



保利物業服務股份有限公司
POLY PROPERTY SERVICES CO., LTD.

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

Stock Code: 06049.HK



2022
INTERIM REPORT

**DEDICATED
TO DETAILS**

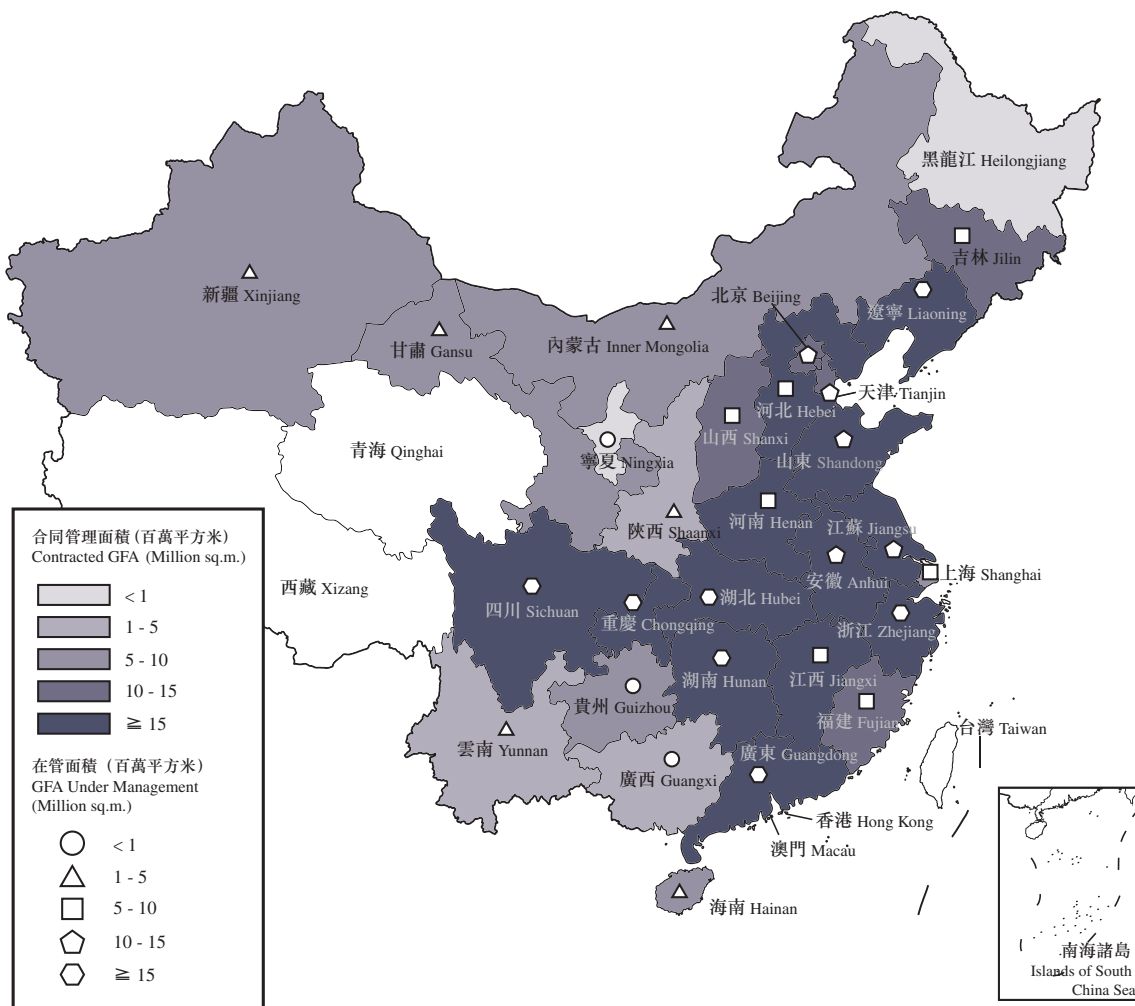
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COMPANY OVERVIEW

Poly Property Services Co., Ltd. (the “Company” or “Poly Property”, and together with its subsidiaries, the “Group” or “we”) is a leading comprehensive property management service provider in China with extensive property management scale and state-owned background. According to the ranking of 2022 Top100 Property Management Companies in China by the China Index Academy, the Group ranked third among the Top100 Property Management Companies in China and first in terms of comprehensive strengths among the property management companies with state-owned background. The Group has actively pushed forward the “Comprehensive Property” strategy and its management business portfolio covers residential communities, commercial and office buildings, and public and other properties. As at 30 June 2022, the Group’s contracted gross floor area (“GFA”) was approximately 731.6 million sq.m. with a total of 2,575 contracted projects, covering 206 cities across 29 provinces, municipalities and autonomous regions in China. The GFA under management was approximately 523.1 million sq.m. with a total of 1,910 projects under management.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors

Mr. Huang Hai (Chairman)
Mr. Liu Ping
Mr. Hu Zaixin

Executive Directors

Ms. Wu Lanyu (General Manager)

Independent Non-executive Directors

Mr. Wang Xiaojun
Ms. Tan Yan
Mr. Zhang Liqing (appointed on 14 April 2022)
Mr. Wang Peng (removed on 14 April 2022)

BOARD COMMITTEES

Audit Committee

Ms. Tan Yan (Chairlady)
Mr. Liu Ping
Mr. Hu Zaixin
Mr. Wang Xiaojun
Mr. Zhang Liqing (appointed on 14 April 2022)
Mr. Wang Peng (removed on 14 April 2022)

Remuneration Committee

Mr. Wang Xiaojun (Chairman)
Ms. Tan Yan
Mr. Zhang Liqing (appointed on 14 April 2022)
Mr. Wang Peng (removed on 14 April 2022)

Nomination Committee

Mr. Huang Hai (Chairman)
Ms. Wu Lanyu
Mr. Wang Xiaojun
Ms. Tan Yan
Mr. Zhang Liqing (appointed on 14 April 2022)
Mr. Wang Peng (removed on 14 April 2022)

SUPERVISORY COMMITTEE

Ms. Liu Huiyan (Chairlady)
Ms. Zhong Yu
Ms. Mu Jing

JOINT COMPANY SECRETARIES

Mr. Yin Chao
Mr. Lau Kwok Yin

AUTHORISED REPRESENTATIVES

Ms. Wu Lanyu
Mr. Lau Kwok Yin

AUDITOR

BDO Limited
Certified Public Accountants and Registered PIE Auditor
25/F, Wing On Centre
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Rooms 3901-05, 39/F.
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15 Queen's Road Central, Hong Kong

PRINCIPAL BANKER

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Poly Grand Mansion Branch
Shop 102, No.3 Chen Yue Road
Hai Zhu District, Guangzhou, Guangdong Province
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REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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248 Queen's Road East
Wanchai
Hong Kong

CORPORATE INFORMATION

H SHARE REGISTRAR AND TRANSFER OFFICE

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www.polywuye.com

STOCK CODE ON THE HONG KONG STOCK EXCHANGE

06049

FINANCIAL SUMMARY

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

	Six months ended 30 June	
	2022	2021
Revenue (RMB million)	6,449.4	5,153.1
Gross profit (RMB million)	1,304.9	1,031.5
Gross profit margin	20.23%	20.02%
Profit for the Period (RMB million)	635.5	505.1
Net profit margin	9.9%	9.8%
Profit for the Period attributable to owners of the Company (RMB million)	628.3	490.8
Basic earnings per share (RMB)	1.14	0.89
Return on shareholders' equity (weighted average)	9.0%	7.7%

SUMMARY OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at	As at
	30 June	31 December
	2022	2021
Total assets (RMB million)	12,419.7	11,137.9
Cash and cash equivalents (RMB million)	5,223.9	7,690.6
Total equity (RMB million)	7,332.4	6,888.8
Gearing ratio	41.0%	38.2%

AWARDS AND HONOURS



2022 TOP100 Property Management Companies in China (TOP3)



2022 China TOP10 Property Management Companies in terms of Business Performance



2022 Top 10 Listed Company of Property Management Service (TOP3)



2022 Leading Listed Company of Property Management Service in terms of Business Performance (TOP5)



2022 Leading Listed Company of Property Management Service in terms of Business Size (TOP5)



2022 China TOP10 Property Management Companies in terms of Business Size



2022 China High-end Property Service Leading Company



2022 Leading Companies in Market Oriented Operation of China's Property Management



2022 China Excellent Company in terms of Red Property Service



2022 China Leading Property Management Companies of Technology Empowerment



2022 China Leading Property Management Companies in terms of Social Responsibility



2022 China Excellent Company in terms of State-owned Property Management

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 2022 Top100 Property Management Companies in China by the China Index Academy, the Group ranked third among the Top100 Property Management Companies in China and first in terms of comprehensive strengths among the property management companies with state-owned background. The Group has actively pushed forward the “Comprehensive Property” strategy and its management business portfolio covers residential communities, commercial and office buildings, and public and other properties. As at 30 June 2022, the Group’s contracted gross floor area (“GFA”) was approximately 731.6 million sq.m. with a total of 2,575 contracted projects, covering 206 cities across 29 provinces, municipalities and autonomous regions in China. The GFA under management was approximately 523.1 million sq.m. with a total of 1,910 projects under management.

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 61.3% of the total revenue

For the six months ended 30 June 2022, the Group’s revenue from property management services amounted to approximately RMB3,954.9 million, representing an increase of approximately 25.8% as compared to the corresponding period of 2021, 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 30 June					
	2022			2021		
	Contracted GFA '000 sq.m.	Percentage of contracted GFA %	Number of contracted projects	Contracted GFA '000 sq.m.	Percentage of contracted GFA %	Number of contracted projects
Poly Developments and Holdings Group (Note 1)	296,667	40.6	1,307	255,261	41.0	1,109
Third parties (Note 2)	434,885	59.4	1,268	366,736	59.0	1,069
Total	731,552	100.0	2,575	621,997	100.0	2,178

Note 1: “Poly Developments and Holdings Group” represents the properties developed, solely or jointly with other parties, by the members of Poly Developments and Holdings Group (including its joint ventures and associates).

Note 2: The GFA from “third parties” as set out in the section headed “Management Discussion and Analysis” in this report excludes projects that do not clearly stipulate the agreed GFA in the contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

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 continuous and high-quality business growth for the Group. As at 30 June 2022, the contracted GFA from Poly Developments and Holdings Group reached approximately 296.7 million sq.m., representing an increase of approximately 17.7 million sq.m. as compared to the contracted GFA as at 31 December 2021.

In the increasingly competitive market environment, the Group adheres to the principle of high-quality development and insists on the cultivation of cities and major business types. Leveraging on our excellent and solid service quality and brand influence, the Group continues to intensify its efforts in market development. During the Period, although being impacted by the phasing effects caused by the pandemic to the market expansion efforts, the Group's newly bided single-year contract value of projects from third parties amounted to approximately RMB1.24 billion and the single-year contract value of projects from third parties newly entered into by the Group during the Period amounted to approximately RMB0.61 billion (excluding renewed projects). Of which, large-scale projects with single-year contract value of over RMB10 million accounted for over 46.2% and the single-year contract value from non-residential businesses accounted for over 86.2%, showing rapid implementation of the Comprehensive Property strategy.

The Group also proactively explores joint venture co-operation with state-owned enterprises and local state-funded platforms. During the Period, the Group completed the establishment of joint ventures with two state-funded platforms, to capitalise 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	Six months ended 30 June or as at 30 June									
	2022					2021				
	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)	2,468,530	62.4	200,797	38.4	950	2,096,124	66.7	163,318	38.1	811
Third parties (Note)	1,486,370	37.6	322,295	61.6	960	1,047,322	33.3	264,921	61.9	765
Total	3,954,900	100.0	523,092	100.0	1,910	3,143,446	100.0	428,239	100.0	1,576

Note: See note 1 and note 2 on page 7.

Continuous improvement in marketisation ability provides reliable safeguard for the steady growth of the scale of property management of the Group. For the six months ended 30 June 2022, revenue from property management services to third parties amounted to approximately RMB1,486.4 million, representing a significant increase of approximately 41.9% as compared to the corresponding period of 2021 and accounting for approximately 37.6% of the total revenue from property management services, representing a year-on-year increase of approximately 4.3 percentage points.

MANAGEMENT DISCUSSION AND ANALYSIS

Leveraging on the extensive service experience and brand influence in non-residential businesses, the Group accelerated the expansion of businesses of commercial and office buildings as well as public and other properties, hence, the structure of property management businesses was further optimised. As at 30 June 2022, the GFA under management of non-residential businesses increased to approximately 293.4 million sq.m., accounting for approximately 56.1% of the total GFA under management. During the Period, we recorded revenue of property management from non-residential properties of approximately RMB1,539.5 million, representing an increase of approximately 37.3% as compared to the corresponding period of 2021. The proportion of such revenue to the overall revenue of property management services increased by approximately 3.2 percentage points year-on-year to approximately 38.9%.

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	Six months ended 30 June or as at 30 June									
	2022					2021				
	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	2,415,410	61.1	229,707	43.9	1,077	2,021,988	64.3	181,924	42.5	910
Non-residential properties	1,539,490	38.9	293,385	56.1	833	1,121,458	35.7	246,315	57.5	666
– Commercial and office buildings	604,552	15.3	17,634	3.4	264	462,304	14.7	13,091	3.1	193
– Public and other properties	934,938	23.6	275,751	52.7	569	659,154	21.0	233,224	54.4	473
Total	3,954,900	100.0	523,092	100.0	1,910	3,143,446	100.0	428,239	100.0	1,576

The Group adheres to the principle of quality, and improves the service standards and quality control system for the overall business continuously, so as to strengthen the establishment of product competitiveness of property management 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.

MANAGEMENT DISCUSSION AND ANALYSIS

For residential communities, the Group has established three major property service brands of “Harmony Courtyard”, “Elegant Life” 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 30 June 2022, the GFA under management of the Group in the residential communities was approximately 229.7 million sq.m., accounting for approximately 43.9% of the total GFA under management. For the six months ended 30 June 2022, revenue from property management services for residential communities amounted to approximately RMB2,415.4 million, representing an increase of approximately 19.5% as compared to the corresponding period of 2021 and accounting for approximately 61.1% 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 Period, the single-year contract value of commercial and office buildings newly entered into by the Group amounted to approximately RMB160.4 million, and the Group has newly added a number of high-quality office buildings projects from third parties, such as Hebei Company and Guangdong Company of China Mobile, Guangzhou Branch of SPD Bank, the Tax Bureau of Guangzhou and Caidian District, Wuhan of the State Taxation Administration as well as the People’s Procuratorate of Haidian District, Beijing. As at 30 June 2022, the GFA under management of commercial and office buildings of the Group was approximately 17.6 million sq.m.. For the six months ended 30 June 2022, revenue from property management services of commercial and office buildings amounted approximately RMB604.6 million, representing an increase of approximately 30.8% as compared to the corresponding period of 2021.

For public and other properties, the Group has established the property service brand of “Towns Revitalisation”. Based on the development of differentiated services and products according to the customers’ demands of business segmentation and targeting at the demands from local governments in relation to comprehensive governance, environment improvement and people’s livelihood service, the Group has introduced the 5G product system with “gridded governance, integrated municipal services, reconstruction and operation of old communities, smart towns and business empowerment” at the core and facilitated the modernised construction of social governance with refined services. For business types such as higher education and teaching and research properties as well as railways and transportation properties, the Group has introduced the 3C product system of “general basic services for public services, professional services for sub-sector businesses and customised services for customers”, so as to meet the customised service demands of customers in a flexible manner while improving the professionalism of sub-sector businesses.

After many years of endeavours, the Group has formed nationwide layout and leading advantages in a number of business types, such as higher education and teaching and research properties, urban scenic areas, railways and transportation properties, hospitals, government offices and urban public facilities, and maintained a rapid growing trend. For the six months ended 30 June 2022, the single-year contract value of public and other property projects newly entered into by the Group was approximately RMB395.5 million, of which three core business types of higher education and teaching and research properties, railways and transportation properties as well as urban scenic areas accounted for 71.1%. The key expansion projects included Huazhong University of Science and Technology, Changsha Metro Lines No. 4 and No. 6, Guangdong Intercity Railway (Guangzhou – Huizhou and Guangzhou – Zhaoqing sections), Teng Wang Ge Scenic Area and Department of Conservation Science of the Palace Museum. In terms of the town-wide holistic service segment, during the Period, the Group successfully expanded to the public service projects including Haizhu Wetland Scenic Area in Guangzhou City as well as Pazhou Street, Fengyang Street and Ruibao Street in Haizhu District of Guangzhou City. Leveraging on the foundation of the town-wide holistic service model for counties, the Group further expanded the new holistic service model for tier-one cities. By introducing professional marketing teams and industry partners, the Company established an environmental sanitation joint venture, so as to develop vertical business capability for environmental sanitation services. For the first half of the year, a number of large-scale environmental sanitation services and city stewardship projects in Shenzhen, Yangzhou and Baotou have been expanded rapidly. The Group’s core capability in respect of city services was further enhanced and the accelerating development of deployment of Comprehensive Property strategy was supported by our deployment in environmental sanitation industry.

For the six months ended 30 June 2022, the revenue of the Group from property management services for public and other properties was approximately RMB934.9 million, representing an increase of approximately 41.8% as compared with the corresponding period of 2021 and accounted for approximately 23.6% of the total revenue from property management services, representing an increase of approximately 2.6 percentage points in its percentage of revenue as compared with the corresponding period of 2021.

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 continuously.

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

	Six months ended 30 June		Changes (RMB)
	2022 (RMB/sq. m./month)	2021	
Residential communities	2.25	2.23	Increased by 0.02
– Poly Developments and Holdings Group	2.34	2.31	Increased by 0.03
– Third parties	1.78	1.80	Decreased by 0.02
Commercial and office buildings	7.45	7.66	Decreased by 0.21
– Poly Developments and Holdings Group	8.67	8.89	Decreased by 0.22
– Third parties	6.36	6.34	Increased by 0.02

Value-added services to non-property owners – representing approximately 16.9% 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; (ii) office leasing; and (iii) other value-added services to non-property owners, such as consultancy, inspection and delivery.

MANAGEMENT DISCUSSION AND ANALYSIS

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	Six months ended 30 June			
	2022		2021	
	RMB'000	Percentage of revenue %	RMB'000	Percentage of revenue %
Pre-delivery services	642,847	58.9	552,607	68.5
Office leasing	200,112	18.3	113,084	14.0
Other value-added services to non-property owners	249,282	22.8	141,134	17.5
Total	1,092,241	100.0	806,825	100.0

The Group's revenue from value-added services to non-property owners for the six months ended 30 June 2022 was approximately RMB1,092.2 million, representing an increase of approximately 35.4% as compared to the corresponding period of 2021, which was mainly due to (i) the continuous increase in the scale of provision of pre-delivery services; (ii) the rapid increase in the rent income of office buildings; and (iii) the rapid business growth of other value-added services to non-property owners of the Group.

Community value-added services – representing approximately 21.8% of the total revenue

For the six months ended 30 June 2022, the Group's revenue from community value-added services amounted to approximately RMB1,402.3 million, representing a growth of approximately 16.6% compared to the corresponding period in 2021. This was mainly due 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 diversified industrial capability of community retail, space operation, housekeeping services and move-in and furnishing services.

As impacted by the localised and sporadic breakout of COVID-19 pandemic during the first half of the year, community value-added services including space operation and move-in and furnishing services were periodically affected. However, the Group solidly promoted the establishment of capabilities of various industries, which achieved high-quality growth in scale. Firstly, the Group promotes the establishment of industrial capabilities around three dimensions of insightfulness for needs, research and development of products and project operations, including the insights and analyses of customers' demands, optimisation of business models and supply chains, and promotes large-scale central procurement, strengthen the cooperation with industry-leading companies and broaden the marketing system comprehensively; secondly, the Group enhances the empowerment of platforms to speed up the execution of industry business through dimensions such as optimising team deployment, improving tools and technologies for customer services and supplementing industrial resources; at the same time, the Group strengthens the support from information technology and continue to upgrade the three systems of new retail online platform, the move-in and furnishing services platform and the community space resources management platform, improving the customers' experiences and operation efficiency rapidly. During the Period, the Group also explored operational business on community assets, to capitalise on the advantages of property-scenario services by commencing parking spaces sales agency business, in order to rapidly establish the capabilities of community inventory asset operation.

Move-in and furnishing services: realising approximately RMB218.4 million in revenue, accounting for approximately 15.6% 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 RMB406.2 million in revenue, accounting for approximately 29.0% 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 services: realising approximately RMB166.6 million in revenue, accounting for approximately 11.9% of the total revenue from community value-added services

Parking lot services aim at utilising smart parking system and smart equipment actively to provide 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.

Space operation: realising approximately RMB140.6 million in revenue, accounting for approximately 10.0% of the total revenue from community value-added services

Space operation services 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 RMB470.5 million in revenue, accounting for approximately 33.5% of the total revenue from community value-added services

We provided diversified convenience and living services according to the needs of property owners, including home cleaning, housekeeping and maintenance, home-based nursing, babysitting and postpartum doulas, theme-based education, realtor services and parking space agency sales business as well as property-specific services such as garbage disposals and removals.

FUTURE DEVELOPMENT

The complicated economic environment and COVID-19 pandemic during the first half of the year posed challenges to the development of industries. As a state-owned enterprise for property services, we are always customer-oriented, bear social responsibilities actively and stand on the front line to fight the pandemic, so as to protect the health and safety as well as the convenience of living for the property owners. We have overcome various impacts of the pandemic and rose to the challenges and forged ahead, enabling us to maintain the positive momentum for the high-quality growth of our performance.

Looking forward, short-term fluctuations will not change the long-term positive trend of the industry. The property services industry still possesses a number of outstanding commercial features such as light asset-oriented, anti-cyclical and strong cash flow, and the property services industry is in a period of development opportunities which enjoyed gradual improvements in terms of continuous expansion and marketisation level, non-stop breakthroughs in service scenarios and continuous enrichment of service contents. We note that the policy front encourages the industry to regulate its services so that quality will match the prices, and encourages property services companies to develop diversified convenience and living services. With the policy trend of the reform of socialisation of logistic services, refined governance of cities and equalisation of public services, the property service scenarios move towards diversified business types in cities which continue to unleash the demands for more logistic services, coupled with the proactive changes and evolutions of peer property services companies, all of these factors lead to the high-quality development of the industry. As a pioneer of state-owned enterprises for property services, we will maintain strategic stabilisation, seize opportunities in the industry, adhere to our large-scale development path and improve our industry capability proactively, and continue to enhance our core competitiveness in terms of quality, products, management, technologies and organisation with the emphasis of “continuous cultivation, comprehensive refinement and the acceleration of the empowerment of digitalisation”, so as to move towards our vision of being “the leading service provider of the Comprehensive Property ecosystem” progressively.

Intensively cultivate cities and core business types and adhere to high-quality growth path

We will continue to deeply cultivate high-quality regions and core business types, increase the density of high-quality regions and expand the scale of sub-sectors businesses. We will improve the expansion level by strengthening market research and judgment, creating benchmarking projects and strengthening team building, and we will meet the multi-layered customers’ demands with the concept of prefabrication through diversified service and product systems, so as to further replicate and promote the town-wide holistic service model in Jiashan County and the city-wide holistic service model in Haizhu District, and speed up the implementation of the Comprehensive Property strategy. At the same time, we will use a combination of various methods like joint ventures and co-operation and equity investments to enhance the efforts in integrating high-quality resources, actively develop layout of new industries and new business types, so as to speed up the enhancement of business segmentation’s advantages and establish professional service capabilities.

Intensively cultivate core industries and establish professionalised value-added service capabilities

We will focus on five core businesses including move-in and furnishing services, community retail, space operation, housekeeping services and community asset management, and continue to establish three core capabilities of “insightfulness for needs, research and development of products and project operations”, so as to fully bring the comparative advantages of property services into full play and create better living experience for owners in an all-round way. We will commence portrait analysis of users and empower business development, efficiently connect high-quality service resources as well as strengthen platform empowerment so as to promote high-quality and sustainable development of core industries. We will speed up the implementation of vertical pilot scheme for core industries, so as to explore new business model continuously.



Intensively cultivate lean management and achieve comprehensive quality and efficiency improvement

We will continue to carry forward lean management and improve quality and efficiency by revolving around organisational talents, project management and cost management, so as to improve the core competitiveness of our own large-scale development and empower the high-quality development of the Company. In terms of organisation and talents, the Company will establish an efficient and flexible organisational system through process engineering and further improve the organisational competitiveness by enhancing the professional capability and management capability of key teams. In terms of refined operation of projects, by improving the control system for all business types and all cycles, the smallest unit of the projects will achieve improvements in quality and effectiveness. In terms of cost refinement, the Company will strengthen comprehensive budget management, strengthen operational management empowered by data and promote centralised purchasing of businesses by leveraging on its advantage in scale.

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

We will enhance the investments in the fields of digitalisation and technologisation and will speed up empowerment of the business and management by digitalised tools throughout the in-depth application of various internal control systems, so as to achieve improvement of management with improved timeliness, accuracy and effectiveness and achieve improved effectiveness of cost and fee control. We will continue to upgrade the basic residential and commercial service systems, enhance the multi-layered property service capability and promote the establishment of digital platforms for town-wide holistic services and technology-supported platforms for multi-scenario services. We will accelerate the realisation of smart community and improve the facilitation of smart vehicular and pedestrian construction, smart facilities and smart application, as well as exploring the application of smart robots in various business scenarios, so as to speed up the realisation of smart property services and technologised management.



MANAGEMENT DISCUSSION AND ANALYSIS

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:

	Six months ended 30 June				
	2022		2021		Growth rate %
	RMB'000	Percentage of revenue %	RMB'000	Percentage of revenue %	
Property management services	3,954,900	61.3	3,143,446	61.0	25.8
Value-added services to non-property owners	1,092,241	16.9	806,825	15.7	35.4
Community value-added services	1,402,296	21.8	1,202,862	23.3	16.6
Total	6,449,437	100.0	5,153,133	100.0	25.2

For the six months ended 30 June 2022, total revenue of the Group amounted to approximately RMB6,449.4 million (six months ended 30 June 2021: approximately RMB5,153.1 million), representing an increase of approximately 25.2% as compared to the corresponding period of 2021. It was primarily due to: (i) an increase in revenue driven by the continuous increase in the management scale of the Group; and (ii) the continuous and stable growth of various value-added services of the Group during the Period.

Cost of services

During the Period, the cost of services of the Group amounted to approximately RMB5,144.6 million (six months ended 30 June 2021: approximately RMB4,121.7 million), representing an increase of approximately 24.8% as compared to the corresponding period of 2021. The increase in the cost of services was primarily due to (i) the expansion of GFA under management and the increase in the number of projects under management of the Group, which resulted in a corresponding increase in staff costs and subcontracting costs; and (ii) the fast growth of various value-added services of the Group including community retail and office leasing business, resulting in the increase in corresponding 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:

	Six months ended 30 June					
	2022			2021		
	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	654,142	50.1	16.54	516,998	50.1	16.45
Value-added services to non-property owners	203,484	15.6	18.63	149,320	14.5	18.51
Community value-added services	447,253	34.3	31.89	365,155	35.4	30.36
Total	1,304,879	100.0	20.23	1,031,473	100.0	20.02

For the six months ended 30 June 2022, the Group's gross profit was approximately RMB1,304.9 million, representing an increase of approximately 26.5% as compared to approximately RMB1,031.5 million of the corresponding period of 2021. The Group's gross profit margin increased from approximately 20.02% in the corresponding period of 2021 to 20.23%.

For the six months ended 30 June 2022, the Group's gross profit margin for property management services was approximately 16.54% (six months ended 30 June 2021: approximately 16.45%), representing an increase of approximately 0.09 percentage points as compared to the corresponding period of 2021, showing a slight increase.

For the six months ended 30 June 2022, the gross profit margin for value-added services to non-property owners was approximately 18.63% (six months ended 30 June 2021: approximately 18.51%), representing an increase of 0.12 percentage points as compared to the corresponding period of 2021, showing a slight increase.

For the six months ended 30 June 2022, the Group's gross profit margin for community value-added services was approximately 31.89% (six months ended 30 June 2021: approximately 30.36%), representing an increase of 1.53 percentage points as compared to the corresponding period of 2021, which was mainly due to the continuous improvement of diversified industrial capability of move-in and furnishing services as well as parking space agency business.

Other income and other net gain

For the six months ended 30 June 2022, other income and other net gain was approximately RMB58.8 million, representing a decrease of approximately 32.4% as compared to approximately RMB87.0 million for the six months ended 30 June 2021. It was mainly attributable to (i) the decrease in bank interests as a result of the decrease in bank deposits, which was due to the deployment of funds into the asset operation business and value-added business with higher utilisation efficiency; and (ii) the increase in provision for impairment as a result of the increase in the balance of accounts receivable.

Administrative expenses

For the six months ended 30 June 2022, the total administrative expenses of the Group were approximately RMB515.2 million, representing an increase of approximately 17.6% as compared to approximately RMB438.2 million for the six months ended 30 June 2021, which was primarily due to an increase in employee wages and welfare and relevant expenses as compared to the corresponding period of 2021 as a result of the Group's increased headcount to cope with its rapid business development. The administrative expenses of the Group accounted for approximately 8.0% (six months ended 30 June 2021: approximately 8.5%) of the total revenue, representing a slight decrease as compared to the corresponding period of 2021.

Profit for the Period

For the six months ended 30 June 2022, the profit for the Period of the Group was approximately RMB635.5 million, representing an increase of approximately 25.8% as compared to approximately RMB505.1 million of the corresponding period of 2021. The profit for the Period attributable to owners of the Company was approximately RMB628.3 million, representing an increase of approximately 28.0% as compared to approximately RMB490.8 million of the corresponding period of 2021. The net profit margin was approximately 9.9%, representing an increase of 0.1 percentage points as compared to the corresponding period of 2021.

Current assets, reserves and capital structure

For the six months ended 30 June 2022, the Group maintained a sound financial position. As at 30 June 2022, the current assets amounted to approximately RMB11,294.9 million, representing an increase of approximately 13.1% as compared to approximately RMB9,990.6 million as at 31 December 2021. Cash and cash equivalents of the Group as at 30 June 2022 were denominated in RMB or HK\$ and amounted to approximately RMB5,223.9 million, representing a decrease of approximately 32.1% as compared to approximately RMB7,690.6 million as at 31 December 2021, which was mainly because the Group deployed the funds into the asset operation business and value-added business with higher utilisation efficiency. For the six months ended 30 June 2022, the Group has not hedged its foreign currency exchange risks by currency borrowings and other hedging instruments. As at 30 June 2022, the gearing ratio of the Group was approximately 41.0%, representing an increase of approximately 2.8 percentage points as compared to approximately 38.2% as at 31 December 2021. Gearing ratio represents the ratio of total liabilities over total assets.

As at 30 June 2022, the Group's total equity was approximately RMB7,332.4 million, representing an increase of approximately RMB443.6 million or approximately 6.4% as compared to approximately RMB6,888.8 million as at 31 December 2021, 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 30 June 2022, the Group's property, plant and equipment amounted to approximately RMB211.1 million, representing an increase of approximately RMB11.6 million as compared to approximately RMB199.5 million as at 31 December 2021, which was primarily due to the purchase of transportation equipment and the additions to 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 30 June 2022, the Group's leased assets and investment properties amounted to approximately RMB653.9 million, representing a decrease of approximately RMB50.1 million as compared to approximately RMB704.0 million as at 31 December 2021, which was mainly due to (i) the increase in leased assets and investment properties of approximately RMB92.8 million due to the commencement of office leasing business; and (ii) the decrease in leased assets and investment properties of approximately RMB143.0 million due to the provision for depreciation.

Intangible assets

The Group's intangible assets primarily include property management contracts and goodwill obtained from the acquisition of subsidiaries. As at 30 June 2022, the Group's intangible assets amounted to approximately RMB119.8 million, representing a decrease of approximately RMB5.3 million as compared to approximately RMB125.1 million as at 31 December 2021, which was primarily due to the amortisation of property management contracts.

Trade and bills receivables

As at 30 June 2022, trade and bills receivables amounted to approximately RMB2,262.7 million, representing an increase of approximately RMB837.9 million as compared to approximately RMB1,424.8 million as at 31 December 2021, which was primarily due to (i) an increase in trade receivables in line with the continuous expansion of the Group's business scale; (ii) the percentage of revenue from property management services for public service projects increased, and due to the impact of the credit period, the balance of trade receivables increased; and (iii) the receipt of property management fees of certain projects was periodically inhibited during the first half of the year due to the pandemic.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables primarily included: (i) deposits from related parties and other receivables; (ii) deposits from third parties and other receivables; (iii) VAT receivables; (iv) interest receivables; and (v) prepayments.

As at 30 June 2022, prepayments, deposits and other receivables amounted to approximately RMB3,766.7 million, representing an increase of approximately RMB2,942.0 million as compared to approximately RMB824.7 million as at 31 December 2021, which was primarily due to the deposits from related parties and other receivables amounting to approximately RMB3,038.8 million as at 30 June 2022, which represented an increase of approximately RMB2,996.5 million as compared to approximately RMB42.3 million as at 31 December 2021, which was mainly due to the cultivation of community asset operation capabilities and the deposits of RMB3 billion paid for the commencement of parking space agency sales business with Poly Developments and Holdings Group will be recovered in December 2022 according to the contract.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade payables

As at 30 June 2022, trade payables amounted to approximately RMB1,233.4 million, representing an increase of approximately 53.5% as compared to approximately RMB803.6 million as at 31 December 2021, which was primarily due to (i) the increase in remaining rent yet to be settled due to the commencement of office leasing business; and (ii) the expansion of the Group's GFA under management and the continuous increase in the 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; (iv) dividend payables; and (v) salaries payables.

As at 30 June 2022, accruals and other payables amounted to approximately RMB2,149.8 million, representing an increase of approximately 20.7% as compared with approximately RMB1,780.8 million as at 31 December 2021. It was mainly due to the fact that (i) as at 30 June 2022, dividend payables amounted to approximately RMB168.8 million (31 December 2021: nil), which was the declared annual dividends for the year of 2021 have not been paid yet as at 30 June 2022; and (ii) as at 30 June 2022, accruals and other payables due to third parties amounted to approximately RMB1,681.8 million, representing an increase of approximately RMB111.4 million as compared with approximately RMB1,570.4 million as at 31 December 2021, which was mainly the amount of approximately RMB94.8 million received from the participants of the Restricted Share Incentive Scheme.

Borrowings

As at 30 June 2022, the Group had no borrowings or bank loans.

Pledge of Assets

As at 30 June 2022, the Group had no pledge of assets.

SIGNIFICANT INVESTMENT, AND MAJOR ACQUISITION AND DISPOSAL AND FUTURE PLANS

The Group had no significant investment, major acquisition and disposal during the Period. In addition, except for the sections headed "Future Development" in "Management Discussion and Analysis" in this report and the expansion plans disclosed in the announcement on 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 significant investments, major acquisitions or disposals.

PROCEEDS FROM THE LISTING

The H shares of the Company (the “H Shares”) were successfully listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong 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 30 June 2022, the Group has used approximately HK\$3,588.1 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\$1,630.1 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 use of the net proceeds as described in the Announcement	Revised percentage of net proceeds as described in the Announcement %	Net proceeds for revised planned use as described in the Announcement HK\$ millions	Net proceeds actually utilised as of 30 June 2022 HK\$ millions	Revised net proceeds unutilised as of 30 June 2022 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 business collaborative partners	18.5	965.4	142.0	823.4	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
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	39.6	430.0	On or before 31 December 2022
Working capital and general corporate purpose	10.0	521.8	246.9	274.9	On or before 31 December 2022
Total	100.0	5,218.2	3,588.1	1,630.1	

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 30 June 2022, 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 rate fluctuation. The management will continue to keep track of the exchange rate risk and take prudent measures to mitigate exchange rate risk.

SUBSEQUENT EVENTS

The Group did not have any other significant subsequent events after 30 June 2022 and until the date of this report.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had 42,827 employees (as at 30 June 2021: 44,102 employees). For the six months ended 30 June 2022, the total staff costs were approximately RMB2,354.1 million.

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

EMPLOYEE TRAINING AND DEVELOPMENT

The Group places a strong emphasis on recruiting high-quality personnel and provides employees with continuous training programmes and career development opportunities. In line with the strategy and organisational upgrade of the Company, an annual recruitment campaign for key positions named "Tiger Seeking Action" is conducted to attract high-calibre management and professional talents. The Company continues to improve the talent cultivation system by targeting at key talent teams, and focuses on promoting the leadership development program named "Galaxy Commander", the professional talent improvement program named "StarLight Professional Talents" and the "teach, assist and guide" mechanism for management trainees named "Star Generation", so as to shape the benchmark of the "Star" culture, in order to continue to optimise the organisational atmosphere of the Company and promote the growth and career development of employees.

CORPORATE GOVERNANCE AND OTHER INFORMATION



INTERIM DIVIDEND

The Board of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2022.

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The Audit Committee is authorised by the Board and is responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assisting the Board to fulfill its responsibility over the audit of the Group.

The Audit Committee has reviewed the condensed consolidated financial statements and interim results of the Group for the six months ended 30 June 2022, and discussed with the management of the Group regarding the accounting principles and practices adopted by the Group, and the internal control and financial reporting matters.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions in the Corporate Governance Code contained in Part 2 of Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”) as its own code of corporate governance. The Company has complied with all the applicable code provisions of the Corporate Governance Code during the six months ended 30 June 2022.

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

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

The Company has made specific enquiries of all Directors and Supervisors, and each of them has confirmed that they have been complying with the relevant codes for securities transactions during the six months ended 30 June 2022.

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

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

RESTRICTED SHARE INCENTIVE SCHEME

As approved by the extraordinary general meeting of the Company dated 18 February 2022, the Company has adopted the “First Phase Restricted Share Incentive Scheme of Poly Property Services Co., Ltd.” (the “**Restricted Share Incentive Scheme**” or the “**Scheme**”).

The Restricted Share Incentive 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. The Restricted Share Incentive Scheme shall be valid and effective for a term of ten years and the Scheme Participants include Directors (excluding independent non-executive Directors), senior management, and the cadre of management and technical personnel who have an impact on the overall performance and sustainable development of the Company.

On 26 April 2022, the Board implemented the first grant (the “**Initial Grant**”) of the restricted shares (the “**Restricted Shares**”) according to the Restricted Share Incentive Scheme and approved the first tranche of grant under the Initial Grant. For relevant details, please refer to the announcements and circular of the Company dated 15 November 2021, 28 January 2022, 31 January 2022 and 26 April 2022 as well as the poll results of the extraordinary general meeting dated 18 February 2022, in relation to, among other things, (i) the Scheme; (ii) the Initial Grant Proposal; (iii) the authorisation to the Board to implement relevant matters of the Scheme; (iv) the Administrative Measures for the Scheme and the Appraisal Measures for Implementation of the Scheme; and (v) the Initial Grant under the Scheme.

Details of movements in number of Restricted Shares granted and related fair value under the Restricted Share Incentive Scheme are set out in note 26 to the condensed consolidated financial statements.

The Restricted Share Incentive Scheme is a discretionary scheme of the Company and does not constitute a share option scheme under Chapter 17 of the Listing Rules.

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

As at 30 June 2022, the interests and/or short positions of the Directors, Supervisors and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Name of Director/ Supervisor	Name of the Company or its associated corporation	Capacity	Number of shares held in the Company or its associated corporation	Percentage of total issued shares of the Company or its associated corporation (%)
Huang Hai	Poly Developments and Holdings	Beneficial owner	1,095,697 (L)	0.009
Liu Ping	Poly Developments and Holdings	Beneficial owner	7,685,642 (L)	0.06
	Poly Developments and Holdings	Beneficial owner	37,542 (L) ⁽¹⁾	0.0003
Hu Zaixin	Poly Developments and Holdings	Beneficial owner	887,954 (L)	0.007
	Poly Developments and Holdings	Beneficial owner	37,543 (L) ⁽¹⁾	0.0003
Wu Lanyu	Poly Property ⁽²⁾	Others ⁽³⁾	116,800 (L) ⁽³⁾	0.02
	Poly Developments and Holdings	Interest of spouse	200,000 (L)	0.001
	Poly Union Chemical Holding Group Co., Ltd. ⁽⁴⁾	Beneficial owner	1,900 (L)	0.0003

Notes:

As shown in the disclosed information:

Long position – L;

- (1) Such interest is in the form of share options of the associated corporation as at 30 June 2022. The shareholding percentage is calculated (i) by assuming full exercise of the relevant options; and (ii) based on the total number of shares of Poly Developments and Holdings without taking into account the share options granted but not yet exercised as at 30 June 2022.
- (2) As at 30 June 2022, the Company had a total of 553,333,400 issued shares, comprising 400,000,000 domestic shares and 153,333,400 H Shares.
- (3) Ms. Wu Lanyu has accepted 116,800 Restricted Shares granted by the Company under the Restricted Share Incentive Scheme. The details of the Restricted Shares are set out in the section headed “Restricted Share Incentive Scheme” in this report.
- (4) Poly Union Chemical Holding Group Co., Ltd. (保利聯合化工控股集團股份有限公司), formerly known as Guizhou Jiulian Industrial Explosive Material Development Co., Ltd. (貴州久聯民爆器材發展股份有限公司).

Save as disclosed above, as at 30 June 2022, none of the Directors, Supervisors and chief executive had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO); or which are recorded in the register required to be kept pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2022, the persons (other than Directors, Supervisors and chief executive of the Company) or corporations who had interest or short positions in the shares and/or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Class of shares	Name of Shareholder	Capacity	Interests held or owned in the class shares of the Company	Percentage of issued shares of the relevant class of the Company (%)	Percentage of total issued shares of the Company (%)
H Share	AEGON-Industrial Fund Management Co., Ltd.	Investment manager	9,255,800 (L)	6.04	1.67
	Gaoling Fund, L.P.	Beneficial owner	7,795,000 (L) ⁽¹⁾	5.85 ⁽¹⁾	1.40
	Hillhouse Capital Advisors, Ltd.	Investment manager	7,795,000 (L) ⁽¹⁾	5.85 ⁽¹⁾	1.40
	China International Capital Corporation Limited ⁽²⁾	Interest in controlled corporation	8,764,200 (L) ⁽²⁾	5.72 ⁽²⁾	1.58
			6,642,000 (S) ⁽²⁾	4.33 ⁽²⁾	1.20
	CCB Investment Funds Management Co., Ltd. ⁽³⁾	Interest in controlled corporation	6,681,400 (L) ⁽³⁾	5.01 ⁽³⁾	1.20
Domestic shares	China Poly Group ⁽⁴⁾	Interest in controlled corporation	400,000,000 (L)	100.00	72.289
	Poly Southern Group Co., Ltd. ⁽⁴⁾	Interest in controlled corporation	400,000,000 (L)	100.00	72.289
	Poly Developments and Holdings ⁽⁴⁾	Beneficial owner	380,000,000 (L)	95.00	68.675
		Interest in controlled corporation	20,000,000 (L)	5.00	3.614
	Guangzhou Baoli Hetai Financial Holding Co., Ltd. ⁽⁴⁾	Interest in controlled corporation	20,000,000 (L)	5.00	3.614
	Xizang Hetai Corporate Management Co., Ltd. ⁽⁴⁾	Beneficial owner	20,000,000 (L)	5.00	3.614

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

As shown in the disclosed information:

Long position – L; Short position – S

- * As at 30 June 2022, the Company had a total of 553,333,400 issued shares, comprising 400,000,000 domestic shares and 153,333,400 H Shares.
- (1) Disclosure of the number of H Shares held is made pursuant to the latest disclosure of interests notice filed as of 30 June 2022 (date of the relevant event: 19 December 2019).
- (2) China International Capital Corporation Limited has full control over several corporations, and is deemed by the SFO to be interested in the long positions held in a total of 8,764,200 H Shares and short positions in 6,642,000 H Shares of the Company. Disclosure of the number of H Shares held is made pursuant to the latest disclosure of interests notice filed as of 30 June 2022 (date of the relevant event: 26 February 2020).
- (3) China Structural Reform Fund Co., Ltd (“**China Structural Reform Fund**”) is held as to 38.20% by CCB Investment Funds Management Co., Ltd. (“**CCB**”), which is deemed by the SFO to be interested in the shares of the Company held by China Structural Reform Fund. Disclosure of the number of H Shares held is made pursuant to the latest disclosure of interests notice filed as of 30 June 2022 (date of the relevant event: 19 December 2019).
- (4) (i) Poly Developments and Holdings is held as to 37.69% by Poly Southern Group Co., Ltd. (“**Poly Southern**”), which is a wholly-owned subsidiary of China Poly Group. Therefore, Poly Southern and China Poly Group Corporation Limited (“**China Poly Group**”) are deemed by the SFO to be interested in the shares of the Company held by Poly Developments and Holdings; and (ii) Xizang Hetai Corporate Management Co., Ltd. (“**Xizang Hetai**”, formerly known as Xizang Yingyue Investment Management Co., Ltd.) is wholly-owned by Guangzhou Baoli Hetai Financial Holding Co., Ltd. (“**Guangzhou Baoli Hetai**”) and Guangzhou Baoli Hetai is directly held as to 99.90% and indirectly held as to 0.10% by Poly Developments and Holdings. Therefore, Guangzhou Baoli Hetai and Poly Developments and Holdings are deemed by the SFO to be interested in the shares of the Company held by Xizang Hetai.

Save as disclosed above, as at 30 June 2022, the Company had not been notified of any other interests or short positions held by any other person in the shares or underlying shares of the Company which were required to be recorded or otherwise disclosed to the Company under the SFO.

CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) for the six months ended 30 June 2022 and up to the date of this report are set out below:

Mr. Huang Hai resigned as a director of Guangdong Provincial Expressway Development Co., Ltd (Shenzhen Stock Exchange stock code: 000429) with effect from 24 February 2022.

Mr. Wang Xiaojun resigned as an independent non-executive director of Wealthking Investments Limited (formerly known as OP Financial Limited, Hong Kong Stock Exchange stock code: 01140) with effect from 22 April 2022.

ARTICLES OF ASSOCIATION

The Articles of Association of the Company was amended upon consideration and approval by the shareholders’ general meeting held on 18 February 2022. The latest version of such document is available for inspection at the website of the Company (<https://www.polywuye.com/>) and the designated website of the Hong Kong Stock Exchange (www.hkexnews.hk).

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF POLY PROPERTY SERVICES CO., LTD.

(incorporated in the People's Republic of China with limited liability)

OPINION

We have reviewed the interim condensed consolidated financial statements of Poly Property Services Co., Ltd. (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages 29 to 60, which comprise the condensed consolidated statements of financial position as at 30 June 2022, and the related condensed consolidated statements of profit or loss and other comprehensive income, the condensed consolidated statements of changes in equity and the condensed consolidated statements of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “**interim condensed consolidated financial statements**”).

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

Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

BDO Limited

Certified Public Accountants

Wendy W.Y. Fong

Practising Certificate Number P06821

Hong Kong, 29 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	6	6,449,437	5,153,133
Cost of services		(5,144,558)	(4,121,660)
Gross profit		1,304,879	1,031,473
Other income and other net gain/(loss)	7	58,768	86,966
Selling and marketing expenses		(1,771)	(3,678)
Administrative expenses		(515,247)	(438,228)
Share of associates'/joint ventures' results		12,757	8,587
Finance costs		(2,321)	(5,325)
Other expenses		(510)	(718)
Profit before income tax expense	8	856,555	679,077
Income tax expense	9	(221,022)	(174,025)
Profit for the Period		635,533	505,052
Profit for the Period attributable to:			
– Owners of the Company		628,305	490,827
– Non-controlling interests		7,228	14,225
Profit for the Period		635,533	505,052
Other comprehensive income, net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income ("FVTOCI")			
– Change in fair value		(2,000)	5,000
Profit and total comprehensive income for the Period		633,533	510,052
Profit and total comprehensive income for the Period attributable to:			
– Owners of the Company		626,305	495,827
– Non-controlling interests		7,228	14,225
Profit and total comprehensive income for the Period		633,533	510,052
Earnings per share (expressed in RMB per share)			
– Basic and diluted earnings per share	11	1.14	0.89

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Interests in associates/joint ventures	12	85,742	72,985
Property, plant and equipment	13	211,128	199,506
Leased assets and investment properties	14	653,884	704,039
Financial assets at FVTOCI	15	10,000	12,000
Intangible assets	16	119,787	125,126
Prepayments for property, plant and equipment	19	15,185	13,327
Deferred tax assets		29,014	20,372
		1,124,740	1,147,355
Current assets			
Inventories	17	41,596	50,559
Trade and bills receivables	18	2,262,732	1,424,778
Prepayments, deposits and other receivables	19	3,766,723	824,659
Deposits and bank balances	20	5,223,878	7,690,572
		11,294,929	9,990,568
Current liabilities			
Trade payables	21	1,233,427	803,640
Accruals and other payables	22	2,149,759	1,780,840
Lease liabilities	23	47,685	35,851
Contract liabilities	6	1,356,382	1,381,095
Income tax payable		198,706	134,736
Other financial liabilities		16,397	–
		5,002,356	4,136,162
Net current assets		6,292,573	5,854,406
Total assets less current liabilities		7,417,313	7,001,761

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Non-current liabilities			
Other financial liabilities		–	21,337
Lease liabilities	23	73,176	78,741
Deferred tax liabilities		11,781	12,921
		84,957	112,999
Net assets		7,332,356	6,888,762
EQUITY			
Share capital and reserves attributable to owners of the Company			
Share capital	24	553,333	553,333
Reserves		6,649,288	6,232,333
Equity attributable to owners of the Company		7,202,621	6,785,666
Non-controlling interests		129,735	103,096
Total equity		7,332,356	6,888,762

The interim condensed consolidated financial statements on pages 29 to 60 were approved and authorised for issue by the board of directors and are signed on its behalf by:

Huang Hai
Director

Wu Lanyu
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Reserves										Total RMB'000
	Share capital RMB'000 (Note 24)	Shares held under the Restricted Share Incentive Scheme* RMB'000 (Note 24)	Share premium* RMB'000 (Note a)	Capital reserves* RMB'000	Statutory reserves* RMB'000 (Note b)	Share-based compensation reserve* RMB'000 (Note 26)	Fair value reserves* RMB'000 (Note c)	Retained profits* RMB'000	Equity attributable to owners of the Company RMB'000	Non- controlling interests RMB'000	
Balance at 1 January 2021 (Audited)	553,333	-	4,535,479	5,594	148,795	-	3,500	924,205	6,170,906	75,873	6,246,779
Profit for the period	-	-	-	-	-	-	-	490,827	490,827	14,225	505,052
Other comprehensive income for the period											
Fair value change on financial assets at FVTOCI	-	-	-	-	-	-	5,000	-	5,000	-	5,000
Total comprehensive income for the period	-	-	-	-	-	-	5,000	490,827	495,827	14,225	510,052
Appropriation of statutory reserve	-	-	-	-	54,230	-	-	(54,230)	-	-	-
Dividend approved in respect of the previous period	-	-	-	-	-	-	-	(237,933)	(237,933)	-	(237,933)
Balance at 30 June 2021 (Unaudited)	553,333	-	4,535,479	5,594	203,025	-	8,500	1,122,869	6,428,800	90,098	6,518,898
Balance at 1 January 2022 (Audited)	553,333	-	4,535,479	5,594	222,540	-	10,500	1,458,220	6,785,666	103,096	6,888,762
Profit for the period	-	-	-	-	-	-	-	628,305	628,305	7,228	635,533
Other comprehensive income for the period											
Fair value change on financial assets at FVTOCI	-	-	-	-	-	-	(2,000)	-	(2,000)	-	(2,000)
Total comprehensive income for the period	-	-	-	-	-	-	(2,000)	628,305	626,305	7,228	633,533
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	19,411	19,411
Purchase of own shares under the restricted share incentive scheme	-	(45,912)	-	-	-	-	-	-	(45,912)	-	(45,912)
Employee share scheme value of employee services	-	-	-	-	-	5,329	-	-	5,329	-	5,329
Appropriation of statutory reserve	-	-	-	-	30,503	-	-	(30,503)	-	-	-
Dividend approved in respect of the previous period	-	-	-	-	-	-	-	(168,767)	(168,767)	-	(168,767)
Balance at 30 June 2022 (Unaudited)	553,333	(45,912)	4,535,479	5,594	253,043	5,329	8,500	1,887,255	7,202,621	129,735	7,332,356

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

Notes:

- Share premium account of the Company represents the excess of the proceeds received over the nominal value of the Company's shares issued.
- Statutory reserves represented the amount transferred from net profit for the period of the Company and subsidiaries established in the People's Republic of China ("PRC") (based on the PRC statutory financial statements) in accordance with the relevant PRC laws until the statutory reserves reach 50% of the registered capital of the relevant entities. The statutory reserves cannot be reduced except either in setting off the accumulated losses or increasing capital.
- Fair value reserves represented the cumulative net change in the financial assets at FVTOCI held at the end of each period.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash (used in)/generated from operations		(2,177,834)	741,429
Income tax paid		(166,834)	(109,647)
Interest paid		(2,321)	(5,325)
<i>Net cash (used in)/generated from operating activities</i>		(2,346,989)	626,457
Cash flows from investing activities			
Payment for acquisition of subsidiaries		(4,052)	(19,394)
Purchase of property, plant and equipment		(26,352)	(29,781)
Purchase of leased assets and other investment properties		(92,837)	(855,208)
Payment for acquisition of associates		–	(3,920)
Proceeds from disposal of property, plant and equipment		588	267
Bank interest income received		23,292	48,628
Other interest income received		9,534	12,134
Deposits paid for acquisition of property, plant and equipment		(4,101)	(6,590)
<i>Net cash used in investing activities</i>		(93,928)	(853,864)
Cash flows from financing activities			
Tax withheld and paid for certain shareholders		–	(8,407)
Payment of lease liabilities		(12,755)	(84,842)
Capital injection from non-controlling interests		19,411	–
Purchase of shares for the restricted share incentive scheme	24	(45,912)	–
<i>Net cash used in financing activities</i>		(39,256)	(93,249)
Net decrease in cash and cash equivalents		(2,480,173)	(320,656)
Cash and cash equivalents at beginning of the period		7,690,572	7,448,102
Effect of exchange rate changes on cash and cash equivalents		13,479	(3,448)
Cash and cash equivalents at end of the period		5,223,878	7,123,998

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL INFORMATION

Poly Property Services Co., Ltd. (the “**Company**”) was incorporated in the PRC on 26 June 1996 under the PRC Companies Law. On 25 October 2016, the Company was converted from a limited liability company into a joint stock company with limited liability. The address of the Company’s registered office is located at 48-49th Floor, Poly Plaza, No. 832 Yue Jiang Zhong Road, Hai Zhu District, Guangzhou, Guangdong Province, the PRC. The Company’s principal place of business is located at the PRC.

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

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

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

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 29 August 2022.

2. BASIS OF PREPARATION

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

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2021 annual consolidated financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2022. The Group has not early adopted any new or revised Hong Kong Financial Reporting Standards (the “**HKFRSs**”) that have been issued but not yet effective in the current accounting period.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

2. BASIS OF PREPARATION (Continued)

These interim condensed consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated. These interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual consolidated financial statements. These interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with the HKFRSs and should be read in conjunction with the 2021 annual consolidated financial statements.

These interim condensed consolidated financial statements are unaudited, but have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the HKICPA. BDO Limited’s independent review report to the Board of Directors is included on page 28.

3. ADOPTION OF NEW AND REVISED STANDARDS

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

Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
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

The new or revised HKFRSs that are effective for the current accounting period did not have any significant impact on the Group’s accounting policies and the consolidated financial statements.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2021 annual consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

5. SEGMENT INFORMATION

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

Information about major customer

For the six months ended 30 June 2022 and 2021, revenue from a Shareholder – Poly Developments and Holdings and its subsidiaries (“**Poly Developments and Holdings Group**”) contributed 14.7% and 12.6% of the Group’s revenue respectively. Other than the Poly Developments and Holdings Group, the Group has a large number of customers, none of whom contributed 10% or more of the Group’s revenue during the six months ended 30 June 2022 and 2021.

Operating segment information

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

Information about geographical areas

The major operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group’s revenue was derived in the PRC during the six months ended 30 June 2022 and 2021.

As at 30 June 2022 and 31 December 2021, all of the non-current assets were located in the PRC.

6. REVENUE

Revenue mainly comprises of income derived from providing property management services, value-added services to non-property owners and community value-added services. An analysis of the Group’s revenue by category for the six months ended 30 June 2022 and 2021 was as follows:

		Six months ended 30 June	
Recognised revenue from customers		2022	2021
		RMB'000 (Unaudited)	RMB'000 (Unaudited)
Property management services	over time	3,954,900	3,143,446
Value-added services to non-property owners			
– Pre-delivery services and other value-added services to non-property owners	over time	892,129	693,741
– Rental income	over the lease term	200,112	113,084
Community value-added services			
– Other community value-added services	over time	817,947	727,960
– Sales of goods	at a point in time	584,349	474,902
		6,449,437	5,153,133

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

6. REVENUE (Continued)

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 types of contracts. The majority of the property management service contracts do not have a fixed term. The term of the contracts for value-added services to non-property owners is generally set to expire when the counterparties notify the Group that the services are no longer required.

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

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

During the six months ended 30 June 2022 and 2021, there were no significant incremental costs to obtain a contract.

(c) Details of contract liabilities

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Contract liabilities	1,356,382	1,381,095

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. RMB806,359,000 of the contract liabilities as of 1 January 2022 has been recognised as revenue for the six months ended 30 June 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Other income:		
Bank interest income	24,674	48,564
Other interest income (Note a)	10,054	12,632
Government grants and tax incentives (Note b)	37,283	33,260
Penalty income	3,606	615
Others	130	499
	75,747	95,570
Other net gain/(loss):		
Loss on disposal of property, plant and equipment	(146)	(6)
(Loss)/gain on modification of lease contracts, net	(64)	9,724
Impairment loss on trade receivables	(30,700)	(10,892)
Reversal of impairment/(impairment loss) on other receivables	1,284	(3,405)
Exchange gain/(loss), net	13,479	(3,448)
Change in fair value of financial liabilities at fair value through profit and loss ("FVTPL")	(832)	(577)
	58,768	86,966

Notes:

- (a) Other interest income during the six months ended 30 June 2022 and 2021 mainly represented the interest received 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 ("Poly Finance"), 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 additional deduction of input value-added tax applicable to the Company and its certain subsidiaries.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

8. PROFIT BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Auditor's remuneration	480	450
Depreciation of property, plant and equipment	35,199	35,320
Depreciation of leased assets and investment properties	142,992	94,617
Amortisation of intangible assets	5,339	5,506
Impairment loss on trade receivables	30,700	10,892
(Reversal of impairment)/impairment loss on other receivables	(1,284)	3,405
Short-term leases expenses	23,293	38,825
Finance costs – interest on lease liabilities	2,321	5,325
Staff costs (including directors' emoluments):		
Salaries and bonus	2,030,356	1,812,986
Share-based compensation	5,329	–
Pension costs, housing funds, medical insurances and other social insurances	318,397	274,693
	2,354,082	2,087,679

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current tax		
Tax for the current period and prior year	230,804	178,496
Deferred tax		
Credited to profit or loss for the period	(9,782)	(4,471)
	221,022	174,025

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong for the six months ended 30 June 2022 and 2021. The current tax during the six months ended 30 June 2022 included the under-provision of RMB12,080,000 (During the six months ended 30 June 2021: over-provision of RMB316,000) in prior year.

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 period, based on the existing legislation, interpretations and practices in respect thereof. The general corporate income tax rate in PRC is 25%. Certain subsidiaries of the Group in PRC are located in cities in Western China or qualified as small and micro enterprise, and are subjected to a preferential corporate income tax rate of 15% or 5% in certain periods.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

10. DIVIDENDS

During the six months ended 30 June 2021, annual dividend of RMB237,933,362 (tax inclusive) in respect of 2020 was declared and taxes have been withheld and paid for certain shareholders in accordance with relevant rules, while the remaining amount has been paid in July 2021.

During the six months ended 30 June 2022, annual dividend of RMB168,766,687 (tax inclusive) in respect of 2021 was declared and has been paid in August 2022.

No interim dividend was declared for the six months ended 30 June 2022 and the six months ended 30 June 2021.

11. BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, by the weighted average number of ordinary shares in issue during the period less shares purchased for the restricted share incentive scheme:

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Profits		
Profit attributable to owners of the Company (RMB'000)	628,305	490,827
Weighted average number of ordinary shares ('000) (Note)	553,125	553,333
Basic earnings per share (RMB)	1.14	0.89

Note: On 18 February 2022, the shareholders of the Company approved the adoption of a restricted share incentive scheme. During the six months ended 30 June 2022, 1,070,600 shares were purchased by a trustee (the "Trustee") from the secondary market (Note 26).

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Group only has one category of potential ordinary shares that is the shares granted under the restricted share incentive scheme.

Given that vesting conditions of restricted shares are subject to achievement of financial performance of the Group and individual performance assessment of participants over the contingency period and these conditions have not been fulfilled as at 30 June 2022, there was no dilutive effect on shares arising from the restricted share incentive scheme for the six months ended 30 June 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

12. INTERESTS IN ASSOCIATES/JOINT VENTURES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Share of net assets	85,742	72,985

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

Name	Place of incorporation, operation and principal activity	Relationship	Percentage of ownership interests/ voting rights/profit share	
			30 June 2022	31 December 2021
Guangdong Xinzhihui Technology Co., Ltd. (" Guangdong Xinzhihui ") 廣東芯智慧科技有限公司	Research and development in the intelligent technology products, automatic system and electronic products in the PRC	Associate	30%	30%
Xizang Poly Aijia Property Agency Co., Ltd. (" Xizang Poly Aijia ") 西藏保利愛家房地產經紀有限公司	Real estate agency services in the PRC	Associate	30%	30%
Hunan NingXiang City Development Baochuang City Services Co., Ltd (" NingXiang City Development Baochuang ") 湖南寧鄉城發保創城市服務有限公司 (formerly known as NingXiang City Development City Operation Management Co., Ltd., 寧鄉城發城市運營管理有限公司)	Property management services in the PRC	Associate	49%	49%
QuZhou City Investment Baochuang City Service Co., Ltd. (" QuZhou City Investment ") 衢州城投保創城市服務有限公司	Property management services in the PRC	Associate	49%	49%
Shanxi Poly Deao Elevator Co., Ltd. (" ShanXi Poly Deao ") 山西保利德奧電梯工程有限公司	Elevator repair and maintenance services in the PRC	Joint Venture	45%	45%

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment with an aggregate cost of RMB48,209,000 (six months ended 30 June 2021: RMB43,343,000). Property, plant and equipment with carrying amount of RMB734,000 (six months ended 30 June 2021: RMB273,000) were disposed of during the six months ended 30 June 2022. Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives and after taking into account of their estimate residual values.

In addition, the Group has entered into several leases for offices during the six months ended 30 June 2022 and 2021. Right-of-use assets amounted to RMB19,614,000 (six months ended 30 June 2021: RMB12,875,000) have been recognised for the current period.

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

At 30 June 2022 and 31 December 2021, no property, plant and equipment was pledged.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

14. LEASED ASSETS AND INVESTMENT PROPERTIES

	Leased assets RMB'000	Other investment properties RMB'000	Total RMB'000
At 1 January 2021 (Audited)			
Cost	200,423	18,078	218,501
Accumulated depreciation	(34,916)	(3,182)	(38,098)
Net book amount	165,507	14,896	180,403
Year ended 31 December 2021 (Audited)			
Opening net book amount	165,507	14,896	180,403
Additions and lease modifications	764,289	–	764,289
Depreciation	(240,074)	(579)	(240,653)
Closing net book amount	689,722	14,317	704,039
At 31 December 2021 (Audited)			
Cost	854,243	18,078	890,359
Accumulated depreciation	(164,521)	(3,761)	(186,320)
Net book amount	689,722	14,317	704,039
Six months ended 30 June 2022 (Unaudited)			
Opening net book amount	689,722	14,317	704,039
Additions	92,837	–	92,837
Depreciation	(142,703)	(289)	(142,992)
Closing net book amount	639,856	14,028	653,884
At 30 June 2022 (Unaudited)			
Cost	947,080	18,078	965,158
Accumulated depreciation	(307,224)	(4,050)	(311,274)
Net book amount	639,856	14,028	653,884

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

The Group's leased assets are right-of-use assets located in the PRC with initial rental periods of 3 to 10 years.

The Group's other investment properties are located on land in the PRC with a land use period from 2004 to 2054.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

15. FINANCIAL ASSETS AT FVTOCI

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Equity investments at FVTOCI		
Unlisted equity investments, at fair value	10,000	12,000

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

16. INTANGIBLE ASSETS

	Property management contracts RMB'000	Goodwill RMB'000	Total RMB'000
COST			
At 1 January 2021 (Audited), 31 December 2021 (Audited), 1 January 2022 (Audited) and 30 June 2022 (Unaudited)	88,000	64,897	152,897
ACCUMULATED AMORTISATION			
At 1 January 2021 (Audited)	16,760	–	16,760
Amortisation	11,011	–	11,011
At 31 December 2021 (Audited) and 1 January 2022 (Audited)	27,771	–	27,771
Amortisation	5,339	–	5,339
At 30 June 2022 (Unaudited)	33,110	–	33,110
NET BOOK AMOUNT			
At 30 June 2022 (Unaudited)	54,890	64,897	119,787
At 31 December 2021 (Audited)	60,229	64,897	125,126

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For the six months ended 30 June 2022

16. INTANGIBLE ASSETS (Continued)

Goodwill of RMB64,897,000 arising from the acquisition were allocated to the property management business operated by Hunan Poly Tianchuang Property Development Co., Ltd (“**Hunan Poly Tianchuang**”) CGU, Chengdu Vastrong Property Development Co., Ltd. (“**Vastrong Property**”) CGU and Poly Huichuang (Chongqing) City Comprehensive Service Co., Ltd (“**Poly Huichuang Chongqing**”) CGU.

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

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

	As at 30 June 2022	As at 31 December 2021
For Hunan Poly Tianchuang CGU		
– Long-term growth rate	2.0%	2.0%
– Pre-tax discount rate	15.6%	16.9%
For Vastrong Property CGU		
– Long-term growth rate	2.0%	2.0%
– Pre-tax discount rate	13.8%	15.2%

As at 30 June 2022 and 31 December 2021, the recoverable amounts of the Hunan Poly Tianchuang CGU calculated based on VIU exceeded carrying amount by approximately RMB110,944,000 and RMB103,750,000 respectively.

As at 30 June 2022 and 31 December 2021, the recoverable amounts of the Vastrong Property CGU calculated based on VIU exceeded carrying amount by approximately RMB15,978,000 and RMB8,615,000 respectively.

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

By reference to the recoverable amount assessed by the independent valuer, the directors of the Company determined that no impairment provision on goodwill was required as at 30 June 2022 and 31 December 2021.

In addition, no impairment is considered necessary for the property management contracts as at 30 June 2022 and 31 December 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

17. INVENTORIES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Car parking spaces	30,410	32,165
Raw materials	134	141
Consumables goods and other inventories	11,052	18,253
	41,596	50,559

18. TRADE AND BILLS RECEIVABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Related parties (Note 27)	598,708	389,073
Third parties	1,752,259	1,092,643
Total	2,350,967	1,481,716
Less: allowance for impairment of trade receivables	(90,123)	(59,423)
	2,260,844	1,422,293
Bills receivables	1,888	2,485
	2,262,732	1,424,778

As at 30 June 2022 and 31 December 2021, 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 management 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 30 June 2022 and 31 December 2021 is between 3 to 12 months. As at 30 June 2022, bills receivables due from Poly Developments and Holdings Group amounted to RMBNil (RMB985,000 as at 31 December 2021).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

18. TRADE AND BILLS RECEIVABLES (Continued)

As at 30 June 2022 and 31 December 2021, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 1 year	2,225,310	1,393,425
1 to 2 years	88,156	60,373
Over 2 years	37,501	27,918
	2,350,967	1,481,716

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Non-current assets		
Prepayments for property, plant and equipment	15,185	13,327
Current assets		
Deposits and other receivables		
– Related parties (Note 27 and Note a)	3,038,781	42,289
– Third parties	592,956	626,358
Total	3,631,737	668,647
Less: allowance for impairment of other receivables	(21,773)	(23,057)
	3,609,964	645,590
VAT receivables	20,302	37,859
Interest receivables (Note b)	2,315	886
Prepayments (Note c)	134,142	140,324
	3,766,723	824,659

Notes:

- (a) As at 30 June 2022, the balance mainly represented deposit of RMB3,000,000,000 (31 December 2021: RMB Nil) paid to Poly Developments and Holdings Group for commencing the parking spaces sales agency business pursuant to the Parking Space Leasing and Sales Agency Services Framework Agreement. For details of this major and continuous connected transaction, please refer to the announcement dated 16 July 2021 and the circular dated 26 August 2021 of the Company.
- (b) As at 30 June 2022 and 31 December 2021, the balance included the interest receivable from the deposit maintained with a fellow subsidiary of RMB156,000 and RMB110,000 respectively. Please refer to note 7(a) for further details.
- (c) As at 30 June 2022 and 31 December 2021, the balance included prepayment for rental expenses to Poly Developments and Holdings Group of RMB1,203,000 and RMB2,473,000 respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

20. DEPOSITS AND BANK BALANCES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Cash on hand	27	115
Cash at banks and financial institution	5,223,851	7,690,457
Total deposits and bank balances	5,223,878	7,690,572

Notes:

- At 30 June 2022, deposits and bank balances in the amount of RMB349,673,000 (31 December 2021: RMB292,487,000) and RMB4,874,205,000 (31 December 2021: RMB7,398,085,000) are denominated in HK\$ and RMB respectively. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies only through banks that are authorised to conduct foreign exchange business. RMB is not freely convertible to other currencies.
- As at 30 June 2022 and 31 December 2021, the Group's deposits and bank balances include deposits in Poly Finance, a fellow subsidiary and a licenced financial institution, amounting RMB394,403,000 and RMB1,938,649,000 respectively.
- Cash at banks and financial institution earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.

21. TRADE PAYABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Related parties (Note 27 and Note)	91,229	42,758
Third parties	1,142,198	760,882
	1,233,427	803,640

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

21. TRADE PAYABLES (Continued)

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 1 year	1,193,878	786,329
1 to 2 years	38,776	16,875
Over 2 years	773	436
	1,233,427	803,640

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

22. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Accruals and other payables		
– Related parties (Note 27)	79,444	98,106
– Third parties (Note)	1,681,816	1,570,404
	1,761,260	1,668,510
Other tax payables	43,402	33,874
Dividend payables	168,767	–
Salaries payables	176,330	78,456
	2,149,759	1,780,840

Note: As at 30 June 2022, included in the balance is cash received from the Scheme Participants under the restricted share incentive scheme, which amounts to RMB94,797,000 (note 26).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

23. LEASE LIABILITIES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Minimum lease payments due		
– Within 1 year	51,663	43,246
– Between 1 to 2 years	23,914	19,384
– Between 2 to 5 years	49,546	43,497
– Later than 5 years	7,676	21,826
	132,799	127,953
Less: future finance charges	(11,938)	(13,361)
Present value of lease liabilities	120,861	114,592
– Current	47,685	35,851
– Non-current	73,176	78,741

The Group leases various properties mainly as its office or for subleasing purpose and these lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. Extension options are included in a number of property leases across the Group. Periods covered by the extension options were included in the lease terms if the Group was reasonably certain to exercise the options.

The total cash outflows for leases include payments of the lease liabilities and payments of interest expenses on leases for the six months ended 30 June 2022 was RMB15,076,000 (six months ended 30 June 2021: RMB90,167,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

24. SHARE CAPITAL AND SHARES HELD UNDER THE RESTRICTED SHARE INCENTIVE SCHEME

	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:						
1 January 2021 (Audited),						
31 December 2021 (Audited),						
1 January 2022 (Audited), and						
30 June 2022 (Unaudited)	400,000	400,000	153,333	153,333	553,333	553,333

	Six months ended 30 June 2022 (Unaudited)		Year ended 31 December 2021 (Audited)	
	Number '000	Amount RMB'000	Number '000	Amount RMB'000
Shares held under the Restricted Share Incentive Scheme				
At the beginning of the period/year	–	–	–	–
Shares purchased (Note b)	1,071	45,912	–	–
At the end of the period/year	1,071	45,912	–	–

Notes:

- Both holders of domestic shares and H shares are ordinary shareholders and have equal rights and obligations.
- During the six months ended 30 June 2022, the Trustee has purchased 1,070,600 H shares at a total consideration of RMB45,912,000 from the secondary market, which are held under the restricted share incentive scheme (note 26).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

25. CAPITAL COMMITMENTS

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Property, plant and equipment	8,626	10,283

26. RESTRICTED SHARE INCENTIVES SCHEME

At the Company's extraordinary general meeting held on 18 February 2022, the shareholders of the Company approved the adoption of a restricted share incentive scheme (the "**Scheme**"), with a duration of 10 years. Pursuant to the Scheme, the Company may grant restricted shares to qualified participants ("**Scheme Participants**"), subject to the fulfilment of certain performance conditions and service conditions.

All shares granted are subject to a lock up period of 24 months commencing from the grant date, followed by an unlocking period of 24 months to 60 months. During the lock-up period, the shares granted to the Scheme Participants are not entitled to the right of disposal, such that the shares shall not be transferred, used as collateral or used for debt repayment. After the expiry of the lock-up period, if all conditions for unlocking have been fulfilled, Scheme Participants will be entitled to the related shares. The relevant shares granted shall be unlocked in three tranches in proportion, and unlocking proportion for the first, second and third tranches shall be 33%, 33% and 34% respectively.

Pursuant to the Scheme, the Board resolved to implement the initial grant on 26 April 2022 ("**Grant Date**"). The first tranche of 4,654,200 restricted shares were granted, and 4,282,400 restricted shares were actually granted at a grant price of HK\$25.71 per share. The fair value of the shares granted on the Grant Date were determined as HK\$24.94 per share.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

26. RESTRICTED SHARE INCENTIVE SCHEME (Continued)

Movements in number of restricted shares granted and related fair value are as follows:

	Unaudited Six months ended 30 June 2022	
	Weighted average fair value per share HK\$	Number of restricted shares
As at 1 January 2022	–	–
Granted during the period	24.94	4,282,400
As at 30 June 2022	24.94	4,282,400

During the six months ended 30 June 2022, share-based payments of RMB5,329,000 was recognised in the consolidated statement of profit or loss, with a corresponding credit to the equity.

As instructed by the Board, the Trustee is appointed to purchase certain number of H shares from the secondary market for the Scheme, and the purchased shares will be held by the Trustee until such shares are vested in accordance with the provisions of the Scheme. Upon vesting, the Trustee will transfer the shares to the Scheme Participants. If the performance conditions or service conditions are not fulfilled and the corresponding tranche of shares granted to be vested cannot be unlocked, the restricted shares not unlocked shall be purchased back by the Trustee or other third parties in accordance with Scheme.

During the six months ended 30 June 2022, the Trustee has purchased 1,070,600 H shares at a total cash consideration of RMB45,912,000, which was debited to the equity of the Company.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

26. RESTRICTED SHARE INCENTIVE SCHEME (Continued)

Shares held by the Trustee under the Restricted Share Incentive Scheme are as follows:

	Unaudited As at 30 June 2022	
	Number of restricted shares	Shares held under the Restricted Share Incentive Scheme RMB'000
Shares held under the Restricted Share Incentive Scheme	1,070,600	45,912

27. MATERIAL RELATED PARTIES TRANSACTIONS AND BALANCES

(a) Name and relationship

Name of related parties	Relationship with the Group
Poly Developments and Holdings Group	Immediate Holding Company and its subsidiaries
China Poly Group and its subsidiaries (excluding Poly Developments and Holdings Group)	Ultimate Holding Company and its subsidiaries (excluding Poly Developments and Holdings Group)
Poly Finance	Subsidiary of China Poly Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

27. MATERIAL RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

(b) Material related parties transactions

The Group had the following material related parties transactions during the six months ended 30 June 2022 and 2021:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Poly Developments and Holdings Group		
Provision of services		
– Property management services	60,065	55,659
– Value-added services to non-property owners, other than subleasing income	674,452	526,405
– Community value-added services	189,874	52,740
– Subleasing income	26,382	12,206
Shared rent	–	7,331
Remaining rent	38,877	–
Lease contract arrangements		
– Right-of-use assets	640,337	819,771
– Lease liabilities	45,900	38,884
– Depreciation	145,805	96,024
– Interest expense	566	3,047
– Rental expense	4,561	4,468
Hardware procurement expenses	2,615	1,475
Associates of Poly Developments and Holdings Group		
Provision of services		
– Property management services	10,223	7,551
– Value-added services to non-property owners, other than subleasing income	70,726	49,360
– Community value-added services	8,838	7,776
– Subleasing income	9,863	4,508
Lease contract arrangements		
– Right-of-use assets	266	526
– Lease liabilities	278	395
– Depreciation	133	131
– Interest expense	6	14
– Rental expenses	141	–
Joint ventures of Poly Developments and Holdings Group		
Provision of services		
– Property management services	1,117	1,373
– Value-added services to non-property owners	43,987	30,034
– Community value-added services	7,470	8,287
Poly Finance		
Interest income	9,580	12,158

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

27. MATERIAL RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

(c) Material related party balances

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Poly Developments and Holdings Group		
– Trade receivable	494,293	324,393
– Deposit and other receivable	3,012,334	14,472
– Trade payable	84,418	38,417
– Accrual and other payable	68,598	87,026
Joint ventures of Poly Developments and Holdings Group		
– Trade receivable	46,806	23,113
– Deposit and other receivable	127	1,821
– Trade payable	4,135	2,617
– Accrual and other payable	394	342
Associates of Poly Developments and Holdings Group		
– Trade receivable	56,982	41,309
– Deposit and other receivable	26,320	25,996
– Trade payable	470	312
– Accrual and other payable	10,370	10,651
China Poly Group and its subsidiaries (excluding Poly Developments and Holdings Group)		
– Trade receivable	627	258
– Deposit and other receivable	–	–
– Trade payable	2,159	1,346
– Accrual and other payable	82	87
Associates of China Poly Group		
– Trade payable	47	66

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28. FINANCIAL RISK MANAGEMENT

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include deposits and bank balances, trade receivables, deposits and other receivables, trade payables and accruals and other payables.

Due to their short term nature, the carrying values of these financial instruments approximates fair values.

(b) Financial instruments measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the periods on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: Fair value measured using only Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs; and
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Company determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent they are available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. In the absence of an active market, the fair value of financial instruments are estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors. For the unlisted equity securities, reference is also made to market valuations for similar entities in an active market, adjusted for lack of marketability discount.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Below provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

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28. FINANCIAL RISK MANAGEMENT (Continued)

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

31 December 2021 (Audited)				
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through other comprehensive income				
– Unlisted equity investments	–	–	12,000	12,000
Financial liabilities at fair value through profit and loss				
– Liability arising from acquisition of the non-controlling interests of Vastrong Property	–	–	15,565	15,565

30 June 2022 (Unaudited)				
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through other comprehensive income				
– Unlisted equity investments	–	–	10,000	10,000
Financial liabilities at fair value through profit and loss				
– Liability arising from acquisition of the non-controlling interests of Vastrong Property	–	–	16,397	16,397

There were no transfers between levels during the periods.

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28. FINANCIAL RISK MANAGEMENT (Continued)

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

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

	Fair value at 31 December 2021 RMB'000 (Audited)	Valuation technique	Unobservable input	Range	Relationship of inputs to fair value
Financial assets at FVTOCI					
– Unlisted equity investments	12,000	Market comparable approaches	Discount for lack of marketability	40%	The higher the discount rate the lower the fair value
Financial liabilities at FVTPL					
– Liability arising from acquisition of non-controlling interest in Vastrong Property	15,565	Discounted cash flow method	Discount rate	5.0%	The higher the discount rate the lower the fair value

	Fair value at 30 June 2022 RMB'000 (Unaudited)	Valuation technique	Unobservable input	Range	Relationship of inputs to fair value
Financial assets at FVTOCI					
– Unlisted equity investments	10,000	Market comparable approaches	Discount for lack of marketability	40%	The higher the discount rate, the lower the fair value
Financial liabilities at FVTPL					
– Liability arising from acquisition of non-controlling interest in Vastrong Property	16,397	Discounted cash flow method	Discount rate	5.5%	The higher the discount rate, the lower the fair value

The fair value of unlisted equity investments are determined using the price/book ratios of comparable listed companies and adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2022 and 31 December 2021, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's other comprehensive income by RMB100,000 and RMB120,000 respectively.

The fair value of the liability arising from acquisition of Vastrong Property are determined using the expected cash flows and adjusted for the discount rate derived from bond yield of comparable listed companies. The fair value measurement is negatively correlated to the discount rate. As at 30 June 2022, it is estimated that with all other variables held constant, a decrease/increase in discount rate by 1% would have decreased/increased the Group's profit or loss by RMB91,000 and RMB90,000 (31 December 2021: RMB162,000 and RMB159,000) respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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28. FINANCIAL RISK MANAGEMENT (Continued)

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

The movement during the six months ended 30 June 2022 and year ended 31 December 2021 in the balance of financial instruments under the level 3 fair value measurements are as follows:

	Financial assets at FVTOCI RMB'000	Financial liabilities at FVTPL RMB'000
At 1 January 2021 (Audited)	5,000	14,612
Net unrealised gain recognised in other comprehensive income during the year	7,000	–
Net unrealised loss recognised in profit or loss during the year	–	953
At 31 December 2021 (Audited) and 1 January 2022 (Audited)	12,000	15,565
Net unrealised loss recognised in other comprehensive income during the period	(2,000)	–
Net unrealised losses recognised in profit or loss during the period	–	832
At 30 June 2022 (Unaudited)	10,000	16,397

29. EVENTS AFTER THE REPORTING DATE

The Group did not have any subsequent events after 30 June 2022 until the date of this report.