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Poly Property Group Co., Limited
保 利 置 業 集 團 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00119)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

RESULTS

The directors (the "Directors") of Poly Property Group Co., Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019, together with comparative figures for the previous year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	2	**39,943,978**	23,233,644
Cost of sales		**(26,409,985)**	(14,715,439)
Gross profit		**13,533,993**	8,518,205
(Decrease)/increase in fair value of investment properties		**(7,933)**	278,932
Increase in fair value of financial assets		**54,636**	14,389
Other gains, net		**155,592**	349,184
Selling expenses		**(1,196,022)**	(693,000)
Administrative expenses		**(1,921,418)**	(1,606,298)
Gain on step-up acquisition of subsidiaries		**478,617**	—
Impairment loss on properties under development and held for sale		**(1,020,281)**	(10,909)
Other operating expenses		**(391,540)**	(346,418)
Finance costs	3	**(1,473,608)**	(1,275,566)
Share of results of associates		**(20,630)**	(53,954)
Share of results of joint ventures		**498,341**	250,369
Profit before income tax expense	4	**8,689,747**	5,424,934
Income tax expense	5	**(4,901,118)**	(2,823,486)
Profit for the year		**3,788,629**	2,601,448
Attributable to:			
Owners of the Company		**3,832,948**	2,241,590
Non-controlling interests		**(44,319)**	359,858
		3,788,629	2,601,448
Earnings per share (expressed in HK cents)	7		
— Basic		**104.68**	61.22
— Diluted		**104.31**	61.22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 *HK$'000*	2018 *HK$'000*
Profit for the year	**3,788,629**	2,601,448
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	**(932,988)**	(908,196)
Items that will not be reclassified to profit or loss:		
Surplus arising on revaluation of properties	**130,368**	547,454
Other comprehensive income before income tax effect	**(802,620)**	(360,742)
Deferred tax liability arising on revaluation of properties	**(32,592)**	(136,863)
Other comprehensive income for the year, net of tax	**(835,212)**	(497,605)
Total comprehensive income for the year	**2,953,417**	2,103,843
Attributable to:		
Owners of the Company	**3,088,981**	1,831,558
Non-controlling interests	**(135,564)**	272,285
	2,953,417	2,103,843

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Non-current assets			
Investment properties		**12,115,132**	12,571,809
Property, plant and equipment		**3,755,234**	3,878,612
Right-of-use assets		**365,040**	—
Prepaid lease payments — non-current portion		**—**	372,363
Interests in associates		**291,900**	264,576
Interests in joint ventures		**7,429,659**	7,773,395
Financial assets at fair value through profit or loss		**544,624**	426,941
Loan receivables		**195,666**	216,021
Deposits paid for acquisition of land use rights		**2,948,333**	1,921,839
Deferred tax assets		**285,286**	327,848
Total non-current assets		**27,930,874**	27,753,404
Current assets			
Properties under development		**65,667,447**	52,885,536
Properties held for sale		**21,316,121**	28,197,992
Other inventories		**81,391**	46,478
Contract costs		**390,816**	465,069
Trade and other receivables	*8*	**5,741,095**	5,151,482
Prepaid lease payments — current portion		**—**	11,995
Amounts due from associates		**2,516,118**	1,228,259
Amounts due from joint ventures		**5,080,256**	3,015,072
Amounts due from non-controlling shareholders of subsidiaries		**605,146**	862,587
Taxation recoverable		**2,040,047**	1,691,067
Pledged bank deposits		**433,580**	4,201,597
Bank balances, deposits and cash		**27,480,746**	23,152,884
Total current assets		**131,352,763**	120,910,018

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Current liabilities			
Trade and other payables	*9*	**20,583,403**	19,694,131
Contract liabilities		**27,185,777**	31,110,373
Property rental deposits		**130,162**	122,336
Amount due to an associate		**81,722**	—
Amounts due to joint ventures		**1,688,741**	3,518,574
Amount due to the ultimate holding company		**20,925**	52,571
Amount due to an intermediate holding company		**3,102**	3,209
Amounts due to fellow subsidiaries		**539**	1,377
Amounts due to non-controlling shareholders of subsidiaries		**2,491,584**	2,395,404
Taxation payable		**5,243,142**	2,282,487
Bank and other borrowings — due within one year		**15,349,243**	13,840,294
Total current liabilities		**72,778,340**	73,020,756
Net current assets		**58,574,423**	47,889,262
Total assets less current liabilities		**86,505,297**	75,642,666
Capital and reserves attributable to owners of the Company			
Share capital	*10*	**17,685,677**	17,685,677
Reserves		**14,866,483**	12,203,418
Equity attributable to owners of the Company		**32,552,160**	29,889,095
Non-controlling interests		**2,364,979**	2,670,318
Total equity		**34,917,139**	32,559,413

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Non-current liabilities			
Bank and other borrowings — due after one year		**44,190,170**	36,460,925
Notes payable		**4,677,778**	4,704,598
Lease liabilities		**1,579**	—
Loan from a fellow subsidiary		**200,000**	206,897
Deferred tax liabilities		**2,518,631**	1,710,833
Total non-current liabilities		**51,588,158**	43,083,253
		86,505,297	75,642,666

Notes:

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the provisions of the Hong Kong Companies Ordinance (Cap. 622), which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The consolidated financial statements have been prepared under the historical cost basis except for investment properties, hotel properties and financial assets at fair value through profit or loss, which are measured at their fair values or revalued amounts.

The consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the most recent consolidated financial statements for the year ended 31 December 2018, except for the changes in accounting policy made when the Group initially applies financial reporting standards newly applicable to the annual accounting period beginning on 1 January 2019.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This announcement contains consolidated financial statements and selected explanatory notes. The explanatory notes include an explanation of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the most recent consolidated financial statements for the year ended 31 December 2018. The consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The financial information relating to the financial year ended 31 December 2018 that is included in this announcement of the results for the year ended 31 December 2019 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the consolidated financial statements for the year ended 31 December 2019 in due course.

The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

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

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

The impact of the adoption of HKFRS 16 Leases have been summarised in note 11. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

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

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

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

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

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

2. REVENUE AND SEGMENT INFORMATION

For management purposes, the Group is organised into four operating divisions. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:

Property development business — property development

Property investment and management — property investment and management

Hotel operations — hotel and restaurant business and its related services

Other operations — manufacturing and sales of digital discs and others

Information about these segments is presented below:

For the year ended 31 December 2019

	Property development business *HK$'000*	Property investment and management *HK$'000*	Hotel operations *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Revenue from contracts with customers:						
— Recognised at point in time	37,868,376	—	—	100,289	—	37,968,665
— Recognised overtime	—	929,690	354,573	—	—	1,284,263
Revenue from other sources:						
— Rental income	—	691,050	—	—	—	691,050
External revenue	37,868,376	1,620,740	354,573	100,289	—	39,943,978
Inter-segment revenue*	—	109,769	—	—	(109,769)	—
Total revenue	37,868,376	1,730,509	354,573	100,289	(109,769)	39,943,978
Segment results	9,109,872	279,730	(124,036)	79,204	—	9,344,770
Unallocated income						227,804
Unallocated expenses						(365,547)
Finance costs						(1,473,608)
Share of results of associates	(20,630)	—	—	—	—	(20,630)
Share of results of joint ventures	497,639	—	—	702	—	498,341
Gain on step-up acquisition of subsidiaries	478,617	—	—	—	—	478,617
Profit before income tax expense						8,689,747
Income tax expense						(4,901,118)
Profit for the year						3,788,629

* *Inter-segment revenue were charged with reference to prices charged to external parties for similar services or products.*

At 31 December 2019
Assets and liabilities

	Property development business *HK$'000*	Property investment and management *HK$'000*	Hotel operations *HK$'000*	Other operations *HK$'000*	Total *HK$'000*
Assets					
Segment assets	**104,750,412**	**12,544,281**	**3,265,821**	**739,645**	**121,300,159**
Interests in associates	**289,820**	—	—	**2,080**	**291,900**
Interests in joint ventures	**7,427,532**	—	—	**2,127**	**7,429,659**
Unallocated corporate assets					**30,261,919**
Total assets					**159,283,637**
Liabilities					
Segment liabilities	**50,790,262**	**1,310,839**	**184,355**	**23,162**	**52,308,618**
Unallocated corporate liabilities					**72,057,880**
Total liabilities					**124,366,498**

For the year ended 31 December 2018

	Property development business *HK$'000*	Property investment and management *HK$'000*	Hotel operations *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Revenue from contracts with customers:						
— Recognised at point in time	21,300,382	—	—	82,918	—	21,383,300
— Recognised overtime	—	934,017	236,009	—	—	1,170,026
Revenue from other sources:						
— Rental income	—	680,318	—	—	—	680,318
External revenue	21,300,382	1,614,335	236,009	82,918	—	23,233,644
Inter-segment revenue*	—	188,054	—	—	(188,054)	—
Total revenue	21,300,382	1,802,389	236,009	82,918	(188,054)	23,233,644
Segment results	6,126,651	579,979	(55,938)	21,573	—	6,672,265
Unallocated income						161,898
Unallocated expenses						(330,078)
Finance costs						(1,275,566)
Share of results of associates	(53,882)	—	—	(72)	—	(53,954)
Share of results of joint ventures	249,824	—	—	545	—	250,369
Profit before income tax expense						5,424,934
Income tax expense						(2,823,486)
Profit for the year						2,601,448

* *Inter-segment revenue were charged with reference to prices charged to external parties for similar services or products.*

At 31 December 2018
Assets and liabilities

	Property development business *HK$'000*	Property investment and management *HK$'000*	Hotel operations *HK$'000*	Other operations *HK$'000*	Total *HK$'000*
Assets					
Segment assets	94,004,362	13,082,711	3,395,323	715,853	111,198,249
Interests in associates	261,508	—	—	3,068	264,576
Interests in joint ventures	7,771,429	—	—	1,966	7,773,395
Unallocated corporate assets					29,427,202
Total assets					148,663,422
Liabilities					
Segment liabilities	55,309,590	1,498,595	203,337	24,076	57,035,598
Unallocated corporate liabilities					59,068,411
Total liabilities					116,104,009

3. FINANCE COSTS

	2019 ***HK$'000***	2018 *HK$'000*
Finance costs on interest bearing borrowings	**3,543,530**	3,285,328
Interest on lease liabilities	**383**	—
Less: amounts capitalised	**(2,070,305)**	(2,009,762)
	1,473,608	1,275,566

Borrowing costs capitalised during the year arose from specific borrowings.

4. PROFIT BEFORE INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Profit before income tax expense is arrived at after charging/(crediting):		
Amortisation of prepaid lease payments (included in administrative expenses)	**—**	10,764
Depreciation of right-of-use assets *(note i)*	**16,923**	—
Depreciation of property, plant and equipment	**170,557**	138,205
Total depreciation and amortisation	**187,480**	148,969
Gain on disposal of investment properties	**(5,265)**	(3,822)
Loss on disposal of property, plant and equipment	**3,547**	15,667

Note i: The Group initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets related to leases which were previously classified as operating lease under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated.

5. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax	**560,899**	—
PRC Enterprise Income Tax	**1,424,517**	1,168,499
PRC Withholding Income Tax	**1,385**	991
Land Appreciation Tax ("LAT")	**3,121,646**	1,628,112
	5,108,447	2,797,602
Deferred taxation	**(207,329)**	25,884
	4,901,118	2,823,486

Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) based on the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2018 as there is no assessable profit for the year.

The PRC Enterprise Income Tax is calculated at 25% (2018: 25%) based on the estimated assessable profit for the year.

The PRC Withholding Income Tax of 10% has been levied on dividend income from a fellow subsidiary.

Certain PRC subsidiaries are also subject to the PRC LAT which is levied at progressive rates ranging from 30% to 60% on the appreciation of properties, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction.

6. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Dividends recognised as a distribution during the year:		
2018 final dividend of HK$0.123 (2017: HK$0.135) per share	**450,369**	494,308

No interim dividend was declared and paid for both years.

The Directors of the Company recommend the payment of a final dividend of HK$0.209 per share (2018: HK$0.123 per share) for the year ended 31 December 2019.

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year ended 31 December 2019 is based on the following data:

	2019	2018
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to owners of the Company	**3,832,948**	2,241,590

	2019	2018
Number of shares:		
Weighted average number of ordinary shares in issue for the purposes of basic earnings per share	**3,661,537,046**	3,661,537,046
Effect of dilutive potential ordinary shares on share options	**13,165,878**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,674,702,924**	3,661,537,046

The diluted earnings per share for the year ended 31 December 2019 is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's potentially dilutive ordinary shares comprised of share options.

The diluted earnings per share for the year ended 31 December 2018 are the same as basic earnings per share presented as there were no potentially dilutive ordinary shares in 2018.

8. TRADE AND OTHER RECEIVABLES

The credit terms in connection with sales of properties granted to the customers are set out in the sale and purchase agreements and vary from agreements. There is no concentration of credit risk with respect to trade receivables arising from sales of properties as the Group has numerous customers. In respect of sales of goods granted to trade customers, the Group allows an average credit period of 30 days to 90 days. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the end of the reporting period:

	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**67,235**	108,164
31 to 90 days	**24,502**	10,566
More than 90 days	**53,373**	111,041
Total trade receivables	**145,110**	229,771
Other receivables (net of allowance of HK$92,610,000) (2018: HK$123,548,000)	**5,595,985**	4,921,711
	5,741,095	5,151,482

9. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the end of the reporting period:

	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**5,229,598**	4,965,999
31 to 90 days	**434,500**	121,024
More than 90 days	**5,585,278**	6,112,676
Total trade payables	**11,249,376**	11,199,699
Bills payables	**52,635**	42,587
Other payables	**9,281,392**	8,451,845
	20,583,403	19,694,131

The average credit period is 90 days. The Group has financial risk management policies in place to ensure that all payable is within the credit time frame.

10. SHARE CAPITAL

	Number of ordinary shares	Amount *HK$'000*
Ordinary shares, issued and fully paid:		
At 31 December 2018, 1 January 2019 and 31 December 2019	3,661,537,046	17,685,677

11. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note (i) to (v) below.

(i) Impact of adoption

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

The Group has applied HKFRS 16 using the cumulative effect approach, under which the cumulative effect of initial application is recognised in the opening balance at 1 January 2019. As permitted by the transitional provision of HKFRS 16, comparatives for 2018 were not restated. The Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics in the same region;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At initial application, the opening balances of lease liabilities and the corresponding right-of-use assets are adjusted to HK$10,436,000 and HK$394,794,000, respectively, after taking into account the effects of discounting as at 1 January 2019.

The following table summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

Consolidated statement of financial position as at 1 January 2019

	HK$'000
Right-of-use assets presented in prepaid land leases	384,358
Right-of-use assets presented in property, plant and equipment	10,436
Prepaid lease payments (non-current)	(372,363)
Prepaid lease payments (current)	(11,995)
Trade and other payables (current)	4,613
Lease liabilities (non-current)	5,823

The following table shows the reconciliation from operating lease commitments disclosed under HKAS 17 Leases as at 31 December 2018 to lease liabilities upon adoption of HKFRS 16 recognised in the statement of financial position as at 1 January 2019.

	HKFRS 16 *HK$'000*
Operating lease commitments disclosed under HKAS 17 as at 31 December 2018	36,726
Discounted using the leases incremental borrowing rate at 1 January 2019 (varied from different regions, ranging from 4.02% to 5.59%)	(591)
Less: short-term and low value leases are recognised on a straight-line basis as expenses	(25,699)
Lease liabilities recognised as at 1 January 2019	10,436
Current lease liabilities	4,613
Non-current lease liabilities	5,823
	10,436

(ii) The new definition of a lease

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

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

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

(iii) Accounting policies as lessee

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

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

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

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset which is held for own use. The right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

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

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

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

(iv) Accounting policies as lessor

The Group has leased out its investment property to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of lease liabilities and the corresponding right-of-use assets at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) the use of a single discount rate to a portfolio of leases with reasonably similar characteristics in the same region; (ii) the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; (iii) the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

FINAL DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK20.9 cents per share (2018: HK12.3 cents per share) for the year ended 31 December 2019. The proposed final dividend is subject to the approval by the Company's shareholders at the forthcoming annual general meeting and will be paid on or around 29 June 2020 to the shareholders whose names appear on the register of members of the Company on 15 June 2020.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING ("AGM")

In order to determine the entitlement of shareholders to attend and vote at the AGM of the Company which is scheduled to be held on 26 May 2020, the register of members of the Company will be closed from 22 May 2020 to 26 May 2020, both days inclusive, during which no transfer of shares will be effected. All properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 21 May 2020. Shareholders whose names are recorded in the register of members of the Company on 26 May 2020 are entitled to attend and vote at the AGM.

CLOSURE OF REGISTER OF MEMBERS FOR PAYMENT OF FINAL DIVIDEND

The register of members of the Company will be closed from 12 June 2020 to 15 June 2020 (both dates inclusive), during which period no share transfer will be registered. In order to establish the identity of the shareholders who are entitled to the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 11 June 2020. Shareholders whose name are recorded in the register of members of the Company on 15 June 2020 are entitled to receive the final dividend in cash for the year ended 31 December 2019.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

In 2019, the global economic growth remained weak. Confidence in economic prospects was impacted by trade protectionism, Brexit, geopolitical conflicts and other factors. In view of significantly increasing domestic and global risks and challenges, China continued to pursue steady growth and focus on supply-side structural reform. Efforts were made to keep employment, the financial sector, foreign trade, foreign and domestic investments, and expectations stable to maintain sustained and healthy economic and social development. China's GDP for 2019 was approximately RMB100 trillion and GDP per capita exceeded US$10,000 for the first time. Under the policies of "no speculation of residential properties" and "one strategy for one city", the provision of funding to domestic real estate market was further tightened to maintain reasonable housing demand. The growth of the industry has slowed down in general while the divergence among regional markets became more obvious. The land market has also become more rational.

The Group recorded profit attributable to shareholders of HK$3,833 million for the year, representing a year-on-year increase of 71.0%, mainly attributed to an increase in revenue. Revenue from Kai Tak Vibe Centro, the first development project operated by the Group in Hong Kong, was recognised during the year and had significant contribution to our revenue and net profit. The gross profit margin of projects in mainland China recognised during the same period also showed impressive performance. The board of directors (the "Directors") of the Company (the "Board") recommended distribution of a final dividend of HK20.9 cents per share to shareholders in appreciation of their support.

According to the National Bureau of Statistics, the sales of commodity properties during 2019 were approximately RMB16 trillion, representing an increase of 6.5%, which was 5.7 percentage points lower than the previous year. The growth of prices of new residential properties in 100 cities in China continued to slow down. Expectation for housing price growth declined when the real estate market was under continuous regulation. Property developers had to increase supply and enhance marketing activities to improve sales.

During the year, the Group achieved its annual sales target of RMB42.0 billion and contracted sales of RMB43.2 billion, representing a year-on-year increase of 6%. The average selling price of contracted sales was RMB18,303 per square metre and the average selling price of contracted sales in mainland China was RMB17,780 per square metre, representing an increase of 2% when compared to last year. In 2019, while ensuring sales growth and profitability, the Group focused on the sales of completed projects, particularly commercial buildings and parking spaces, striving to capitalise existing assets and improve working capital.

Under strict capital regulation, the land market became more rational in the second half of 2019. By closely monitoring market changes, the Group made decisions on land investment with the times were right. The Group had acquired a total of 15 parcels of land in 2019. Shenzhen Long Gang Project was acquired as a redevelopment project in early 2019, while the rest of the projects were acquired in the latter half of the year. New land reserves were concentrated in first-tier and second-tier cities in the Guangdong-Hong Kong-Macao Greater Bay Area and Yangtze River Economic Belt strongly supported by favourable policies. Quality output from these projects is expected from the middle of 2020 onwards.

In 2019, the Group streamlined its management functions and decision mechanism according to the practices adopted by outstanding peers in the industry. The management of real estate business as a whole has been strengthened to strictly control development schedules and completion targets. The project development efficiency was significantly improved. Three major systems of the Group were further improved. The performance appraisal system was also improved. The application of information technology in cost control, marketing and human resources departments was enhanced. Product design, quality control and production safety were enhanced for better compliance and risk management.

BUSINESS OUTLOOK

In 2020, China will build a well-off society and the "13th Five-Year Plan" will be completed. The economic work conference of central government has emphasised that efforts shall be made to maintain stable growth, promote reformation, make structural adjustment, improve living standards, prevent risks, maintain stability and major economic indicators at reasonable levels.

At the beginning of 2020, the epidemic of novel coronavirus pneumonia broke out. The central government has quickly adopted a series of positive, effective and practical measures, and the epidemic has been contained within the shortest possible period of time. Frontline healthcare workers have worked day and night with great courage and dedication while citizens of the whole country have cooperated to fight against the disease. Together with the fervent support from overseas Chinese people, China and its citizens have been committed to curbing the outbreak with unprecedented unity, courage and strength. From Wuhan to Shanghai, and from Beijing to Hong Kong, tens of thousands of employees of the Group have also made individual and collective efforts with drastic measures in winning this battle against the epidemic.

Since mid-February, local governments have introduced various fiscal, taxation, financial and economic policies to support enterprises in resuming their operation and production in an orderly manner and to maintain economic stability. The Group believes that China will maintain its steady and positive growth in the long run. The real estate industry faces many challenges as well as increasing opportunities. Despite a certain degree of negative impact of the epidemic on its business operation in the short run, the Group will take an active role in achieving its operating goals for the year.

Under the new norm of the real estate industry, market competition will become increasingly intense and customers will have higher expectation on products and services. The Group adheres to its philosophy of providing high-quality products and services and further improve customer satisfaction by strictly controlling the development schedule of projects and converting new land reserves into saleable products. The Group will also further optimise its marketing approaches, carefully select target customers and capitalise market opportunities. In addition, in order to improve liquidity, the Group will put great efforts in destocking, in particular, commercial properties and parking spaces and other products which have longer sales cycle.

In respect of funding resources, in the face of increasingly strict financial regulation in the real estate market, the Group will adopt measures to secure sources of funding and financial stability. On the one hand, the Group will further explore financing channels and optimise its gearing ratio by fully capitalising its advantages in financing costs and reputation gained throughout the years, so as to provide sufficient funds for achieving stable and sustainable growth of operation results. On the other hand, to control its net debt ratio at satisfactory level, the Group will improve its project cycle management and maintain the balance between project development and sales.

With the slow growth in industry scale, the market will pay more attention to the quality of real estate enterprises. The Group will continue to improve the efficiency of corporate management and project development. In order to improve management in various aspects, the Group will standardise its internal operation. Cost delicacy management policies will be introduced to control management expenses, operating expenses and financial expenses for higher project profitability. The Group will standardise the use of technology and quality control of projects to enhance the competiveness of projects in respect of environmental protection, quality and customer satisfaction and to consolidate the brand image of "Poly".

The Group strives to become a first-class real estate developer in China and maximise the values for its customers, shareholders, employees and the society. Being the only overseas-listed real estate flagship of China Poly Group, the Group is confident of its business prospects and believes that it will continue to receive continuous attention and support from its parent company. The Company will pay close attention to market conditions and further push through innovative reform while maintaining comprehensive risk control. It will adhere to the customer-oriented development philosophy with quality as top priority. Focusing on the objective of high-quality development, the Group will seek to improve efficiency and quality to provide greater returns for its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the year ended 31st December, 2019 (the "Year"), the Group recorded a revenue of HK$39,943,978,000 (2018: HK$23,233,644,000), representing an increase of 71.9% when comparing to last year. Profit attributable to shareholders amounted to HK$3,832,948,000 (2018: HK$2,241,590,000), while basic and diluted earnings per share were HK104.68 cents and HK104.31 cents, representing year-on-year increases of 71% and 70.4%, respectively. The Board of Directors of the Company recommended the payment of a final dividend of HK20.9 cents per share.

As at 31st December, 2019, shareholders' equity of the Group amounted to HK$32,552,160,000 (as at 31st December, 2018: HK$29,889,095,000), along with a net asset value per share of HK$8.89 (as at 31st December, 2018: HK$8.16).

PROPERTY DEVELOPMENT

The total GFA of newly commenced construction of Poly Property Group (the Group, together with its joint ventures and associated companies) during the year was approximately 4,209,000 square metres. The total contracted area sold amounted to approximately 2,360,000 square metres. There were 80 continual launches and ten debut launches during the Year. The GFA of construction completed during the Year was approximately 3,446,000 square metres. As at 31st December, 2019, Poly Property Group had 67 projects under construction or planning, representing a total GFA of approximately 21,732,000 square metres.

PROPERTY SALES

In 2019, Poly Property Group recorded contracted area sold of approximately 2,360,000 square metres, or approximately RMB43.2 billion in value, achieving 103% of its annual sales target of RMB42.0 billion. Ten projects recorded contracted sales of over RMB1 billion, including Shanghai Xijiao Jinmao Palace, Nanning Poly Town Phase II, Ningbo Prosperous Reflection, Shanghai Poly Greenland Plaza, Wuhan Poly Up Town, Wuhan Poly Riverview, Guangzhou Nansha Poly City, Suzhou Poly Lake Mansion, Hong Kong Kai Tak Vibe Centro and Harbin Poly The Water's Fragrant Dike. During the Year, the average selling price of contracted sales of Poly Property Group was RMB18,303 per square metre, representing an increase of 1% when compared to last year. The average selling price of projects in mainland China increased by 2% year-on-year.

Region	Contracted Sales in 2019 by Region *(RMB million)*	Percentage *(%)*	Contracted Area Sold in 2019 by Region *('000 square metres)*	Percentage *(%)*
Yangtze River Delta	16,567	38%	520	22%
Pearl River Delta	4,017	9%	196	8%
Southwestern	8,773	20%	681	29%
Others	12,532	29%	958	41%
Hong Kong	1,309	3%	4	0%
Total	**43,198**	**100%**	**2,360**	**100%**

Notes:

1. Contracted sales include car parking sales;

2. Since figures were rounded up, their grand total may not equal to the actual sum.

In the second half of 2019, with the tightened regulations on the funding of property industries as well as the market expectation of a slower rise in housing price, competition in the industry intensified and cities became increasingly polarised. In Guizhou market, parking spaces were sold through marketing approaches such as being sold at largely discounted prices or even being given for free upon house purchasing. Since the Group had relatively large inventory of existing parking spaces and parking spaces under construction in projects in Guizhou, after careful evaluation of market conditions and full consideration of realisable value and capital efficiency of such parking spaces, the Group decided to make inventory provision of approximately RMB908 million for nearly 30,000 parking spaces. The Group believes that it will formulate more flexible marketing strategies to promote destocking of parking spaces and accelerate cash collection in the future.

NEW LAND RESERVES

In 2019, 15 development projects were acquired by Poly Property Group in Shenzhen, Suzhou, Hong Kong, Foshan, Kunming, Tai'an, Huizhou, Ningbo, Wuhan and Guangzhou. The planned GFA of new land reserves for the Year was approximately 5,665,000 square metres. The cost of land was considered reasonable.

List of Land Reserve Acquired in 2019

Land Plot/Project	Type	Site Area *('000 square metres)*	Planned GFA *('000 square metres)*	Interests Attributable to the Group *(%)*	Current Status
Shenzhen Long Gang Project	Commercial and Residential	283	2,101	50%	Under construction
Suzhou Mu Du Project	Residential	36	105	49%	Under construction
Hong Kong Kai Tak 6553 Project	Commercial and Residential	9	93	35%	Under planning
Foshan Lun Jiao Project	Commercial and Residential	75	256	100%	Under planning
Kunming Guan Du Project	Commercial and Residential	189	1,073	90%	Under construction
Tai'an High-speed Train New District Project	Commercial and Residential	73	269	60%	Under planning
Suzhou Hu Shu Guan Project	Residential	42	124	45%	Under planning
Huizhou Shui Kou Project	Commercial and Residential	60	230	100%	Under planning
Foshan Jiao Yu Lu Project	Commercial and Residential	31	124	100%	Under planning
Ningbo Sheng Mei Lu Project	Residential	71	190	100%	Under planning
Wuhan Jing He Lu Project	Commercial and Residential	63	225	100%	Under planning
Guangzhou Pingbu Avenue Project	Commercial and Residential	62	184	37.5%	Under construction
Guangzhou Shangye Avenue Project	Residential	34	153	100%	Under planning
Wuhan Jing Xi Ba Lu Project	Commercial and Residential	47	179	100%	Under planning
Suzhou Wang Ting Project	Residential	96	359	20%	Under construction
Total		**1,169**	**5,665**		

Notes:

1. Since figures were rounded up to the nearest thousand, their total may not equal to the actual sum.

2. As at 31st December, 2019.

SUMMARY OF NEWLY ACQUIRED PROJECTS IN 2019

1. *Shenzhen Long Gang Project*

The project is located in the north to the center of Longgang, Shenzhen and is well-positioned with convenient transportation and thriving commercial activities and comfortable living environment. As the region is one of the most vibrant districts in Shenzhen, the project is expected to have ample market capacity and high sell-through rate. The project, with a planned gross floor area of approximately 2,101,000 square metres, is an urban renewal project and will be developed into rigid demand products of the first-tier city.

2. *Suzhou Mu Du Project*

The project is located in Mudu Town, Wuzhong District, Suzhou. It is close to Metro Line No. 5 which is under construction and enjoys convenient transportation. The region is well surrounded by commercial, educational and medical facilities. Mudu is a key development area in Wuzhong District with adequate demand in the residential market. The project, with a planned gross floor area of approximately 105,000 square metres, is intended to be developed into high-rise residential buildings.

3. *Hong Kong Kai Tak 6553 Project*

The project is located in the runway of the former Kai Tak airport, Kowloon, Hong Kong. The site enjoys the fascinating Victoria Harbor view with great development potential. The Hong Kong government plans to develop Kai Tak region into a unique, vibrant, aesthetic and sharing community. The project, with a planned gross floor area of approximately 93,000 square metres, is intended to be developed into high quality residential buildings.

4. *Foshan Lun Jiao Project*

The project is located in Lunjiao Street, Shunde District, Foshan, adjacent to the station of Metro Line No. 3 with access to convenient transportation. The site is close to Foshan Poly Central Park and Foshan Shun De Project, surrounded by well-developed educational, commercial and medical facilities. The project, with a planned gross floor area of approximately 256,000 square metres, is intended to be developed into high-rise residential buildings.

5. Kunming Guan Du Project

The project is located in Fangwang Area, Guandu District, Kunming. Situated at the intersection of the airport highway and the East Third Ring, the project is well-positioned with convenient transportation. Fangwang Area has a number of public and private schools, offering abundant educational resources. The project, with a planned gross floor area of approximately 1,073,000 square metres, mainly targets first-time buyers and first-time upgrade buyers. The project is relatively sizable and can be developed in phases, providing room for increases in selling prices in the future.

6. Tai'an High-speed Train New District Project

The project is located in the midwest of the central district of Tai'an, Shandong Province. It is situated in the prime area of the High-speed Train New District, with a well-developed road network and convenient transportation. The project is surrounded by comprehensive ancillary facilities and is close to Affiliated Experimental School of Taishan College, enjoying abundant natural landscape resources. The project, with a planned gross floor area of approximately 269,000 square metres, is intended to be developed into mid to high-end residential buildings.

7. Suzhou Hu Shu Guan Project

The project is located in the IKEA business circle of Hu Shuguan, Suzhou New District, with convenient transportation. It is surrounded by well-developed commercial facilities and abundant educational resources. The Beijing-Hangzhou Grand Canal and scenic belts of canals under construction are situated in the west of the project, offering exterior landscape. The project, with a planned gross floor area of approximately 124,000 square metres, is intended to be developed into high-rise residential buildings.

8. Huizhou Shui Kou Project

The project is located in the centre of Shuikou, Huicheng District, Huizhou, about five kilometres from the downtown of Huizhou, enjoying geographical advantages. Adjacent to Lujiangli Wetland Park with an area of 1,800,000 square metres, the project is supported by all-round educational, commercial and medical facilities within a radius of three kilometres. The project, with a planned gross floor area of approximately 230,000 square metres, is intended to be developed into a high-rise residential community mainly comprising small and medium units.

9. Foshan Jiao Yu Lu Project

The project is located in Lunjiao Street, Shunde District, Foshan and the northeast of Foshan Poly Central Park. It is adjacent to Lunjiao Secondary School, supported by convenient transportation and surrounded by comprehensive commercial and medical facilities. The project, with a planned gross floor area of approximately 124,000 square metres, is intended to be developed into a high-rise residential community.

10. Ningbo Sheng Mei Lu Project

The project is located in the east of Ningbo Eastern New City and is a new political, economic, cultural and commercial centre of Ningbo. The area is 2.2 kilometres from the office of Ningbo Municipal Government, enjoying well-developed ancillary facilities of Ningbo Eastern New City. The project, with a planned gross floor area of approximately 190,000 square metres, is intended to be developed into a residential community mainly comprising high-rise and multi-storey residential buildings.

11. Wuhan Jing He Lu Project

The project is located in Wuhan Airport Economic Zone. Surrounded by comprehensive ancillary facilities and scenic landscape, the project has a well-developed living environment. The area is close to Jinghelu Station of Metro Line 1, with convenient transportation. The project, with a planned gross floor area of approximately 225,000 square metres, is intended to be developed into a high quality community.

12. Guangzhou Pingbu Avenue Project

The project is located in the north of Pingbu Avenue, Huadu District, Guangzhou. It is three kilometres from Cultural Tourism City and 3.5 kilometres from the office of Huadu District Government, and is close to Poly Zephyr City of the Group. The area is surrounded by a well-developed transportation network and is supported by basic commercial and educational facilities. With the opening of Wanda Tourism City as well as the completion and operation of light rail, it is expected that there will be room for value appreciation of the project. The project, with a planned gross floor area of approximately 184,000 square metres, is intended to be developed into a high-rise residential community.

13. Guangzhou Shangye Avenue Project

The project is located in the northwest of the intersection of Shangye Avenue and Fenghuang Road, Xinhua Town, Huadu District, Guangzhou. It is situated in Ma'anshan Park in Huadu New City District and the central axis of Huadu District, about two kilometres from the office of Huadu District Government. Surrounded by well-developed commercial and educational facilities, the project has convenient transportation as it is close to Ma'anshan Station of Metro Line 9 which has commenced its operation. The project, with a planned gross floor area of approximately 153,000 square metres, is intended to be developed into a high-rise residential community.

14. Wuhan Jing Xi Ba Lu Project

The project is located in Wuhan Airport Economic Zone, four kilometres from the office of Dongxihu District Government. It has convenient transportation as it is adjacent to Sandian Station of Metro Line 1. The area is surrounded by large comprehensive public facilities such as municipal, recreation and sports, and medical facilities, offering abundant educational resources and well-developed commercial facilities. The project, with a planned gross floor area of approximately 179,000 square metres, is intended to be developed into a high-rise residential community.

15. Suzhou Wang Ting Project

The project is located in the centre of Wangting Town of Xiangcheng District, Suzhou. It is adjacent to north Taihu, less than one kilometre from Xiangcheng District Traditional Chinese Medicine Hospital. The area is surrounded by comprehensive commercial and educational facilities and supported by convenient transportation. With limited supply of new projects in the area, the demand is mainly from local buyers. The project, with a planned gross floor area of approximately 359,000 square metres, is intended to be developed into multi-storey and high-rise residential products.

PROJECTS UNDER CONSTRUCTION AND PROJECTS UNDER PLANNING

As at 31st December, 2019, Poly Property Group had a total of 67 real estate development projects in 24 cities. Among which, approximately 34% of the total GFA was located in Yangtze River Delta and Pearl River Delta Regions, approximately 37% in Southwestern Region, approximately 28% in Other Regions, and approximately 1% in Hong Kong. Meanwhile, 51 projects were under construction, with a total GFA of approximately 10,117,000 square metres (attributable area amounted to approximately 6,911,000 square metres), and a total GFA of approximately 11,615,000 square metres (attributable area amounted to approximately 8,176,000 square metres) was under planning.

List of Projects under Construction and under Planning as at 31st December, 2019

Project	**GFA under construction** *('000 square metres)*	**GFA under planning** *('000 square metres)*	**Interest attributable to the Group** *(%)*
Yangtze River Delta Region			
1. Shanghai Shan Jin Poly Plaza	111	—	50%
2. Shanghai Xijiao Jinmao Palace	226	—	14.9%
3. Shanghai Jiading Affordable Housing	159	—	100%
4. Suzhou Poly West Bank Villa	6	—	100%
5. Suzhou Poly Lake Mansion	—	90	100%
6. Suzhou Wei Tang Project	155	—	100%
7. Suzhou Majestic Mansion	176	—	40%
8. Suzhou Poly Yue Ying Ting	81	—	100%
9. Suzhou Mu Du Project	105	—	49%
10. Suzhou Hu Shu Guan Project	—	124	45%
11. Suzhou Wang Ting Project	274	85	20%
12. Ningbo Poly City	73	245	100%
13. Ningbo Prosperous Reflection	139	—	33%
14. Ningbo Oriental Imprint	110	—	33.3%
15. Ningbo Sheng Mei Lu Project	—	190	100%
16. Yuyao Poly Jordan International	13	299	100%
17. Deqing Poly Origin	—	68	100%
18. Deqing Poly Pearl Bay	85	—	100%
Sub total	**1,714**	**1,101**	

Project	GFA under construction *('000 square metres)*	GFA under planning *('000 square metres)*	Interest attributable to the Group *(%)*
Pearl River Delta Region			
19. Guangzhou Poly Gratified West Bay	—	446	75%
20. Guangzhou Nansha Poly City	376	—	85%
21. Guangzhou Pingbu Avenue Project	111	73	37.5%
22. Guangzhou Shangye Avenue Project	—	153	100%
23. Foshan Poly Tongji Mansion	140	—	100%
24. Foshan Shun De Project	—	108	100%
25. Foshan Lun Jiao Project	—	256	100%
26. Foshan Jiao Yu Lu Project	—	124	100%
27. Shenzhen Long Gang Project	267	1,835	50%
28. Huizhou Poly Sunshine Town	360	—	70%
29. Huizhou Shui Kou Project	—	230	100%
Sub total	**1,254**	**3,224**	
Southwestern Regions			
30. Guiyang Poly Spring Street	133	—	66.5%
31. Guiyang Poly Park 2010	467	555	100%
32. Guiyang Poly The Place of A Lake	46	—	50%
33. Guiyang Poly Phoenix Bay	72	198	51%
34. Zunyi Poly Metropolis of Future	483	2,090	35%
35. Nanning Poly Crescendo	115	—	100%
36. Nanning Poly Dream River	210	—	30%
37. Nanning Poly Hearty	126	—	100%
38. Nanning Poly Town	581	74	83.5%
39. Nanning Poly Town Phase II	639	1,128	100%
40. Kunming Poly One Family One World	89	—	73%
41. Kunming Guan Du Project	300	772	90%
Sub total	**3,261**	**4,818**	

Project	GFA under construction *('000 square metres)*	GFA under planning *('000 square metres)*	Interest attributable to the Group *(%)*
Other Regions			
42. Wuhan Poly City	279	452	68%
43. Wuhan Poly Riverview	137	—	51%
44. Wuhan Poly Park	—	286	55%
45. Wuhan Poly Up Town	290	75	100%
46. Wuhan Jing He Lu Project	—	225	100%
47. Wuhan Jing Xi Ba Lu Project	—	179	100%
48. Harbin Poly The Water's Fragrant Dike	230	—	58%
49. Harbin Poly City	87	34	100%
50. Harbin Qun Li 022 Project	148	—	100%
51. Harbin Poly Tin Yor	146	—	100%
52. Mudanjiang Poly Landscape	307	34	100%
53. Jinan Phili House	198	83	25%
54. Jinan Hai Zi Wa Project	188	—	60%
55. Jinan Poly Sheng Jing Tai	147	—	51%
56. Jinan Zhong Lu Mansion	287	—	33%
57. Jinan Huai Yin Project	445	192	75%
58. Yantai Poly Ocean Luxe	131	—	70%
59. Weihai Caixin Poly Masterpiece	304	31	30%
60. Zibo Poly Mansion	158	—	65%
61. Zibo Poly City	234	—	65%
62. Weifang Zoina Poly Mansion	113	158	30%
63. Tai'an High-speed Train New District Project	—	269	60%
64. Wanning Poly Peninsula No.1	—	360	100%
Sub total	**3,828**	**2,379**	
Hong Kong			
65. Hong Kong Tuen Mun Project	17	—	100%
66. Hong Kong Yau Tong Project	42	—	70%
67. Hong Kong Kai Tak 6553 Project	—	93	35%
Sub total	**60**	**93**	
Grand total	**10,117**	**11,615**	

Note:

1. Since figures were rounded up to the nearest thousand, their total may not equal to the actual sum or the sum in each group.

COMPLETED CONSTRUCTION

In 2019, the Poly Property Group has achieved a total GFA of approximately 3,446,000 square metres in completed construction. The construction of all phases of four projects has been completed in the Year.

List of Major Completed Construction in 2019

Project	**Completed GFA in 2019** *('000 square metres)*	**Accumulated completed GFA by the end of 2019** *('000 square metres)*
Yangtze River Delta Region		
Suzhou Poly Lake Mansion	234	953
Ningbo Prosperous Reflection	116	340
Deqing Poly Origin	25	430
Deqing Poly Prime Regency	49	49
Pearl River Delta Region		
Guangzhou Poly Gratified West Bay	26	99
Foshan Poly Central Park	196	663
Huizhou Poly Sunshine Town	202	513
Southwestern Region		
Guiyang Poly Park 2010	113	1,180
Guiyang Poly The Place of A Lake	112	820
Guiyang Poly Phoenix Bay	415	1,143
Zunyi Poly Metropolis of Future	405	2,503
Nanning Poly Crescendo	52	535
Nanning Poly Hearty	42	179
Nanning Poly Town	582	1,081
Kunming Poly One Family One World	278	613
Other Regions		
Wuhan Poly City	113	1,087
Wuhan Poly Up Town	171	460
Yantai Poly Ocean Luxe	72	72
Weifang Zoina Poly Mansion	153	153
Hong Kong and Overseas Regions		
Hong Kong Kai Tak Vibe Centro	74	74
UK London Cambium Project	16	16
Grand total	**3,446**	**12,963**

Note:

1. Since figures were rounded up to the nearest thousand, their total may not equal to the actual sum.

Recognised Property Sales

The sales of over 50 projects of Poly Property Group have been recognised in 2019, with a total sales value of RMB33.5 billion and a total GFA of approximately 2,034,000 square metres. The recognised average selling price was approximately RMB16,474 per square metre. Among the sales recognised, ordinary residential properties accounted for 85%, villas accounted for 3%, retail shops accounted for 6%, offices accounted for 1% and parking spaces accounted for 4% of the total value. In terms of geographical distribution, Yangtze River Delta, Pearl River Delta, Southwestern, Other Regions and Hong Kong accounted for approximately 16%, 17%, 27%, 14% and 26%, respectively.

List of Major Projects with Sales Recognised in 2019

Project	**Sales recognized in 2019** *(RMB million)*
Yangtsz River Delta Region	
1. Shanghai Poly Deluxe Mansion	632
2. Shanghai Poly Elegant Mansion	49
3. Shanghai Jiading Project	45
4. Suzhou Poly West Bank Villa	83
5. Suzhou Poly Lake Mansion	3,190
6. Ningbo Poly Wonderland	82
7. Yuyao Poly Jordan International	806
8. Deqing Poly Origin	35
9. Deqing Poly Prime Regency	550
10. Others	15
Subtotal	**5,489**
Pearl River Delta Region	
11. Guangzhou Poly Golf Shire	59
12. Guangzhou Poly Zephyr City	37
13. Guangzhou Poly Gratified West Bay	464
14. Guangzhou Nansha Poly City	1,045
15. Guangzhou Poly Jade Hills	130
16. Foshan Poly Prestige City	22
17. Foshan Poly Central Park	1,617

Project	Sales recognized in 2019 *(RMB million)*
18. Shenzhen Poly Up Town	41
19. Shenzhen Poly Joy-Zone	37
20. Huizhou Poly Deutch Kultur	147
21. Huizhou Poly Sunshine Town	2,196
22. Others	29
Subtotal	**5,824**
Southwestern Regions	
23. Guiyang Poly Spring Street	115
24. Guiyang Poly Park 2010	589
25. Guiyang Poly The Place of A Lake	476
26. Guiyang Poly Phoenix Bay	2,009
27. Zunyi Poly Metropolis of Future	1,518
28. Nanning Poly Crescendo	814
29. Nanning Poly Aegean Sea	239
30. Nanning Poly Hearty	329
31. Nanning Poly Town	1,016
32. Liuzhou Poly Merization World	65
33. Kunming Poly Sky and Earth	324
34. Kunming Poly One Family One World	1,425
35. Others	70
Subtotal	**8,989**

Project	Sales recognized in 2019 *(RMB million)*
Other Regions	
36. Wuhan Poly City	1,297
37. Wuhan Poly Blue Ocean District	21
38. Wuhan Poly Up Town	1,723
39. Harbin The Tsinghua Summer Palace of Poly	29
40. Harbin Poly The Water's Fragrant Dike	91
41. Harbin Poly Up Town	19
42. Harbin Poly City	52
43. Jinan Poly Garden	62
44. Jinan Poly Hyde Mansion	23
45. Jinan Poly Center	508
46. Jinan Poly Elegant Garden	57
47. Yantai Poly Champs Elysees Mansion	37
48. Yantai Poly Ocean Luxe	470
49. Weihai Poly Maple Valley	34
50. Wanning Poly Peninsula No. 1	70
51. Others	41
Subtotal	**4,533**
Hong Kong	
52. Hong Kong Kai Tak Vibe Centro	8,674
Subtotal	**8,674**
Grand total	**33,509**

Note:

1. Since figures were rounded up to the nearest million, their total may not equal to the actual sum or the sum in each group.

Recognised Sales in 2019 by Property Type

Property type	**Sales recognized in 2019** *(RMB million)*	**Percentage** *(%)*
Ordinary residential property	28,617	85%
Villa	1,167	3%
Retail shop	2,087	6%
Office	271	1%
Parking space	1,367	4%
Total	33,509	100%

Note:

1. Since figures were rounded up to the nearest million, their total may not equal to the actual sum.

Investment Properties

The Group has various investment properties and hotels located in first-tier cities and second-tier provincial capitals. The investment properties had a total GFA of approximately 803,000 square metres and an asset value of approximately HK$12.1 billion. In 2019, the occupancy rates for the Group's office buildings and shopping malls remained steady. The rental rates achieved higher as compared to the corresponding period of last year. The hotel operations achieved satisfactory results.

List of Major Investment Properties and Hotels as at 31st December, 2019

Region	Project	GFA held *('000 square metres)*	Average occupancy rate of 2019	Average occupancy rate of 2018	Interests attributable to the Group	Property type
Investment properties						
Beijing	Beijing Poly Plaza	15	99%	100%	75%	Office
Shanghai	Shanghai Poly Plaza (partial)	34	89%	92%	100%	Office and commercial
Shanghai	Shanghai Stock Exchange Building (partial)	48	87%	88%	100%	Office
Shenzhen	Shenzhen Poly Cultural Plaza (partial)	135	100%	100%	100%	Commercial
Wuhan	Wuhan Poly Plaza (partial)	97	75%	80%	100%	Office and commercial
Guiyang	Guiyang Poly International Center	52	100%	100%	66.5%	Commercial
Hotels						
Beijing	Beijing Poly Plaza Hotel	63	78%	78%	75%	Hotel
Wuhan	Wuhan Poly Hotel	28	73%	77%	100%	Hotel
Guiyang	Guiyang Poly Hot Spring Hotel	39	48%	52%	66.5%	Hotel

Property Management

The Group has various property management companies engaging in the management of residential, commercial, offices, hotels, theatres and other property types. They have been the leading players in the property management industry of China and have received numerous titles and awards.

In 2019, the Group's property management companies recorded total revenue of RMB810 million. The companies managed a total of 222 property projects with an aggregate GFA of 37,689,000 square metres, representing an increase of 11.4% when comparing with the corresponding period of last year.

FINANCIAL REVIEW

Liquidity and Capital Structure

As at 31 December 2019, total equity attributable to shareholders of the Company amounted to HK$32,552,160,000 (2018: HK$29,889,095,000), while the net asset value per share was HK$8.89 (2018: HK$8.16). As at 31 December 2019, the Group's gearing ratio (on the basis of the amount of total liabilities divided by the amount of total assets) was 78.1% (2018: 78.1%).

As at 31 December 2019, the Group had an outstanding bank and other borrowings (including the notes payable) of HK$64,217,191,000. In terms of maturity, the outstanding bank and other borrowings (including notes payable) can be divided into HK$15,349,243,000 (24%) to be repaid within one year, HK$16,980,251,000 (26%) to be repaid after one year but within two years, HK$24,493,099,000 (38%) to be repaid after two years but within five years, HK$7,394,598,000 (12%) to be repaid after five years. In terms of currency denomination, the outstanding bank and other borrowings (including the notes payable) can be divided into HK$52,492,107,000 (82%) in Renminbi, HK$3,900,000,000 (6%) in United State dollars, and HK$7,825,084,000 (12%) in Hong Kong dollars.

36.6% of the bank and other borrowings (including the notes payable) of the Group are subject to fixed interest rates and the remaining 63.4% are subject to floating interest rates. Therefore, under circumstances of interest rates uncertainty or fluctuations or otherwise as appropriate, the Group will consider the use of hedging instruments (including interest rates swaps), in order to manage interest rate risks.

As at 31 December 2019, the Group had a net current assets of HK$58,574,423,000 and total bank balances of HK$27,914,326,000 (2018: HK$47,889,262,000 and HK$27,354,481,000, respectively). With the available banking facilities and cash revenue from business operations, it is believed that the Group has sufficient resources to meet the foreseeable working capital demands and capital expenditure.

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, Renminbi and United States dollars. The Group maintains a prudent strategy in its foreign exchange risk management, where foreign exchange risks are minimised via balancing the monetary assets versus monetary liabilities, and foreign exchange revenue versus foreign exchange expenditures. The management believes that the foreign exchange rate between Hong Kong dollars and United States dollars is relatively stable. Due to recent fluctuation of Renminbi exchange rate against Hong Kong dollars, the Group closely monitors the fluctuation and adopts policy to minimise exchange rate risks, if necessary.

Pledged Assets

At the end of the reporting period, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	2019	2018
	HK$'000	*HK$'000*
Investment properties	**6,770,988**	6,031,545
Hotel properties	**1,465,556**	151,724
Buildings	—	95,931
Right-of-use assets	**96,370**	—
Prepaid lease payments	—	61,656
Properties under development	**27,623,760**	19,685,181
Properties held for sale	**728,349**	924,713
Bank deposits	**433,580**	4,201,597
	37,118,603	31,152,347

In addition to above pledge of assets, at 31 December 2019 and 2018, the Group's interests in certain subsidiaries was pledged to secure credit facilities granted to the Group. The details of net asset value of subsidiaries are as follows:

	2019	2018
	HK$'000	*HK$'000*
Total assets	**14,040,422**	11,584,681
Total liabilities	**(13,221,788)**	(10,680,886)
Net assets value	**818,634**	903,795

At 31 December 2019, no Group's interests in joint ventures were pledged to secure the credit facilities granted to the joint ventures. At 31 December 2018, the Group's interests in joint ventures were pledged to secure the credit facilities granted to the joint ventures. The pledged interests were amounting to HK$3,713,975,000.

Contingent Liabilities

The Group arranged mortgage loan facilities with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayment. The maximum guarantees given to banks amounted to HK$29,978,261,000 as at 31 December 2019 (2018: HK$24,775,663,000). Such guarantees terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgage loans by the buyers of the properties. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default payments to the banks.

As at 31 December 2019, the Group had given guarantees to certain banks in respect of credit facilities granted to certain joint ventures of the Group amounting to HK$3,062,527,000 (2018: HK$3,923,226,000), of which HK$3,032,841,000 (2018: HK$3,909,068,000) had been utilised by the joint ventures.

EMPLOYEES

As at 31 December 2019, the Group employed about 11,571 employees with remuneration for the year amounted to approximately HK$1,447,713,000. The Group provides its employees with various benefits including year-ended double-pay, contributory provident fund and medical insurance. In addition, share options and discretionary bonuses are also granted based on the Group's and individual's performance. Employee trainings are also provided as and when required.

SHARE OPTIONS

In order to provide incentives or rewards to the Directors and certain employees of the Company and certain eligible persons to contribute to the long term success of the business of the Group, the shareholders of the Company adopted a share option scheme ("Share Option Scheme") on 28 May 2014. As at 31 December 2019, 104,110,000 options were outstanding (each option entitles its holder to subscribe for one share of the Company) under the Share Option Scheme to certain executive Directors and employees.

EVENTS AFTER THE REPORTING PERIOD

Since the outbreak of the Novel Coronavirus (COVID-19) disease in China, ongoing prevention and control measures have been carried out throughout the whole country. The epidemic will impact business operations of certain industries as well as the overall economy. The Company will closely monitor the situation, and assess its impacts on our financial position and operating results. As at the date of this announcement, such assessment is still ongoing.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEWED BY AUDIT COMMITTEE

The audit committee presently comprises four independent non-executive Director, namely Miss Leung Sau Fan, Sylvia (as Chairlady), Mr. Ip Chun Chung, Robert, Mr. Choy Shu Kwan and Mr. Wong Ka Lun. The consolidated financial statements of the Group for the year ended 31 December 2019 has been reviewed by the audit committee.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year under review, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code"), other than code provisions A.5.1 to A.5.4 of the CG Code. The reasons for deviations from such provisions are explained below:

Code Provisions A.5.1 to A.5.4 of the CG Code — Nomination Committee

Under code provisions A.5.1 to A.5.4 of the CG Code, listed issuers should, among others, establish a nomination committee with specific written terms of reference. The Company has considered the merits of establishing a nomination committee but is of the view that it is in the best interests of the Company that the Board collectively reviews, deliberates on and approves the structure, size and composition of the Board, appoints or re-appoints of any Director and assesses the independence of independent non-executive Directors. The Board is tasked with ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with the relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of the existing Directors.

The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Model Code and the code of conduct regarding directors' securities transactions adopted by the Company throughout the year ended 31 December 2019.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website and the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The 2019 Annual Report will also be available at the Company's and the Stock Exchange's websites and will be despatched to shareholders of the Company in April 2020.

For and on behalf of the Board
Poly Property Group Co., Limited
ZHANG Bingnan
Chairman

Hong Kong, 26 March 2020

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Bingnan, Mr. Han Qingtao, Mr. Xue Ming, Mr. Wang Xu, Mr. Wang Jian, Mr. Ye Liwen and Mr. Zhu Weirong, and the independent non-executive directors are Mr. Ip Chun Chung, Robert, Mr. Choy Shu Kwan, Miss Leung Sau Fan, Sylvia and Mr. Wong Ka Lun.