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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 2020

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 2020, together with comparative figures for the previous year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	2	31,280,798	39,943,978
Cost of sales		<u>(20,726,427)</u>	<u>(26,409,985)</u>
Gross profit		10,554,371	13,533,993
Decrease in fair value of investment properties		(243,187)	(7,933)
Increase in fair value of financial assets		90,692	54,636
Other gains, net		1,438,924	155,592
Selling expenses		(957,610)	(1,196,022)
Administrative expenses		(1,702,300)	(1,921,418)
Gain on step-up acquisition of subsidiaries		2,275	478,617
Impairment loss on properties held for sale		(39,524)	(1,020,281)
Loss on disposal of subsidiaries		(277,265)	—
Other operating expenses		(378,935)	(391,540)
Finance costs	3	(1,856,775)	(1,473,608)
Share of results of associates		(27,219)	(20,630)
Share of results of joint ventures		<u>185,397</u>	<u>498,341</u>
Profit before income tax expense	4	6,788,844	8,689,747
Income tax expense	5	<u>(4,464,207)</u>	<u>(4,901,118)</u>
Profit for the year		<u><u>2,324,637</u></u>	<u><u>3,788,629</u></u>
Attributable to:			
Owners of the Company		1,880,112	3,832,948
Non-controlling interests		<u>444,525</u>	<u>(44,319)</u>
		<u><u>2,324,637</u></u>	<u><u>3,788,629</u></u>
Earnings per share (expressed in HK cents)	7		
— Basic		<u><u>51.35</u></u>	<u><u>104.68</u></u>
— Diluted		<u><u>51.30</u></u>	<u><u>104.31</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year	<u>2,324,637</u>	<u>3,788,629</u>
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	2,094,214	(932,988)
Items that will not be reclassified to profit or loss:		
Surplus arising on revaluation of properties	<u>69,097</u>	<u>130,368</u>
Other comprehensive income before income tax effect	2,163,311	(802,620)
Deferred tax liability arising on revaluation of properties	<u>(17,274)</u>	<u>(32,592)</u>
Other comprehensive income for the year, net of tax	<u>2,146,037</u>	<u>(835,212)</u>
Total comprehensive income for the year	<u><u>4,470,674</u></u>	<u><u>2,953,417</u></u>
Attributable to:		
Owners of the Company	3,622,175	3,088,981
Non-controlling interests	<u>848,499</u>	<u>(135,564)</u>
	<u><u>4,470,674</u></u>	<u><u>2,953,417</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Non-current assets			
Investment properties		10,666,081	12,115,132
Property, plant and equipment		3,287,617	3,755,234
Right-of-use assets		349,460	365,040
Interests in associates		250,974	291,900
Interests in joint ventures		7,678,689	7,429,659
Financial assets at fair value through profit or loss		675,730	544,624
Loan receivables		219,742	195,666
Deposits paid for acquisition of land use rights		3,705,217	2,948,333
Deferred tax assets		269,764	285,286
Total non-current assets		27,103,274	27,930,874
Current assets			
Properties under development		93,812,693	65,667,447
Properties held for sale		18,513,172	21,316,121
Other inventories		95,210	81,391
Contract costs		486,012	390,816
Trade and other receivables	8	11,328,354	5,741,095
Amounts due from associates		1,291,370	2,516,118
Amounts due from joint ventures		4,660,493	5,080,256
Amounts due from non-controlling shareholders of subsidiaries		952,013	605,146
Taxation recoverable		2,861,794	2,040,047
Pledged bank deposits		688,766	433,580
Bank balances, deposits and cash		42,963,626	27,480,746
		177,653,503	131,352,763
Assets classified as held for sale		777,093	—
Total current assets		178,430,596	131,352,763

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current liabilities			
Trade and other payables	9	26,107,235	20,583,403
Contract liabilities		38,688,083	27,185,777
Property rental deposits		172,252	130,162
Amount due to an associate		144,646	81,722
Amounts due to joint ventures		1,891,480	1,688,741
Amount due to the ultimate holding company		17,571	20,925
Amount due to an intermediate holding company		3,323	3,102
Amount due to a fellow subsidiary		577	539
Amounts due to non-controlling shareholders of subsidiaries		2,838,310	2,491,584
Taxation payable		7,609,346	5,243,142
Notes payable — due within one year		4,733,333	—
Bank and other borrowings — due within one year		23,373,768	15,349,243
		105,579,924	72,778,340
Liabilities associated with assets classified as held for sale		837	—
Total current liabilities		105,580,761	72,778,340
Net current assets		72,849,835	58,574,423
Total assets less current liabilities		99,953,109	86,505,297
Capital and reserves attributable to owners of the Company			
Share capital	10	17,685,677	17,685,677
Reserves		17,758,355	14,866,483
Equity attributable to owners of the Company		35,444,032	32,552,160
Non-controlling interests		3,763,966	2,364,979
Total equity		39,207,998	34,917,139

	2020	2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Bank and other borrowings — due after one year	54,585,117	44,190,170
Notes payable — due after one year	3,900,000	4,677,778
Lease liabilities	—	1,579
Loan from a fellow subsidiary	214,286	200,000
Deferred tax liabilities	2,045,708	2,518,631
	<u>60,745,111</u>	<u>51,588,158</u>
Total non-current liabilities	<u>99,953,109</u>	<u>86,505,297</u>

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. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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 2019, 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 2020.

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 2019. 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 2019 that is included in this announcement of the results for the year ended 31 December 2020 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 2019 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 2020 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:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19 Related Rent Concessions

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

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 HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴
Amendments to HKAS 16	Proceeds before Intended Use ²
Amendments to HKAS 37 HKFRS 17	Onerous Contracts — Cost of Fulfilling a Contract ² Insurance Contracts ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Annual improvements to HKFRSs 2018–2020 ²	

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

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

³ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 January 2023.

⁵ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The directors of the Company do not anticipate that the application of these new pronouncements in the future will have significant impact on the 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 2020

	Property development business <i>HK\$'000</i>	Property investment and management <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:						
— Recognised at point in time	29,383,755	—	—	83,717	—	29,467,472
— Recognised overtime	—	1,027,937	216,099	—	—	1,244,036
Revenue from other sources outside the scope of HKFRS 15:						
— Rental income	—	569,290	—	—	—	569,290
External revenue	29,383,755	1,597,227	216,099	83,717	—	31,280,798
Inter-segment revenue*	—	201,093	—	—	(201,093)	—
Total revenue	<u>29,383,755</u>	<u>1,798,320</u>	<u>216,099</u>	<u>83,717</u>	<u>(201,093)</u>	<u>31,280,798</u>
Segment results	<u>8,009,230</u>	<u>25,214</u>	<u>(168,167)</u>	<u>115,088</u>	<u>—</u>	<u>7,981,365</u>
Unallocated income						862,939
Unallocated expenses						(81,873)
Finance costs						(1,856,775)
Share of results of associates	(27,219)	—	—	—	—	(27,219)
Share of results of joint ventures	184,445	—	—	952	—	185,397
Gain on step-up acquisition of subsidiaries	2,275	—	—	—	—	2,275
Loss on disposal of subsidiaries	(277,265)	—	—	—	—	(277,265)
Profit before income tax expense						6,788,844
Income tax expense						(4,464,207)
Profit for the year						<u>2,324,637</u>

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

As at 31 December 2020
Assets and liabilities

	Property development business <i>HK\$'000</i>	Property investment and management <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets					
Segment assets	135,266,529	11,771,180	2,854,025	883,092	150,774,826
Interests in associates	249,210	—	—	1,764	250,974
Interests in joint ventures	7,676,095	—	—	2,594	7,678,689
Unallocated corporate assets					46,829,381
Total assets					<u>205,533,870</u>
Liabilities					
Segment liabilities	67,623,286	2,163,128	172,986	25,346	69,984,746
Unallocated corporate liabilities					96,341,126
Total liabilities					<u>166,325,872</u>

For the year ended 31 December 2019

	Property development business <i>HK\$'000</i>	Property investment and management <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:						
— 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 outside the scope of HKFRS 15:						
— 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	<u>37,868,376</u>	<u>1,730,509</u>	<u>354,573</u>	<u>100,289</u>	<u>(109,769)</u>	<u>39,943,978</u>
Segment results	<u>9,109,872</u>	<u>279,730</u>	<u>(124,036)</u>	<u>79,204</u>	<u>—</u>	<u>9,344,770</u>
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						<u>3,788,629</u>

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

As at 31 December 2019

Assets and liabilities

	Property development business <i>HK\$'000</i>	Property investment and management <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
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					<u>30,261,919</u>
Total assets					<u><u>159,283,637</u></u>
Liabilities					
Segment liabilities	50,790,262	1,310,839	184,355	23,162	52,308,618
Unallocated corporate liabilities					<u>72,057,880</u>
Total liabilities					<u><u>124,366,498</u></u>

3. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Finance costs on interest bearing borrowings	4,362,632	3,543,530
Interest on lease liabilities	172	383
Less: amounts capitalised	<u>(2,506,029)</u>	<u>(2,070,305)</u>
	<u><u>1,856,775</u></u>	<u><u>1,473,608</u></u>

Borrowing costs capitalised during the year arose from specific borrowings.

4. PROFIT BEFORE INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before income tax expense is arrived at after charging/(crediting):		
Depreciation of right-of-use assets	15,831	16,923
Depreciation of property, plant and equipment	<u>187,796</u>	<u>170,557</u>
Total depreciation	<u>203,627</u>	<u>187,480</u>
Loss/(gain) on disposal of investment properties	30,870	(5,265)
Loss on disposal of property, plant and equipment	<u>3,524</u>	<u>3,547</u>

5. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax	110,368	560,899
PRC Enterprise Income Tax	1,607,542	1,424,517
PRC Withholding Income Tax	1,866	1,385
PRC Land Appreciation Tax ("LAT")	<u>3,201,932</u>	<u>3,121,646</u>
	4,921,708	5,108,447
Deferred taxation	<u>(457,501)</u>	<u>(207,329)</u>
	<u>4,464,207</u>	<u>4,901,118</u>

Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) based on the estimated assessable profit for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rates regime.

For the subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The provision for Hong Kong Profits Tax for 2020 is taken into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2019–2020 subject to a maximum reduction of HK\$20,000 for each business. (2019: a maximum reduction of HK\$20,000 was granted of 75% of the tax payable for the year of assessment 2018–2019 and was taken into account in calculating the provision for 2019).

The PRC Enterprise Income Tax is calculated at 25% (2019: 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividends recognised as a distribution during the year:		
2019 final dividend of HK\$0.209 (2018: HK\$0.123) per share	<u>765,261</u>	<u>450,369</u>

No interim dividend was declared and paid for both years.

The Directors of the Company recommend the payment of a final dividend of HK\$0.128 per share (2019: HK\$0.209 per share) for the year ended 31 December 2020. The payment of final dividend will be payable in cash but the shareholders will have an option to receive the proposed final dividend in form of new fully paid shares of the Company (“scrip shares”) in lieu of cash, or partly in cash and partly in scrip shares (the “Scrip Dividend Scheme”) which subject to the approval at forthcoming annual general meeting and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under Scrip Dividend Scheme.

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the ordinary equity holders of the Company for the year is based on the following data:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings:		
Profit for the year attributable to owners of the Company	<u>1,880,112</u>	<u>3,832,948</u>
	2020	2019
Number of shares:		
Weighted average number of ordinary shares in issue for the purposes of basic earnings per share	<u>3,661,537,046</u>	3,661,537,046
Effect of dilutive potential ordinary shares on share options	<u>3,357,501</u>	<u>13,165,878</u>
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share	<u>3,664,894,547</u>	<u>3,674,702,924</u>

The diluted earnings per share for the years ended 31 December 2020 and 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.

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	165,683	67,235
31 to 90 days	56,723	24,502
More than 90 days	<u>60,608</u>	<u>53,373</u>
Total trade receivables	283,014	145,110
Other receivables (net of allowance of HK\$877,703,000) (2019: HK\$92,610,000)	<u>11,045,340</u>	<u>5,595,985</u>
	<u>11,328,354</u>	<u>5,741,095</u>

9. TRADE AND OTHER PAYABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	5,451,171	5,229,598
31 to 90 days	872,722	434,500
More than 90 days	<u>6,216,755</u>	<u>5,585,278</u>
Total trade payables	12,540,648	11,249,376
Bills payables	—	52,635
Other payables	<u>13,566,587</u>	<u>9,281,392</u>
	<u>26,107,235</u>	<u>20,583,403</u>

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 <i>HK\$'000</i>
Ordinary shares, issued and fully paid:		
At 31 December 2019, 1 January 2020 and 31 December 2020	<u>3,661,537,046</u>	<u>17,685,677</u>

FINAL DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK12.8 cents per share (2019: HK20.9 cents per share) for the year ended 31 December 2020. The proposed final dividend is subject to the approval by the Company's shareholders at the forthcoming annual general meeting to be held on 28 May 2021 (the "AGM") and will be payable in cash but shareholders will have an option to receive the proposed final dividend in form of new fully paid shares of the Company ("scrip shares") in lieu of cash, or partly in cash and partly in scrip shares (the "Scrip Dividend Scheme").

The Scrip Dividend Scheme is conditional upon the passing of the resolutions relating to the payment of the proposed final dividend at the AGM and the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

A circular containing details of the Scrip Dividend Scheme together with relevant election form will be dispatched to the shareholders on or about 29 June 2021. It is expected that the cheques for cash dividends or, if scrip shares are elected, the certificates for the scrip shares will be sent on 30 July 2021 to the shareholders whose names appear on the register of members of the Company on 18 June 2021.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

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 28 May 2021, the register of members of the Company will be closed from 26 May 2021 to 28 May 2021, 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 25 May 2021. Shareholders whose names are recorded in the register of members of the Company on 28 May 2021 are entitled to attend and vote at the AGM.

CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO PROPOSED FINAL DIVIDEND

The register of members of the Company will be closed from 17 June 2021 to 18 June 2021 (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 16 June 2021. Shareholders whose name are recorded in the register of members of the Company on 18 June 2021 are entitled to receive the proposed final dividend for the year ended 31 December 2020.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

2020 was an extraordinary year. Impacted by the COVID-19 pandemic, the global economy slipped into severe recession. Globalisation, which began in the 1950s, suffered unprecedented setbacks. With the largest population, the second largest economy and the highest exports and imports in the world, China also faced serious challenges in respect of economic and social development. However, under the leadership of the Central Government, people across the country worked together to prevent and control the pandemic with effective strategies. China was one of the first countries to resume work and production, and recover its economy. With its GDP for 2020 exceeding RMB100 trillion for the first time, representing a year-on-year increase of 2.3%, China became the only major economy in the world to achieve positive growth.

The real estate industry in China also went through special tests and challenges in 2020. Guided by the major policy of “no speculation of residential properties” of the central government, local governments implemented measures in response to the actual situations in their respective cities, leading to stable market operation. In the first quarter of 2020, sales dropped drastically due to pandemic shutdowns of all industries. Property developers resorted to online sales to minimise loss. In the second quarter of 2020, construction gradually resumed and the market started to regain confidence. In the second half of 2020, despite tightened regulation on financing and other factors, property developers adjusted development strategies to seize market share and resources. The industry maintained stable development. The sales of commodity properties in 2020 hit another record high of over RMB17 trillion, representing a year-on-year increase of 8.7%, which demonstrated the tremendous market capacity and resilience of the industry.

The Group recorded profit attributable to shareholders of HK\$1,880 million for the year, representing a year-on-year decrease of 50.9%, mainly attributed to a decrease in revenue. The board (the “Board”) of directors (the “Directors”) of the Company recommended distribution of a final dividend of HK12.8 cents per share to shareholders in appreciation of their support.

After unremitting efforts, the Group has fulfilled the annual sales target and recorded contracted sales of RMB52.1 billion, representing a year-on-year increase of 21%. Amid adverse pandemic impacts and intense market competition, the Group adhered to its brand philosophy and continued to improve product quality and service standard. The average selling price of contracted sales was RMB18,411 per square metre, representing a slight increase of 1% as compared with 2019. The Group achieved remarkable results in destocking by successfully selling the commercial portions of several projects including Wuhan Poly Plaza, Guiyang Poly Phoenix Bay and Jinan Poly Hyde Mansion.

The Group has expanded its project portfolio effectively. During the year, the Group acquired a total of 20 projects and established business presence in Hangzhou and Kunshan. Nearly half of these projects were acquired through urban renewal, primary and secondary co-development, transfer agreement and co-development. Capitalising on diversified expansion channels, the land price was kept at a reasonable level. At the end of 2020, the percentage of attributable land reserves held by the Group in first-tier and second-tier cities further increased to 80% and the attributable land reserves in Yangtze River Delta and Greater Bay Area recorded a year-on-year increase of 10%, indicating that the structure of the land bank was continuously optimised. Project development cycle has been accelerating significantly, aiming for the industry excellent level.

The Group has managed its finances with great delicacy. Through carefully analysing policies and markets, the Group has taken various measures to provide solid financial protection and abundant cash support for sustainable business development while ensuring its financial security. During the year, the Group reserved funds for development and expansion at lower cost through conducting debt financing on Beijing Financial Assets Exchange, Beijing Poly Plaza CMBS, offshore USD bond, supply chain ABN and other products. In the meantime, our financial cost has been reduced through replacing high-interest facilities with low-interest facilities, controlling cost of new financing and early repayment. The average funding cost dropped by 0.74 percentage points from the end of 2019 to 4.72%.

During the year, the Group continued to put great efforts in reforming all aspects of development and operation. Through developing and launching POLY LIGHT production system and Yuexiang Community (悦享社區), composite housing system 3.0 for all ages, the product quality has been enhanced. The composition of our talent team and remuneration policies have been in line with the market. Adhering to our employment culture, we offer promotion opportunities to talents and reward employees with outstanding performance, which has further improved our per capita efficiency. We also enhanced our project development efficiency and profitability through implementing standardised operation management system and establishing a pragmatic and efficient decision-making and feedback mechanism.

BUSINESS OUTLOOK

In 2021, China will start to implement the “14th Five-Year Plan”. It is expected that China will continue to implement stable and consistent policies in general without abrupt changes. Fiscal policies will aim to boost quality and efficiency, and monetary policies will remain stable with higher flexibility and accuracy. In spite of the complex and unstable global political and economic situations as well as the risk of recurrent epidemic outbreaks, there will be various favorable factors driving economic growth as China is able to maintain its effective social governance and carry out efficient pandemic control measures. It is expected that the economic growth rate of China will return to normal level.

The Central Government still adheres to the policy of “no speculation of residential properties” (房住不炒), which has stopped the surge in housing price and given rise to more structural market opportunities. The real estate industry will become more concentrated while cities, regions and developers diverge further. Adhering to the goal of “Building another Poly Property within Next Five Years” (在未來五年再造一個保利置業) under the “14th Five-Year Plan” of the Group, great efforts will be put in achieving strong growth, promoting high-quality development and ensuring effective risk management. Through further enhancing its comprehensive competitiveness, establishing delicacy management system and improving product and service quality, the Group aims to “become a first-class real estate developer in China and fulfill people’s yearning for better living environment” and maximise the values for its customers, shareholders, employees and the society.

In the new era with new vision, we are always with you.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the year ended 31 December 2020 (the “Year”), the Group recorded a revenue of HK\$31,281 million (2019: HK\$39,944 million), representing a decrease of 21.7% when comparing to last year. Profit attributable to shareholders amounted to HK\$1,880 million (2019: HK\$3,833 million), while basic and diluted earnings per share were HK51.35 cents and HK51.30 cents, representing year-on-year decreases of 50.9% and 50.8%, respectively. The Board of Directors of the Company recommended the payment of a final dividend of HK12.8 cents per share.

As at 31 December 2020, shareholders’ equity of the Group amounted to HK\$35,444 million (as at 31 December 2019: HK\$32,552 million), along with a net asset value per share of HK\$9.68 (as at 31 December 2019: HK\$8.89).

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 4,064,000 square metres. The GFA of construction completed during the Year was approximately 3,393,000 square metres. The total contracted area sold amounted to approximately 2,830,000 square metres. There were 92 continual launches and 21 debut launches during the Year. As at 31 December 2020, Poly Property Group had 75 projects under construction or planning, representing a total GFA of approximately 22,360,000 square metres.

PROPERTY SALES

In 2020, contracted sales of Poly Property Group increased by 21% year-on-year to RMB52.1 billion and achieved its annual sales target. Contracted area sold was approximately 2,830,000 square metres. The average selling price of contracted sales increased slightly by 1% when compared to 2019. 11 projects recorded contracted sales of over RMB1 billion, including Nanning Poly Town, Ningbo Poly Lake Imprint, Guangzhou Nansha Poly City, Huizhou Poly Sunshine Town and Hong Kong Kai Tak Vibe Centro. Sales amount of Nanning Poly Town was above RMB7 billion, ranking 21st on the annual project sales chart by CRIC, which was 51 places up from 2019.

In order to further enhance product quality and to consolidate brand position, Poly Property has officially launched the POLY LIGHT product system V3.0. The product series advocates positive lifestyle and the pursue of quality of life by providing relaxed and pleasant living experience. Based on the five core concepts of Lively, Intelligent, Graceful, Happy and Thoughtful, we have comprehensively upgraded our products based on a compound living system 3.0 suitable for all age groups and completed the upgrade of more than 50 proprietary technologies of 18 sub-systems under five segments. Our

Group has adhered to the basic concept of its brand of “Expertising in Cultural Real Estate” and launched the product line of “Delightful Residence in Metropolitan City” for cultural habitants in pursuit of the vision of delightful and satisfactory living.

Region	Contracted Sales in 2020 by Region <i>(RMB million)</i>	Percentage <i>(%)</i>	Contracted Area Sold in 2020 by Region <i>(’000 square metres)</i>	Percentage <i>(%)</i>
Yangtze River Delta	18,086	35%	572	20%
Pearl River Delta	9,199	18%	504	18%
Southwestern	12,305	23%	870	31%
Others	9,923	19%	876	31%
Hong Kong	2,589	5%	7	0%
Total	52,102	100%	2,830	100%

Notes:

1. Contracted sales include car park sales;
2. The totals may not equal to the sum of the figures due to round-off.

NEW LAND RESERVES

In 2020, 20 development projects were acquired by Poly Property Group in Shanghai, Suzhou, Ningbo, Guangzhou, Wuhan, Kunming, Harbin, Nanning, Liuzhou, Jinan, Yantai and Weihai. Projects in Hangzhou and Kunshan were acquired for the first time. The planned GFA of new land reserves for the Year was approximately 4,090,000 square metres. The cost of land was considered reasonable.

List of Land Reserve Acquired in 2020

Project	Type	Site Area (<i>'000 square metres</i>)	Planned GFA (<i>'000 square metres</i>)	Interests	Development Status
				Attributable to the Group (%)	
Jinan Poly Grand Joy	Commercial and Residential	45	223	70%	For sale
Shanghai Feng Xian Project	Residential	31	92	100%	Under construction
Guangzhou Nan Sha Project	Residential	14	41	100%	Under construction
Weihai Poly Hanlin Mansion	Commercial and Residential	56	121	40%	For sale
Harbin Poly Time Lane	Commercial and Residential	123	233	100%	For sale
Liuzhou He Dong Project	Commercial and Residential	55	127	100%	Under construction
Suzhou Huang Qiao Project	Residential	28	101	100%	Under planning
Weihai Huanshan Road Project	Commercial and Residential	80	224	51%	Under planning
Ningbo Hai Shu Project	Commercial and Residential	50	175	70%	Under construction
Shanghai Chong Ming Project	Commercial and Residential	80	110	100%	Under construction
Ningbo Kongpu Town Project	Residential	49	151	49%	Under construction
Hangzhou Future Mansion	Commercial and Residential	83	304	50%	For sale
Guangzhou Hua Du Project	Residential	85	289	100%	Under planning
Yantai Song Village Project	Commercial and Residential	72	187	51%	Under planning
Shanghai Nanfeng Road Project	Commercial and Residential	29	102	100%	Under planning
Nanning Wu Xiang Project	Commercial and Residential	82	340	50%	Under planning
Wuhan Dongxi Lake Project	Commercial and Residential	68	228	100%	Under planning
Kunming Light Industry School Project	Commercial and Residential	35	223	51%	Under planning
Harbin Guang Xin Project	Commercial and Residential	204	600	100%	Under planning
Kunshan Lujia Town Project	Residential	70	221	49%	Under planning
Total		1,336	4,090		

Notes:

1. Since figures were rounded up to the nearest thousand, their total may not equal to the actual sum;
2. As at 31 December 2020.

SUMMARY OF NEWLY ACQUIRED PROJECTS IN 2020

1. *Jinan Poly Grand Joy*

The project is located in the western old city centre of Huaiyin District, Jinan, which is the core of Hexie Shopping Mall area. With well-developed road network and convenient transportation, the project features comprehensive facilities and thriving commercial activities. It is also close to healthcare facilities such as Shandong Provincial Hospital and Qilu Children's Hospital. The project, with a planned total gross floor area of approximately 223,000 square metres, is intended to be developed into high-rise residential buildings.

2. *Shanghai Feng Xian Project*

The project is located on the east side of Shanghai Fengxian High School, Nanqiao New Town, Fengxian District, Shanghai. In close proximity to the city centre, the region is well surrounded by commercial, educational and medical facilities and enjoys convenient transportation and pleasant ecological environment. The site is approximately 400 meters from the waterscape of "Shanghai Fish" and approximately 1.1 kilometres from Metro Line No. 5. The project, with a planned total gross floor area of approximately 92,000 square metres, is intended to be developed into high-rise residential buildings.

3. *Guangzhou Nan Sha Project*

The project is located in Huangge Town, Nansha District, Guangzhou, which is next to the Nansha Poly City project of the Group. The site is 1 kilometre from Huangge Auto Town Station, Metro Line No. 3. With well-developed road network nearby, the project is surrounded by basic commercial, medical and educational facilities. This site can be developed together with the Nansha Poly City project to increase supply. The project, with a planned total gross floor area of approximately 41,000 square metres, is intended to be developed into high-rise residential buildings.

4. *Weihai Poly Hanlin Mansion*

The project is located in the centre of Lingang District, Weihai, and adjacent to Weihai No. 4 High School and Weihai Lingang Hospital. It is well-positioned with commercial facilities and convenient transportation. Lingang District is the most active economic development zone and the latest urban development area in Weihai. The project, with a planned total gross floor area of approximately 121,000 square metres, is intended to be developed into high-rise residential buildings.

5. *Harbin Poly Time Lane*

The project is located in the old city of Pingfang District, Harbin, where many well-known industrial enterprises are situated. The site has convenient transportation and is well surrounded by education and medical facilities. The primary development of the site has been completed by the Group, who therefore gained advantages for subsequent development. The project, with a planned total gross floor area of approximately 233,000 square metres, is intended to be developed into high-rise residential buildings.

6. *Liuzhou He Dong Project*

The project is located in Hedong District of the central business district of Liuzhou and adjacent to the Lianhua Mountain Scenic Area in the north. Situated in a prime location, it features pleasant scenery. The site is planned to have direct access by light rail in the future and enjoys convenient transportation, and well-developed commerce, education, healthcare and municipal and recreational facilities in the vicinity. The project, with a planned total gross floor area of approximately 127,000 square metres, is intended to be developed into high-rise residential buildings.

7. *Suzhou Huang Qiao Project*

The project is located in Huangqiao Area of Xiangcheng District, Suzhou. It is close to the central park, which is a popular area of Xiangcheng highly sought after by property buyers. The site is in the vicinity of Metro Line No.4 in operation and enjoys convenient transportation. There are large commercial complex, library, cultural palace and Suzhou maternity and child healthcare centre in the vicinity of the project. The project, with a planned total gross floor area of approximately 101,000 square metres, is intended to be developed into high-rise residential buildings.

8. *Weihai Huanshan Road Project*

The project is located in Weihai Torch Hi-tech Industrial Development Zone in the old city centre of Weihai. It enjoys convenient transportation and pleasant residential atmosphere with good market potential. There are large shopping centre, educational and medical infrastructure in the vicinity of the project. The project is also close to cultural and recreation facilities such as Weihai Sport Centre and Weihai Museum. The project, with a planned total gross floor area of approximately 224,000 square metres, is intended to be developed into high-rise residential buildings.

9. *Ningbo Hai Shu Project*

The project is located in Yinfeng of Haishu District, Ningbo. It is the central district of southern Haishu and waterfront multifunctional platform for commerce, residence, and cultural and leisure activities. The site is close to the South Ring Flyover with well-developed transportation and amenity facilities, educational and medical institutions. It is adjacent to Fenghua River with superb river view and favourable geographical location. The project, with a planned total gross floor area of approximately 175,000 square metres, is intended to be developed into high-rise residential buildings.

10. *Shanghai Chong Ming Project*

The project is located in the centre of Chengqiao Town, Chongming District, Shanghai and the international ecology district of Chengqiao Town, Chongming, of which the development is strongly supported by the government. The project is 2 to 3 kilometres from the central business district. The site has an good ecological environment. Although facilities are not well developed currently, commercial and educational facilities as well as the Chongming Station of Huchong Metro Line will be built in the district. The site has great potential for future development. The project, with a planned total gross floor area of approximately 110,000 square metres, is intended to be developed into low-density residential buildings.

11. *Ningbo Kongpu Town Project*

The project is located in Kongpu Area, Jiangbei District, Ningbo, the centre of Yongjiang Cultural and Creative Harbor. The area is well-equipped with comprehensive facilities, in particular educational institutions. It is approximately 300 metres from Kongpu Station of Metro Line No. 2. The district has great development potential as the government has proposed to develop it into a multi-function riverfront commercial area. The project, with a planned total gross floor area of approximately 151,000 square metres, is intended to be developed into high-rise residential buildings.

12. *Hangzhou Future Mansion*

The project is located in Fuchunwan New Town, Fuyang District, Hangzhou and in the southern bank of Fuchun River. The project is positioned as pastoral new town that features city-industry integration, focusing on the development of high-end equipment, biopharmaceutical, information technology and new energy industries. The site is located in the proposed commercial district along high-speed railway and is 700 metres from the high-speed railway station, which will be connected with Metro Line No. 12. The project, with a planned total gross floor area of approximately 304,000 square metres, is intended to be developed into high-rise residential buildings.

13. Guangzhou Hua Du Project

The project is located in the north of Huadu Avenue and east of Lianshan Road, Huadu District, Guangzhou. It is 5 kilometres from the office of Hua Du District Government. The site is adjacent to Guangzhou Sunac Land, a large commercial and entertainment complex, in the west. The site is well-equipped with amenity facilities, including educational and medical institutions. The project, with a planned total gross floor area of approximately 289,000 square metres, is intended to be developed into high-rise residential buildings.

14. Yantai Song Village Project

The project is located in the central residential area of Laishan District, Yantai, with convenient transportation. The site is adjacent to Guangdong River Park with superb ecological environment. It is surrounded by shopping centres and agricultural products market as well as educational and healthcare facilities. The site is close to various cultural and sports facilities, such as Jiaodong Cultural Square, sports park and Yantai University beach. The project, with a planned total gross floor area of approximately 187,000 square metres, is intended to be developed into high-rise residential buildings.

15. Shanghai Nanfeng Road Project

The project is located in Nanqiao New Town, Fengxian District, Shanghai. It is situated at the centre of Fengxian New Town which is a major district developed by the government. The site is 2.7 kilometres and 1 kilometre from Fengxiang District Government and Xincheng Bailian commercial district, respectively. The site is close to Fengxian Xincheng Station of Metro Line No. 5 and is highly accessible. It is surrounded by comprehensive living and educational facilities and is close to Fengxian Central Hospital and Fengxian Gymnasium. The project, with a planned total gross floor area of approximately 102,000 square metres, is intended to be developed into high-rise residential buildings.

16. Nanning Wu Xiang Project

The project is located east to Liangqing Avenue, Wuxiang New District, Nanning and south to Wuxiang Avenue. Wuxiang cultural and tourism area is close to its northeast. The site is adjacent to Liangqingxu Station of Metro Line No. 4 and 300 metres from Yong River. It is surrounded by educational, medical and commercial facilities. The district has significant geographical advantage and scenic view which is highly suitable for living. The project, with a planned total gross floor area of approximately 340,000 square metres, is intended to be developed into high-rise residential buildings.

17. Wuhan Dongxi Lake Project

The project is located in the Wujiashan New Town, Dongxihu District, Wuhan. The District has strong potential for industrial development and has a promising development prospect. The site is adjacent to Sandian Station of Metro Line No. 1 with convenient transportation. It is surrounded by comprehensive urban, healthcare and commercial facilities with abundant ecological resources. The project, with a planned total gross floor area of approximately 228,000 square metres, is intended to be developed into high-rise residential buildings.

18. Kunming Light Industry School Project

The project is located at Second Ring Road East, Kunming and is 9 kilometres from Guandu District Government. The site is close to Jinmasi Station of Metro Line No. 3 with convenient transportation. The district is under a large scale old town reconstruction. It has good development potential with proposed development of sports park and national hospital focusing on treatment of respiratory diseases. The project, with a planned total gross floor area of approximately 223,000 square metres, is intended to be developed into high-rise residential buildings.

19. Harbin Guang Xin Project

The project is located at the Songbei New District, Harbin and is 2 kilometres from Harbin Theatre. Its west is next to Siberia Tiger Park and a convention centre under construction is at its southeast. The project is a relocation project of the district government for the redevelopment of villages. The project was acquired pursuant to an agreement and will be repurchased by district government. The project, with a planned total gross floor area of approximately 600,000 square metres, is intended to be developed into high-rise residential buildings.

20. Kunshan Lujia Town Project

The project is located at Lujia Town, Kunshan and is 200 metres from Kunshan S1 Line of the Metro under construction. Adjacent to Huaqiao, Kunshan on the east, the project has excellent accessibility to Shanghai, which is within half an hour of commute. The district has good development potential. The site is surrounded by educational and commercial facilities with excellent ecological environment. The project, with a planned total gross floor area of approximately 221,000 square metres, is intended to be developed into high-rise residential buildings.

PROJECTS UNDER CONSTRUCTION AND PROJECTS UNDER PLANNING

As at 31 December 2020, Poly Property Group had a total of 75 real estate development projects in 27 cities. Approximately 34% of the total GFA was located in Yangtze River Delta and Pearl River Delta Region, approximately 35% in Southwestern Region, approximately 30% in Other Regions, and approximately 1% in Hong Kong. Meanwhile, 61 projects were under construction, with a total GFA of approximately 11,190,000 square metres (attributable area amounted to approximately 8,523,000 square metres), and a total GFA of approximately 11,171,000 square metres (attributable area amounted to approximately 7,545,000 square metres) was under planning.

List of Projects under Construction and under Planning as at 31 December 2020

Project	GFA under construction (<i>'000 square metres</i>)	GFA under planning (<i>'000 square metres</i>)	Interest attributable to the Group (%)
Yangtze River Delta Region			
1. Shanghai Jiading Affordable Housing	164	—	100%
2. Shanghai Feng Xian Project	92	—	100%
3. Shanghai Chong Ming Project	110	—	100%
4. Shanghai Nanfeng Road Project	—	102	100%
5. Kunshan Lujia Town Project	—	221	49%
6. Suzhou Poly Lake Mansion	—	104	100%
7. Suzhou Poly Tianyue Mansion	1	—	100%
8. Suzhou Poly Yue Ying Ting	81	—	100%
9. Suzhou Wonderful Times	105	—	51%
10. Suzhou Above The Clouds	125	—	45%
11. Suzhou Urban Ideal Habitat	280	—	20.4%
12. Suzhou Huang Qiao Project	—	101	100%
13. Ningbo Poly City	73	245	100%
14. Ningbo Poly Lake Imprint	189	—	100%
15. Ningbo Hai Shu Project	175	—	70%
16. Ningbo Kongpu Town Project	151	—	49%
17. Hangzhou Future Mansion	175	129	50%
18. Yuyao Poly Jordan International	13	299	100%
19. Deqing Poly Origin	—	67	100%
Sub total	1,734	1,267	

Project	GFA under construction <i>(’000 square metres)</i>	GFA under planning <i>(’000 square metres)</i>	Interest attributable to the Group <i>(%)</i>
Pearl River Delta Region			
20. Guangzhou Poly Gratified West Bay	77	373	75%
21. Guangzhou Nansha Poly City	296	—	85%
22. Guangzhou Clover Shades	184	—	37.5%
23. Guangzhou Poly Glory	145	—	100%
24. Guangzhou Nan Sha Project	41	—	100%
25. Guangzhou Hua Du Project	—	289	100%
26. Foshan Shun De Project	80	28	100%
27. Foshan Guangfo Poly City	256	—	100%
28. Foshan Jiao Yu Lu Project	124	—	100%
29. Shenzhen Long Gang Project	267	1,835	50%
30. Huizhou Poly Sunshine Town	362	—	70%
31. Huizhou Poly Lujiang Lane	230	—	100%
Sub total	2,061	2,524	
Southwestern Region			
32. Guiyang Poly Park 2010	137	554	100%
33. Guiyang Poly Phoenix Bay	72	198	51%
34. Zunyi Poly Metropolis of Future	240	2,105	35%
35. Nanning Poly Crescendo	115	—	100%
36. Nanning Poly Dream River	210	—	30%
37. Nanning Poly Hearty	127	—	100%
38. Nanning Poly Town	482	74	100%
39. Nanning Poly Town Phase II	1,164	593	100%
40. Nanning Wu Xiang Project	—	340	50%
41. Liuzhou He Dong Project	127	—	100%
42. Kunming Poly City	617	456	90%
43. Kunming Light Industry School Project	—	223	51%
Sub total	3,290	4,542	

Project	GFA under construction (’000 square metres)	GFA under planning (’000 square metres)	Interest attributable to the Group (%)
Other Regions			
44. Wuhan Poly City	53	678	68%
45. Wuhan Poly Park	—	286	55%
46. Wuhan Poly Up Town	179	—	100%
47. Wuhan Poly Emerald Mansion	204	—	100%
48. Wuhan Poly Joyful Mansion	178	—	100%
49. Wuhan Dongxi Lake Project	—	228	100%
50. Harbin Poly The Water’s Fragrant Dike	74	—	58%
51. Harbin Poly City	30	—	100%
52. Harbin Poly Tin Yor Phase II	143	—	100%
53. Harbin Poly Tin Yor	144	—	100%
54. Harbin Poly Time Lane	233	—	100%
55. Harbin Guang Xin Project	—	600	100%
56. Mudanjiang Poly Landscape	134	34	100%
57. Jinan Phili House	126	83	25%
58. Jinan Poly Mountain Villa	184	—	60%
59. Jinan Poly Sheng Jing Tai	147	—	51%
60. Jinan Zhong Lu Mansion	144	—	33%
61. Jinan Huai Yin Project	504	156	75%
62. Jinan Poly Grand Joy	223	—	70%
63. Yantai Poly Ocean Luxe	83	—	70%
64. Yantai Song Village Project	—	187	51%
65. Weihai Caixin Poly Masterpiece	186	—	30%
66. Weihai Poly Hanlin Mansion	121	—	40%
67. Weihai Huanshan Road Project	—	224	51%
68. Zibo Poly Mansion	89	—	65%
69. Zibo Poly City	234	—	65%
70. Weifang Zoina Poly Mansion	263	—	30%
71. Tai’an Poly Yuelu Mansion	276	—	60%
72. Wanning Poly Peninsula No.1	—	360	100%
Sub total	3,951	2,837	
Hong Kong			
73. Hong Kong Villa La Plage	17	—	100%
74. Hong Kong Yau Tong Project	42	—	70%
75. Hong Kong Kai Tak 6553 Project	93	—	35%
Sub total	153	—	
Grand total	11,190	11,171	

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 2020, the Poly Property Group has achieved a total GFA of approximately 3,393,000 square metres in completed construction. The construction of all phases of 12 projects has been completed in the Year.

List of Major Completed Construction in 2020

Project	Completed GFA in 2020 (<i>'000 square metres</i>)	Accumulated completed GFA by the end of 2020 (<i>'000 square metres</i>)
Yangtze River Delta Region		
Shanghai Shan Jin Poly Plaza	111	111
Shanghai Xijiao Jinmao Palace	220	220
Suzhou Poly West Bank Villa	6	380
Suzhou Poly Tianyue Mansion	154	154
Suzhou Majestic Mansion	135	176
Ningbo Prosperous Reflection	140	479
Ningbo Oriental Imprint	110	110
Deqing Poly Pearl Bay	85	85
Pearl River Delta Region		
Guangzhou Nansha Poly City	80	514
Foshan Poly Tongji Mansion	140	140
Southwestern Region		
Guiyang Poly Spring Street	133	621
Guiyang Poly Park 2010	332	1,511
Guiyang Poly The Place of A Lake	46	866
Zunyi Poly Metropolis of Future	243	2,730
Nanning Poly Hearty	25	177
Nanning Poly Town	195	1,276
Kunming Poly One Family One World	89	636
Other Regions		
Wuhan Poly Riverview	137	137
Wuhan Poly Up Town	187	647
Harbin Poly The Water's Fragrant Dike	136	582
Harbin Poly City	87	570
Mudanjiang Poly Landscape	164	164
Jinan Phili House	51	72
Jinan Zhong Lu Mansion	153	153
Yantai Poly Ocean Luxe	49	121
Weihai Caixin Poly Masterpiece	118	118
Zibo Poly Mansion	68	68
Grand total	3,393	12,819

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 70 projects of Poly Property Group have been recognised in 2020, with a total sales value of RMB25.4 billion and a total GFA of approximately 1,816,000 square metres. The recognised average selling price was approximately RMB13,978 per square metre. Among the sales recognised, ordinary residential properties accounted for 80%, villas accounted for 5%, retail shops accounted for 8%, offices accounted for 2% and parking spaces accounted for 5% of the total value. In terms of geographical distribution, Yangtze River Delta Region, Pearl River Delta Region, Southwestern Region, Other Regions and Hong Kong accounted for approximately 12%, 12%, 37%, 33% and 6%, respectively.

List of Major Projects with Sales Recognised in 2020

Project	Sales recognised in 2020 (RMB million)
Yangtze River Delta Region	
1. Shanghai Poly Lakeside Garden	24
2. Shanghai Poly Deluxe Mansion	532
3. Shanghai Jiading Project	166
4. Suzhou Poly West Bank Villa	556
5. Suzhou Poly Lake Mansion	547
6. Suzhou Poly Tianyue Mansion	567
7. Yuyao Poly Jordan International	246
8. Deqing Poly Prime Regency	31
9. Deqing Poly Pearl Bay	449
10. Others	25
Subtotal	3,144
Pearl River Delta Region	
11. Guangzhou Poly City	27
12. Guangzhou Poly Golf Shire	84
13. Guangzhou Poly Zephyr City	48
14. Guangzhou Poly Gratified West Bay	569
15. Guangzhou Nansha Poly City	1,215
16. Guangzhou Poly Jade Hills	106

Project	Sales recognised in 2020 (RMB million)
17. Foshan Poly Cullinan Garden	37
18. Foshan Poly Central Park	614
19. Huizhou Poly Deutch Kultur	25
20. Huizhou Poly Sunshine Town	299
21. Others	17
	<hr/>
Subtotal	3,043
	<hr/>
Southwestern Region	
22. Guiyang Poly Spring Street	407
23. Guiyang Poly Park 2010	2,056
24. Guiyang Poly The Place of A Lake	276
25. Guiyang Poly Phoenix Bay	478
26. Zunyi Poly Metropolis of Future	990
27. Nanning Poly Hearty	243
28. Nanning Poly Crescendo	394
29. Nanning Poly Town	3,645
30. Liuzhou Poly Merization World	68
31. Kunming Poly Sky and Earth	112
32. Kunming Poly One Family One World	723
33. Others	61
	<hr/>
Subtotal	9,454
	<hr/>
Other Regions	
34. Wuhan Poly City	784
35. Wuhan Poly Blue Ocean District	157
36. Wuhan Poly Riverview	1,621
37. Wuhan Poly Up Town	182
38. Harbin The Tsinghua Summer Palace of Poly	39
39. Harbin Poly The Water's Fragrant Dike	2,078
40. Harbin Poly City	1,439
41. Mudanjiang Poly Landscape	851
42. Jinan Poly Hyde Mansion	49
43. Jinan Poly Center	128
44. Jinan Poly Elegant Garden	22
45. Yantai Poly Blossom Garden	48

Project	Sales recognised in 2020 (RMB million)
46. Yantai Poly Ocean Luxe	391
47. Zibo Poly Mansion	379
48. Others	<u>66</u>
Subtotal	<u>8,233</u>
Hong Kong	
49. Hong Kong Kai Tak Vibe Centro	<u>1,507</u>
Subtotal	<u>1,507</u>
Grand total	<u><u>25,381</u></u>

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 2020 by Property Type

Property type	Sales recognised in 2020 (RMB million)	Percentage (%)
Ordinary residential property	20,286	80%
Villa	1,447	5%
Retail shop	1,970	8%
Office	432	2%
Parking space	<u>1,247</u>	<u>5%</u>
Total	<u><u>25,381</u></u>	<u><u>100%</u></u>

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 720,000 square metres and an asset value of approximately HK\$10.7 billion. In 2020, the Group's hotel operation was adversely affected by the COVID-19 pandemic, while the occupancy rates for the Group's office buildings and shopping malls remained steady and recorded a slight year-on-year decrease.

List of Major Investment Properties and Hotels as at 31 December 2020

Region	Project	GFA held (<i>'000 square metres</i>)	Average occupancy rate of 2020	Average occupancy rate of 2019	Interests attributable to the Group	Property type
Investment properties						
Beijing	Beijing Poly Plaza	15	92%	99%	75%	Office
Shanghai	Shanghai Poly Plaza (partial)	30	79%	89%	100%	Office and commercial
Shanghai	Shanghai Stock Exchange Building (partial)	48	77%	87%	100%	Office
Shenzhen	Shenzhen Poly Cultural Plaza (partial)	135	100%	100%	100%	Commercial
Wuhan	Wuhan Poly Plaza (partial)	97	74%	75%	100%	Office and commercial
Hotels						
Beijing	Beijing Poly Plaza Hotel	63	29%	78%	75%	Hotel
Shanghai	Hyatt Regency Shanghai Jiading	69	47%	63%	100%	Hotel
Wuhan	Wuhan Poly Hotel	28	35%	73%	100%	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 2020, the Group's property management companies recorded total revenue of RMB889 million, representing a year-on-year increase of 9.8%. The companies managed a total of 232 property projects with a GFA under management of 36,826,000 square metres, representing an increase of 9.0% when comparing with last year.

FINANCIAL REVIEW

Liquidity and Capital Structure

As at 31 December 2020, total equity attributable to shareholders of the Company amounted to HK\$35,444,032,000 (2019: HK\$32,552,160,000), while the net asset value per share was HK\$9.68 (2019: HK\$8.89). As at 31 December 2020, the Group's gearing ratio (on the basis of the amount of total liabilities divided by the amount of total assets) was 80.9% (2019: 78.1%).

As at 31 December 2020, the Group had an outstanding bank and other borrowings (including the notes payable) of HK\$86,592,218,000. In terms of maturity, the outstanding bank and other borrowings (including notes payable) can be divided into HK\$28,107,101,000 (32%) to be repaid within one year, HK\$17,274,248,000 (20%) to be repaid after one year but within two years, HK\$33,004,156,000 (38%) to be repaid after two years but within five years, HK\$8,206,713,000 (10%) 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\$71,553,309,000 (83%) in Renminbi, HK\$7,800,000,000 (9%) in United State dollars, and HK\$7,238,909,000 (8%) in Hong Kong dollars.

38.2% of the bank and other borrowings (including the notes payable) of the Group are subject to fixed interest rates and the remaining 61.8% 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 2020, the Group had a net current assets of HK\$72,849,835,000 and total bank balances of HK\$43,652,392,000 (2019: HK\$58,574,423,000 and HK\$27,914,326,000, 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Investment properties	6,360,367	6,770,988
Hotel properties	1,832,143	1,465,556
Buildings	154,374	—
Right-of-use assets	314,196	96,370
Properties under development	36,709,891	27,623,760
Properties held for sale	615,445	728,349
Bank deposits	688,766	433,580
	<u>46,675,182</u>	<u>37,118,603</u>

In addition to above pledge of assets, at 31 December 2020 and 2019, the Group's interests in certain subsidiaries were pledged to secure credit facilities granted to the Group. The details of net assets value of subsidiaries are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Total assets	21,510,037	14,040,422
Total liabilities	(21,377,608)	(13,221,788)
Net assets value	<u>132,429</u>	<u>818,634</u>

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\$26,983,212,000 as at 31 December 2020 (2019: HK\$29,978,261,000). 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 2020, the Group had given guarantees to certain banks in respect of credit facilities granted to certain associates and joint ventures of the Group amounting to HK\$9,310,801,000 (2019: HK\$3,062,527,000), of which HK\$5,633,122,000 (2019: HK\$3,032,841,000) had been utilised by the associates and joint ventures.

EMPLOYEES

As at 31 December 2020, the Group employed about 9,300 employees with remuneration for the year amounted to approximately HK\$1,320 million. 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 2020, 92,960,000 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 pandemic will impact business operations of certain industries as well as the overall economy. As at the date of this report, COVID-19 has not resulted in material impact to the Group's operations and financial position. The Company will closely monitor the development and spread of COVID-19 subsequent to the date of this report, 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 of the Company 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 2020 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 and E.1.2 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.

Code Provision E.1.2 of the CG Code — Attendance of Chairman of the Board at the Annual General Meetings

Under code provision E.1.2 of the CG Code, the chairman of the board should attend annual general meetings. Due to COVID 19 measures in 2020, Mr. Zhang Bingnan, the chairman of the Company at the relevant time, was unable to attend the annual general meeting of the Company held on 26 May 2020. Mr. Zhu Weirong was appointed as the chairman of the meeting and addressed questions raised by shareholders at the meeting.

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 2020.

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 2020 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 2021.

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

Hong Kong, 26 March 2021

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Bingnan, Mr. Xue Ming, 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.