1,123,052	62.0	953,684	71.1
Other value-added services to non-property owners	688,179	38.0	387,567	28.9
Total	<u>1,811,231</u>	<u>100.0</u>	<u>1,341,251</u>	<u>100.0</u>

The Group's revenue from value-added services to non-property owners for the year ended 31 December 2021 was approximately RMB1,811.2 million, representing an increase of approximately 35.0% as compared to the corresponding period of 2020, which was mainly due to (i) the continuous increase in the number of projects provided with pre-delivery services by the Group; and (ii) the rapid growth of other value-added services to non-property owners of the Group.

Community value-added services — representing approximately 21.3% of the total revenue

For the year ended 31 December 2021, the Group's revenue from community value-added services amounted to approximately RMB2,300.9 million, representing a growth of approximately 31.6% compared to the corresponding period. This was mainly attributable to (i) the expansion of the Group's management scale and the increase in service users, coupled with the customer loyalty brought by our quality basic services, provided us with sound business foundation for the development of community value-added services; and (ii) the continuous improvement of service capabilities in vertical industries such as move-in and furnishing services, community retail, space operation and housekeeping services.

During the year, the Group promoted the in-depth development of core industries, including continuous improvement of business model and supply chain, promoting centralised procurement services on a large scale, expanding the co-operation with industry-leading companies, enhancing the capabilities of implementation of services, etc., around the three dimensions of insightfulness for needs, research and development of products and project operations. In the field of move-in and furnishing services, the Group has developed our turnkey furnishing and move-in business, continued to improve and optimise our supply chain resources, which formed a professional and efficient operation model in a faster pace. In the field of community retail, the Group established an online platform named "Heyuan Youpin" (和院優品) to accelerate the integration of the supply chain, and relied on hot item and highly popular product strategy and competence in diversified channels, so as to achieve rapid growth in the scale of retail sector. In the field of space operation, the Group has greatly increased the value of community resources and utilisation efficiency through centralised procurement services on a large scale as well as innovative and integrated marketing services. In the field of the housekeeping service, the Group further improved the supply chain of cleaning, maintenance and postpartum doulas to increase the service coverage in communities, integrated community resources and facilitated cross-regional co-operation with leading housekeeping enterprises. During the year, the Group proactively explored operational business on community assets, to capitalise on the advantages of property-scenario services by commencing parking spaces sales agency business with Poly Development and Holdings Group, in order to rapidly establish the capabilities of community inventory asset management.

Move-in and furnishing services: realising approximately RMB402.7 million in revenue, accounting for approximately 17.5% of the total revenue from community value-added services

Move-in furnishing services focus on user needs to extend the entire life cycle of the business. Focusing on business scenarios like turnkey furnishing and move-in, furniture group purchase, and old house renewal, we create digitalised service tools to provide the property owners with comprehensive housing solutions from design, installation, delivery to repair and maintenance.

Community retail: realising approximately RMB481.8 million in revenue, accounting for approximately 20.9% 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, centralised procurement and prepositioned warehouses. By leveraging mutual access of online and offline resources coupled with front-end door-to-door delivery service by first-line butlers, we provide property owners with a cost-effective shopping experience.

Parking lot management services: realising approximately RMB301.1 million in revenue, accounting for approximately 13.1% 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 space units and customer demands. Smart parking system and smart equipment have been actively utilised to reduce costs and enhance efficiency.

Space operation: realising approximately RMB366.1 million in revenue, accounting for approximately 15.9% of the total revenue from community value-added services

Space operation strive to provide services such as venue rental, courier service, charging service, sharing service and recycling service by optimising the usage of public resources, and to explore the communication value of community media channels such as elevators and carparks, to realise standardised and digitalised operation with information system, so as to increase the coverage of our community media spots and optimise the result of operation. At the same time we provide “quality and efficient” community-integrated marketing services to the brand merchant, in order to develop a multi-dimensional value chain of media operation.

Community convenience and other services: realising approximately RMB749.2 million in revenue, accounting for approximately 32.6% 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, home-based nursing, babysitting and postpartum doulas, theme-based education and realtor services as well as property-specific services such as garbage disposals and removals.

FUTURE DEVELOPMENT

Adhering to the corporate vision of being “the leading service provider of the Comprehensive Property ecosystem”, we will continue to maintain strategic stabilisation, to accelerate the increase in share in the property management market, to continuously facilitate the in-depth development of value-added industries, to speed up the empowerment of digitalisation of operation and management, and promote the Company’s improvement of quality and effectiveness, as well as the high-quality upgrading of services, with the emphasis of “continuous cultivation, comprehensive refinement and the acceleration of the empowerment of digitalisation”.

Continuously consolidate our presence in core cities and core business types to achieve expansion of high-quality marketisation

We will insist to focus on core regions and business types with large market capacities and excellent customer resources, to increase the density in regional management, as well as the scale and grade in segmentised business types. With a market environment consisting of both opportunities and challenges, we will, on the one hand, continuously improve our market expansion team to strengthen our expansion empowerment and reinforce expansion competitiveness. On the other hand, through increasing market research, establishing benchmarking projects, integrating strategic resources and enriching business categories and highlighting regional characteristics, we will further improve our market competitiveness and proactively seize the opportunities with the increase in industry scale concentration. At the same time, we will use a combination of various methods like joint ventures and co-operation and investments in equity interests to enhance the force of integration of high-quality resources in the region, actively developing layout of new industries and new business types, so as to actively build professional service capabilities.

Intensively cultivate core industries and create high-quality and professional value-added service capabilities

The core value of community value-added services is to provide comprehensive satisfying living experience to the residents. We have always been concentrating on the needs of users, by focusing the five core industries of move-in and furnishing services, community retail, space operation, housekeeping services and assets management. Through the systematic enhancement of the three capabilities including “insightfulness for needs, research and development of products and practical implementation”, we effectively connect with resources of high-quality services on the market, to come into our own as a service provider of living service platforms. We will keep on upgrading and dimensionalising the construction of marketing system around the supply chain and continuously facilitate the in-depth industry development with enhancement of effective execution capability, as well as to select the fields with concentrated users with properties that possess operational advantages and with mature business mode, so as to explore vertical operation of industries.

Refine comprehensively for increasing corporate competitiveness

We will comprehensively raise the organisational operation effectiveness, talent efficacy, economical performance, market competitiveness and management precision around the concept of “Five Refinements” (namely organisational refinement, talent refinement, cost refinement, product refinement and operation refinement). We will improve the transformation of pan-market expansion and pan-operation organisational structure and achieve professional and clustered operation in expansion and management, and comprehensively improve organisational efficacy and flexibility. At the same time, we will accelerate the cultivation of talent teams and introduction of marketisation, build a supply chain of key talents and actively improve personnel effectiveness. We will optimize our assessment incentive mechanism at every level, so as to stimulate the viability and initiativeness of staff of all levels to full extent. With the proactive use of share incentive tools, we are aspired to core team of skillful, responsible, and highly capable key members, for the facilitation of better and faster development of the Company. We will seize the opportunities coming along with the SASAC’s “Double Hundred Enterprises” Pilot Project (國資委「雙百企業」試點), to continuously expand and improve the construction of our incentive mechanisms.

We will continue to promote the precise operation of project units, including the improvement of service standards among business types, strengthening of cost control, the improvement of cycle operation system, the application of informatisation tools, real-time understanding of project operation dynamics and issuance of timely warning to correct deviations, so as to achieve effective synergism among project quality, efficiency and efficacy.

Speed up the empowerment of digitalisation and comprehensively support implementation of strategy

We will speed up the capability construction of digitalisation and technologisation. We will apply deeply the five-in-one internal control system of “sharing information of budget, cost, manpower, cost control and finance”, to enhance the management of costs and fees, and strengthen digitalised analysis of operation, so as to achieve improvement of managerial operation with improved timeliness, field of vision, precision and effectiveness. At the same time, we will continue to upgrade the basic residential and commercial service systems, and establish digital platforms for town-wide services and technology-supported platforms for multi-scenario services. We will accelerate the realisation of smart community construction, improve the facilitation of smart vehicular and pedestrian construction, smart facilities, smart application, etc., to lay a solid foundation for the realisation of smart community services and technologised management.

FINANCIAL REVIEW

Revenue

The Group's revenue is derived 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				
	2021		2020		Growth rate
	<i>RMB'000</i>	<i>Percentage of revenue %</i>	<i>RMB'000</i>	<i>Percentage of revenue %</i>	
Property management services	6,670,397	61.9	4,947,555	61.6	34.8
Value-added services to non-property owners	1,811,231	16.8	1,341,251	16.7	35.0
Community value-added services	2,300,921	21.3	1,748,350	21.7	31.6
Total	<u>10,782,549</u>	<u>100.0</u>	<u>8,037,156</u>	<u>100.0</u>	<u>34.2</u>

For the year ended 31 December 2021, the total revenue of the Group amounted to approximately RMB10,782.5 million (2020: approximately RMB8,037.2 million), representing an increase of approximately 34.2% as compared to the corresponding period of 2020. It was mainly due to: (i) an increase in revenue driven by the continuous increase in the management scale of the Group; and (ii) continuous steady development of 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 RMB8,767.9 million (2020: approximately RMB6,538.1 million), representing an increase of approximately 34.1% as compared to the corresponding period of 2020. The increase in the cost of services was mainly due to (i) the corresponding increase in staff costs and subcontracting costs as a result of an increase of the GFA under management and number of projects under the management of the Group; and (ii) the corresponding increase in costs arising from the additional incubation of office leasing business.

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					
	2021			2020		
	Gross profit	Percentage	Gross profit	Gross profit	Percentage	Gross profit
	(RMB'000)	of gross	margin	(RMB'000)	of gross	margin
		profit	%		profit	%
		%			%	
Property management services	954,267	47.4	14.31	700,496	46.7	14.16
Value-added services to non-property owners	337,976	16.8	18.66	269,394	18.0	20.09
Community value-added services	722,397	35.8	31.40	529,171	35.3	30.27
Total	2,014,640	100.0	18.68	1,499,061	100.0	18.65

For the year ended 31 December 2021 the Group's gross profit was approximately RMB2,014.6 million, representing an increase of approximately 34.4% as compared to approximately RMB1,499.1 million of the corresponding period of 2020. The Group's gross profit margin increased from approximately 18.65% for the corresponding period of 2020 to approximately 18.68%.

For the year ended 31 December 2021, the Group's gross profit margin for property management services was approximately 14.31% (2020: approximately 14.16%), representing a slight increase.

The gross profit margin for value-added services to non-property owners was approximately 18.66% (2020: approximately 20.09%), representing a decrease of 1.43 percentage points as compared to the corresponding period of 2020, which was primarily due to the effect of the additional incubation of office leasing business.

The Group's gross profit margin for community value-added services was approximately 31.40% (2020: approximately 30.27%), representing an increase of approximately 1.13 percentage points as compared to the corresponding period of 2020, which was primarily due to the fact that the industrial capacity and product upgraded for the business of move-in and furnishing, community retail and so forth, and slightly increased their share in the gross profit.

Other income and other net gain/(loss)

For the year ended 31 December 2021, other income and other net gain/(loss) was approximately RMB153.9 million, representing a decrease of approximately 26.9% as compared to approximately RMB210.5 million for the year ended 31 December 2020, primarily due to the net exchange loss recognised in respect of changes in foreign exchange rates.

Administrative expenses

For the year ended 31 December 2021, the total administrative expenses of the Group was approximately RMB1,006.0 million, representing an increase of approximately 30.7% as compared to approximately RMB769.7 million for the year ended 31 December 2020. Such increase was primarily due to an increase in the remuneration and benefits attributable to additional employees and related expenses as a result of the Group's fast business growth as compared to the corresponding period in 2020. The administrative expenses of the Group accounted for approximately 9.3% of the total revenue, representing a slight decrease as compared to the approximately 9.6% for the year ended 31 December 2020.

Finance costs

For the year ended 31 December 2021, the total finance costs of the Group was approximately RMB10.6 million, representing an increase of approximately 119.8%, as compared to approximately RMB4.8 million for the year ended 31 December 2020, primarily due to the increase in finance costs recognised in respect of the increase in leased assets and right-of-use assets of the Group.

Profit for the year

For the year ended 31 December 2021, the profit for the year of the Group was approximately RMB870.9 million, representing an increase of approximately 25.1% as compared to approximately RMB696.1 million of the corresponding period of 2020. The profit attributable to owners of the Company was approximately RMB845.7 million, representing an increase of approximately 25.6% as compared to approximately RMB673.5 million of the corresponding period of 2020. The net profit margin was approximately 8.1%, representing a decrease of approximately 0.6 percentage points as compared to approximately 8.7% of 2020.

Current assets, reserves and capital structure

For the year ended 31 December 2021, the Group maintained a sound financial position. As at 31 December 2021, the current assets amounted to approximately RMB9,990.6 million, representing an increase of approximately 12.3% as compared to approximately RMB8,898.7 million as at 31 December 2020. Cash and cash equivalents of the Group as at 31 December 2021 amounted to approximately RMB7,690.6 million, representing an increase of approximately 3.3% as compared to approximately RMB7,448.1 million as at 31 December 2020. As at 31 December 2021, the gearing ratio of the Group was approximately 38.2%, representing an increase of approximately 4.3 percentage points as compared to approximately 33.9% as at 31 December 2020. Gearing ratio represents the ratio of total liabilities over total assets.

As at 31 December 2021, the Group's total equity was approximately RMB6,888.8 million, representing an increase of approximately RMB642.0 million or approximately 10.3% as compared to approximately RMB6,246.8 million as at 31 December 2020, which was primarily due to the contributions from the realised profits in the period.

Property, plant and equipment

The Group's property, plant and equipment primarily include self-use right-of-use assets, buildings, leasehold improvements, computer equipment, electronic equipment, transportation equipment, furniture and equipment. As at 31 December 2021, the Group's property, plant and equipment amounted to approximately RMB199.5 million, representing an increase of approximately RMB37.7 million as compared to approximately RMB161.8 million as at 31 December 2020, which was primarily due to the purchase of electronic equipment for office use, and the increase in leasehold improvements and right-of-use assets for the purpose of the Group's business operations.

Leased assets and investment properties

The Group's leased assets and investment properties mainly comprise leased assets and carpark space and clubhouses. As at 31 December 2021, the Group's leased assets and investment properties amounted to approximately RMB704.0 million, representing an increase of approximately RMB523.6 million as compared to approximately RMB180.4 million as at 31 December 2020, which was mainly attributable to the fact that (i) the Group and Poly Developments and Holdings newly entered into a property leasing agreement for a term of three years with effect from 28 May 2021, which increased the leased assets and investment properties by approximately RMB814.5 million; (ii) the amendments to office leasing contract (《寫字樓租賃合同》) dated 16 October 2020 entered initially into with Poly Developments and Holdings, which decreased the leased assets and investment properties by approximately RMB90.0 million; and (iii) the decrease in depreciation of leased assets and investment properties.

Intangible assets

The Group's intangible assets primarily included property management contracts and goodwill obtained from a business combination. As at 31 December 2021, the Group's intangible assets amounted to approximately RMB125.1 million, representing a decrease of approximately RMB11.0 million as compared to approximately RMB136.1 million as at 31 December 2020, which was primarily due to the amortisation of property management contracts.

Trade and bills receivables

As at 31 December 2021, trade and bills receivables amounted to approximately RMB1,424.8 million, representing an increase of approximately RMB536.7 million as compared to approximately RMB888.1 million as at 31 December 2020, which was primarily due to the expansion of GFA under management and the increase in number of projects of the Group, the increase in trade receivables from third parties to the Group.

Trade payables

As at 31 December 2021, trade payables amounted to approximately RMB803.6 million, representing an increase of approximately 102.4% as compared to approximately RMB397.1 million as at 31 December 2020, which was primarily due to the expansion of the Group's GFA under management and the increasing scale of subcontracting to independent third-party service providers.

Accruals and other payables

Accruals and other payables mainly include: (i) accruals and other payables due to third parties; (ii) accruals and other payables due to related parties; (iii) other tax payables; and (iv) salaries payables.

As at 31 December 2021, accruals and other payables amounted to approximately RMB1,780.8 million, representing an increase of approximately 42.8% as compared with approximately RMB1,246.8 million as at 31 December 2020. It was mainly due to the fact that as at 31 December 2021, accruals and other payables due to third parties amounted to approximately RMB1,570.4 million, representing an increase of 50.2% as compared with approximately RMB1,045.8 million as at 31 December 2020, which was mainly comprised of the increase in deposits payable to property owners in relation to decorations and the increase in the temporary receipts from property owners.

Borrowings

As at 31 December 2021, the Group had no borrowings or bank loans.

PLEDGE OF ASSETS

As at 31 December 2021, the Group had no pledge of assets.

SIGNIFICANT INVESTMENT, AND MAJOR ACQUISITION AND DISPOSAL AND FUTURE PLANS

The Group had no significant investment, and major acquisition and disposal for the year ended 31 December 2021. In addition, except for the sections headed “Future Development” in “Management Discussion and Analysis” in this announcement and the expansion plans disclosed in the announcement on the further change of use of proceeds from the global offering dated 16 July 2021 of the Company, the Group did not have any special plans on material investments, acquisitions and disposals.

PROCEEDS FROM THE LISTING

The H shares of the Company (the “**H Shares**”) were successfully listed on the Stock Exchange on 19 December 2019 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 31 December 2021, the Group has used approximately HK\$3,304.7 million of the proceeds. Such used proceeds were allocated and used in accordance with the use of proceeds as set out in the prospectus dated 9 December 2019, the announcement on the change of use of proceeds from the global offering dated 1 April 2021, and the announcement on the further change of use of proceeds from the global offering dated 16 July 2021 (the “**Announcement**”) of the Company. The unutilised net proceeds are approximately HK\$1,913.5 million, which will be allocated and used in accordance with the purposes and proportions as set out in the Announcement. Details of the specific use are as follows:

Revised planned use of the net proceeds as stated in the Announcement	Revised percentage of net proceeds as stated in the Announcement %	Net proceeds for revised planned use as stated in the Announcement HK\$ millions	Net proceeds actually utilised as of 31 December 2021 HK\$ millions	Revised net proceeds unutilised as of 31 December 2021 HK\$ millions	Expected timetable for the usage of the unutilised net proceeds
To pursue selective strategic investment and acquisition opportunities and to further develop strategic alliances and expand the scale of the Group’s property management and value-added services businesses, which include acquiring or investing in companies engaged in businesses related to property management or value-added services, or forming joint ventures with such companies, and investing in related industrial funds with collaborative business partners	18.5	965.4	101.5	863.9	On or before 31 December 2022
To further develop the Group’s value-added services, which include the development of value-added products and services related to daily scenarios (such as communities, commercial offices and urban management) and assets (such as leasing and sales of properties, parking spaces and shops), the upgrading of hardware and the development of smart community and commercial facilities operation services, and the development of value-added services related to commercial operations such as office buildings	62.5	3,261.4	3,159.6	101.8	On or before 31 December 2022

Revised planned use of the net proceeds as stated in the Announcement	Revised percentage of net proceeds as stated in the Announcement %	Net proceeds for revised planned use as stated in the Announcement HK\$ millions	Net proceeds actually utilised as of 31 December 2021 HK\$ millions	Revised net proceeds unutilised as of 31 December 2021 HK\$ millions	Expected timetable for the usage of the unutilised net proceeds
To upgrade the Group's systems of digitisation and smart management, which include the purchase and upgrading of hardware for building smart terminals and Internet of Things platforms, the construction and development of internal information sharing platforms and databases, the recruitment and development of professional and technical staff and information management teams, and the commencement of R&D for innovative applications related to the Group's business	9.0	469.6	33.9	435.7	On or before 31 December 2022
Working capital and general corporate purpose	10.0	521.8	9.7	512.1	On or before 31 December 2022
Total	100.0	5,218.2	3,304.7	1,913.5	

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE 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 foreign exchange risk and take prudent measures to mitigate foreign exchange rate risk.

SUBSEQUENT EVENTS

The First Phase Restricted Share Incentive Scheme (“**the Scheme**”) and the Initial Grant Proposal have been considered and passed at the first extraordinary general meeting of 2022 held on 18 February 2022. The Scheme shall be valid and effective for a term of ten years. The Scheme aims at (i) improving the corporate governance structure of the Company, establishing and enhancing the common interests of employees, shareholders and the Company as a whole; (ii) establishing benefits and risk sharing mechanisms, avoiding short-term behaviours, promoting the Company's performance improvement and facilitating the long term stable development of the Company; (iii) effectively attracting, retaining

and motivating the core staff necessary for the development of the Company, stimulating the morale of employees and reinforcing the talent base for the long-term sustainable development of the Company. Details are set out in the Company's announcements dated 15 November 2021 and 28 January 2022, and circular dated 31 January 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 44,415 employees (as at 31 December 2020: 44,351 employees). For the year ended 31 December 2021, the total staff costs was approximately RMB4,302.5 million.

The Group has established a market-based, competitive and performance-oriented remuneration plan with reference to market standards and employee performance and contributions 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. The First Phase Restricted Share Incentive Scheme and the Initial Grant Proposal have been adopted by the Group on 18 February 2022, which details are set out in the paragraph of "SUBSEQUENT EVENTS" in this announcement.

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. Through the creation of five key talent teams supply chain, including senior management, project managers, junior project staff, staff from campus recruitment and professionals, we manage to provide more comprehensive job training for our employees. For instance, "Galaxy Commanders" is a talent programme for leadership development of senior management in the headquarter and regional offices. "Galaxy Operation Officers" is a programme for developing project managers which was established based on the Company's strategies and business needs, such that a training mechanism of talents that can fit for the critical positions of a project can be established. During the outbreak of the pandemic, we actively respond to the policies that safeguard job stability. Through four recruitment campaigns, namely "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 innovated the form of campus recruitment, through micro interviews with enterprises and live broadcast for campus recruitment in the fall provide more jobs for the society.

ANNUAL DIVIDEND

The Board proposed the distribution of an annual dividend of RMB0.305 per share (tax inclusive) for the year ended 31 December 2021 with a proposed dividend payout ratio of approximately 20.0%. The dividend distribution plan shall be subject to the approval of the shareholders of the Company at the annual general meeting to be held on 8 June 2022 (the “**2021 AGM**”) and is expected to be paid on or before 5 August 2022. The proposed annual dividend will be declared in Renminbi and settled 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 2021 AGM.

NOTICE OF ANNUAL GENERAL MEETING

The 2021 AGM will be held on Wednesday, 8 June 2022. Notice of the 2021 AGM will be published on the designated website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.polywuye.com and will be dispatched to the Shareholders in due course and 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 2021 AGM (and any adjourned meeting thereof), the register of members of the Company will be closed from Thursday, 2 June 2022 to Wednesday, 8 June 2022, 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 2021 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 Wednesday, 1 June 2022. Shareholders whose names appear on the register of members of the Company on Wednesday, 8 June 2022 are entitled to attend and vote at the 2021 AGM.

REVIEW OF ACCOUNTS

The Company’s audit committee (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 fulfil its responsibility for the audit of the Group.

The Audit Committee had reviewed the audited consolidated financial statements and annual results of the Group for the year ended 31 December 2021, 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 2021 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 2021. 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. 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 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 for the year ended 31 December 2021.

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, except that being unable to contact with Mr. Wang Peng, they have confirmed that they have complied with the required standard as set out in the Model Code for the year ended 31 December 2021.

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

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

PUBLIC FLOAT

According to published information and Directors' knowledge, for the year ended 31 December 2021 and as at 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 designated website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.polywuye.com. The annual report of the Company for the year ended 31 December 2021 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 SERVICES CO., LTD.
Huang Hai
Chairman of the Board and Non-executive Director

Guangzhou, the PRC, 15 March 2022

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