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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 2021

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 2021, together with comparative figures for the previous year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	2	36,512,543	31,280,798
Cost of sales		<u>(24,150,318)</u>	<u>(20,726,427)</u>
Gross profit		12,362,225	10,554,371
Decrease in fair value of investment properties		(682)	(243,187)
Increase in fair value of financial assets		74,841	90,692
Other gains, net		733,699	1,438,924
Selling expenses		(1,366,308)	(957,610)
Administrative expenses		(1,697,722)	(1,702,300)
Gain on step-up acquisition of subsidiaries		—	2,275
Gain on disposal of joint ventures		303,614	—
Loss on liquidation of subsidiaries		—	(277,265)
Gain on disposal of net assets classified as held for sale		21,561	—
Impairment loss on properties held for sale		(246,056)	(39,524)
Other operating expenses		(418,648)	(378,935)
Finance costs	3	(1,849,731)	(1,856,775)
Share of results of associates		68,146	(27,219)
Share of results of joint ventures		86,741	185,397
Profit before income tax expense	4	8,071,680	6,788,844
Income tax expense	5	<u>(5,464,977)</u>	<u>(4,464,207)</u>
Profit for the year		<u>2,606,703</u>	<u>2,324,637</u>
Attributable to:			
Owners of the Company		2,480,863	1,880,112
Non-controlling interests		125,840	444,525
		<u>2,606,703</u>	<u>2,324,637</u>
Earnings per share (expressed in HK cents)	7		
— Basic		<u>67.35</u>	<u>51.35</u>
— Diluted		<u>67.35</u>	<u>51.30</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year	<u>2,606,703</u>	<u>2,324,637</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	791,228	2,094,214
Items that will not be reclassified to profit or loss:		
Surplus arising on revaluation of properties	<u>112,208</u>	<u>69,097</u>
Other comprehensive income before income tax effect	903,436	2,163,311
Deferred tax liability arising on revaluation of properties	<u>(28,052)</u>	<u>(17,274)</u>
Other comprehensive income for the year, net of tax	<u>875,384</u>	<u>2,146,037</u>
Total comprehensive income for the year	<u><u>3,482,087</u></u>	<u><u>4,470,674</u></u>
Attributable to:		
Owners of the Company	3,341,144	3,622,175
Non-controlling interests	<u>140,943</u>	<u>848,499</u>
	<u><u>3,482,087</u></u>	<u><u>4,470,674</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Investment properties		11,991,125	10,666,081
Property, plant and equipment		3,518,846	3,287,617
Right-of-use assets		632,910	349,460
Interests in associates		1,737,530	250,974
Interests in joint ventures		7,089,568	7,678,689
Financial assets at fair value through profit or loss		729,018	675,730
Loan receivables		213,823	219,742
Deposits paid for acquisition of land use rights		1,794,824	3,705,217
Deferred tax assets		298,876	269,764
Total non-current assets		28,006,520	27,103,274
Current assets			
Properties under development		125,193,099	93,812,693
Properties held for sale		22,103,035	18,513,172
Other inventories		105,999	95,210
Contract costs		575,020	486,012
Trade and other receivables	8	10,164,313	11,328,354
Amounts due from associates		3,014,246	1,291,370
Amounts due from joint ventures		5,107,602	4,660,493
Amounts due from non-controlling shareholders of subsidiaries		1,260,765	952,013
Taxation recoverable		3,559,174	2,861,794
Pledged bank deposits		323,696	688,766
Bank balances, deposits and cash		36,277,867	42,963,626
		207,684,816	177,653,503
Assets classified as held for sale		—	777,093
Total current assets		207,684,816	178,430,596

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Current liabilities			
Trade and other payables	9	33,789,229	26,107,235
Contract liabilities		53,742,308	38,688,083
Property rental deposits		113,098	172,252
Amount due to an associate		561,955	144,646
Amounts due to joint ventures		713,729	1,891,480
Amount due to the ultimate holding company		22,810	17,571
Amount due to an intermediate holding company		463,441	3,323
Amount due to a fellow subsidiary		591	577
Amounts due to non-controlling shareholders of subsidiaries		4,110,964	2,838,310
Taxation payable		8,854,173	7,609,346
Notes payable — due within one year		—	4,733,333
Bank and other borrowings — due within one year		23,180,829	23,373,768
		<u>125,553,127</u>	<u>105,579,924</u>
Liabilities associated with assets classified as held for sale		—	837
Total current liabilities		<u>125,553,127</u>	<u>105,580,761</u>
Net current assets		<u>82,131,689</u>	<u>72,849,835</u>
Total assets less current liabilities		<u>110,138,209</u>	<u>99,953,109</u>
Capital and reserves attributable to owners of the Company			
Share capital	10	17,792,968	17,685,677
Reserves		20,622,676	17,758,355
Equity attributable to owners of the Company		38,415,644	35,444,032
Non-controlling interests		8,103,170	3,763,966
Total equity		<u>46,518,814</u>	<u>39,207,998</u>

	2021	2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Bank and other borrowings — due after one year	56,836,938	54,585,117
Notes payable — due after one year	4,663,415	3,900,000
Lease liabilities	47,370	—
Loan from a fellow subsidiary	219,512	214,286
Deferred tax liabilities	1,852,160	2,045,708
	<u>63,619,395</u>	<u>60,745,111</u>
Total non-current liabilities	<u>110,138,209</u>	<u>99,953,109</u>

Notes:

1. BASIS OF PREPARATION

These 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 requirements of the Hong Kong Companies Ordinance (Cap. 622). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value:

- investment property, including interests in leasehold land and buildings held as investment property where the Group is the registered owner of the property interest;
- hotel properties in property, plant and equipment; and
- financial assets at fair value through profit or loss.

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 2020, except for the changes in accounting policy made when the Group initially applies amendments to financial reporting standards newly applicable to the annual accounting period beginning on 1 January 2021.

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, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

This announcement contains consolidated financial statements and selected explanatory notes. The explanatory notes include explanations 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 2020. The consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The financial information relating to the financial year ended 31 December 2020 that is included in this announcement of the results for the year ended 31 December 2021 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 2020 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 2021 in due course.
- The Company's former auditor reported on those consolidated financial statements for the year ended 31 December 2020, on which the auditor's report was unqualified; did not include a reference to any matters to which the former 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 Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform — phase 2
- Amendment to HKFRS 16, Covid-19-related rent concessions beyond 30 June 2021

Other than the amendment to HKFRS 16, the Group has not applied any new standard or amendment that is not yet effective for the current accounting period. None of the new standard and these amendments to HKFRSs has a material impact on the Group's results and financial position for the current or prior period.

The HKICPA has issued a number of amendments, and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2021. None of the new standard and amendments were adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, Reference to the conceptual framework	1 January 2022
Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use	1 January 2022
Amendments to HKAS 37, Onerous contracts — cost of fulfilling a contract	1 January 2022
Annual improvements to HKFRSs 2018–2020 cycle	1 January 2022
Amendments to HKAS 1, Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8, Definition of accounting estimates	1 January 2023
Amendments to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated 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 informations.

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 2021

	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 a point in time	34,253,954	—	—	105,879	—	34,359,833
— Recognised overtime	—	1,229,570	307,534	—	—	1,537,104
Revenue from other sources outside the scope of HKFRS 15:						
— Rental income	—	615,606	—	—	—	615,606
External revenue	34,253,954	1,845,176	307,534	105,879	—	36,512,543
Inter-segment revenue*	—	260,619	—	—	(260,619)	—
Total revenue	<u>34,253,954</u>	<u>2,105,795</u>	<u>307,534</u>	<u>105,879</u>	<u>(260,619)</u>	<u>36,512,543</u>
Segment results	<u>8,651,378</u>	<u>187,201</u>	<u>(135,766)</u>	<u>160,567</u>	<u>—</u>	<u>8,863,380</u>
Unallocated income						640,839
Unallocated expenses						(62,870)
Finance costs						(1,849,731)
Share of results of associates	68,317	—	—	(171)	—	68,146
Share of results of joint ventures	85,608	—	—	1,133	—	86,741
Gain on disposal of net assets classified as held for sale	21,561	—	—	—	—	21,561
Gain on disposal of joint ventures	303,614	—	—	—	—	303,614
Profit before income tax expense						8,071,680
Income tax expense						(5,464,977)
Profit for the year						<u>2,606,703</u>

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

As at 31 December 2021

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	170,007,445	12,439,230	2,962,495	952,814	186,361,984
Interests in associates	1,735,937	—	—	1,593	1,737,530
Interests in joint ventures	7,086,773	—	—	2,795	7,089,568
Unallocated corporate assets					40,502,254
Total assets					235,691,336
Liabilities					
Segment liabilities	91,368,380	1,777,308	113,889	22,031	93,281,608
Unallocated corporate liabilities					95,890,914
Total liabilities					189,172,522

For the year ended 31 December 2020

	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 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	29,383,755	1,798,320	216,099	83,717	(201,093)	31,280,798
Segment results	8,009,230	25,214	(168,167)	115,088	—	7,981,365
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 liquidation of subsidiaries	(277,265)	—	—	—	—	(277,265)
Profit before income tax expense						6,788,844
Income tax expense						(4,464,207)
Profit for the year						2,324,637

* *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><u>205,533,870</u></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><u>166,325,872</u></u>

3. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Finance costs on interest bearing borrowings	4,202,781	4,362,632
Interest on lease liabilities	1,826	172
Less: amounts capitalised	(2,354,876)	(2,506,029)
	<u><u>1,849,731</u></u>	<u><u>1,856,775</u></u>

Borrowing costs capitalised during the year arose from specific borrowings.

4. PROFIT BEFORE INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before income tax expense is arrived at after charging:		
Depreciation of right-of-use assets	24,292	15,831
Depreciation of property, plant and equipment	<u>175,410</u>	<u>187,796</u>
Total depreciation	<u><u>199,702</u></u>	<u><u>203,627</u></u>
Loss on disposal of investment properties	129,115	30,870
Loss on disposal of property, plant and equipment	<u>8,970</u>	<u>3,524</u>

5. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax	88,376	110,368
PRC Enterprise Income Tax	1,846,236	1,607,542
PRC Withholding Income Tax	1,817	1,866
PRC Land Appreciation Tax ("LAT")	<u>3,868,770</u>	<u>3,201,932</u>
	5,805,199	4,921,708
Deferred taxation	<u>(340,222)</u>	<u>(457,501)</u>
	<u><u>5,464,977</u></u>	<u><u>4,464,207</u></u>

Hong Kong Profits Tax is calculated at 16.5% (2020: 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 2021 is taken into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2020–2021 subject to a maximum reduction of HK\$10,000 for each business (2020: a maximum reduction of HK\$20,000 was granted of 100% of the tax payable for the year of assessment 2019–2020 and was taken into account in calculating the provision for 2020).

The PRC Enterprise Income Tax is calculated at 25% (2020: 25%) based on the estimated assessable profit for the year.

The PRC Withholding Income Tax of 10% has been levied on dividend income from unlisted equity securities.

Certain PRC subsidiaries are also subject to 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends recognised as a distribution during the year:		
2020 final dividend of HK\$0.128 (2019: HK\$0.209) per share	<u>468,677</u>	<u>765,261</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\$0.135 per share (2020: HK\$0.128 per share) for the year ended 31 December 2021. 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 the basic and diluted earnings per share attributable to the ordinary equity holders of the Company for the year is based on the following data:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings:		
Profit for the year attributable to owners of the Company	<u>2,480,863</u>	<u>1,880,112</u>
	2021	2020
Number of shares:		
Weighted average number of ordinary shares in issue for the purposes of basic earnings per share	<u>3,683,547,613</u>	3,661,537,046
Effect of dilutive potential ordinary shares on share options	<u>—</u>	<u>3,357,501</u>
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share	<u>3,683,547,613</u>	<u>3,664,894,547</u>

The diluted earnings per share for the year ended 31 December 2021 were equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the year ended 31 December 2021.

The diluted earnings per share for the year ended 31 December 2020 are 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 credit losses at the end of the reporting period presented based on invoice dates:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	148,619	165,683
31 to 90 days	12,684	56,723
More than 90 days	<u>289,049</u>	<u>60,608</u>
Total trade receivables, net of allowance for credit losses	450,352	283,014
Other receivables (net of allowance for credit losses of HK\$71,362,000) (2020: HK\$877,703,000)	<u>9,713,961</u>	<u>11,045,340</u>
	<u>10,164,313</u>	<u>11,328,354</u>

9. TRADE AND OTHER PAYABLES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	5,601,973	5,451,171
31 to 90 days	388,589	872,722
More than 90 days	<u>12,782,459</u>	<u>6,216,755</u>
Total trade payables	18,773,021	12,540,648
Other payables	<u>15,016,208</u>	<u>13,566,587</u>
	<u>33,789,229</u>	<u>26,107,235</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

	2021		2020	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Ordinary shares, issued and fully paid				
At 1 January	3,661,537,046	17,685,677	3,661,537,046	17,685,677
Issue of scrip shares (<i>Note</i>)	51,831,336	107,291	—	—
At 31 December	<u>3,713,368,382</u>	<u>17,792,968</u>	<u>3,661,537,046</u>	<u>17,685,677</u>

Note: The Company distributed dividends to its shareholders by way of scrip shares, with a cash alternative to shareholders. The respective new ordinary shares were issued on 30 July 2021.

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of HK13.5 cents per share (2020: HK12.8 cents per share) for the year ended 31 December 2021. The proposed final dividend is subject to the approval by the Company's shareholders at the forthcoming annual general meeting to be held on 25 May 2022 (the "AGM") and will be payable in cash while 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 24 June 2022. 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 27 July 2022 to the shareholders whose names appear on the register of members of the Company on 15 June 2022.

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 25 May 2022, the register of members of the Company will be closed from 20 May 2022 to 25 May 2022, 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 19 May 2022. Shareholders whose names are recorded in the register of members of the Company on 25 May 2022 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 13 June 2022 to 15 June 2022 (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 10 June 2022. Shareholders whose name are recorded in the register of members of the Company on 15 June 2022 are entitled to receive the proposed final dividend for the year ended 31 December 2021.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

In 2021, the global economy struggled to recover and was constrained by various risk factors, such as recurrent pandemic outbreaks, supply bottlenecks, global inflation and development imbalances. China has continued to maintain its leading position in the world in terms of economic growth and pandemic prevention and control by achieving economic growth of 8.1%. Its total GDP has exceeded RMB100 trillion for two consecutive years. Facing the complicated and challenging international environment and multiple sources of pressures arising from shrinking demand, supply disruptions and weakening expectations, China's economy has maintained its momentum with resilience. As such, it was successful in launching the "14th Five-Year Plan" with a good start, realizing the first centenary goal and making significant contributions to the stable development of the global economy.

Under the intensive regulation and control of multi-dimensional policies such as the "three red lines" and centralized land supply, the real estate industry has tumbled after a surge. Although the sales value and area sold of commodity properties in China recorded historic peaks, the growth performance of major property developers generally declined and the completion rate of sales targets was lower than expected. With the combined effects of various policies, expectations of the property market have changed, and the pressures on financing and sales collection were exacerbated, which accelerated the reshuffle of the industry. Certain companies with high leverage or over-reliance on inherent leverage have begun to actively carried out restructuring, while robust companies with credit advantages and solid foundations will be well-positioned to stand out.

The Group recorded profit attributable to shareholders of HK\$2,481 million for the year, representing a year-on-year increase of 32.0%, mainly attributed to an increase in revenue. The board (the "Board") of directors (the "Directors") of the Company recommended distribution of a final dividend of HK13.5 cents per share to shareholders in appreciation of their support.

In 2021, the Group recorded contracted sales of RMB56.6 billion, representing a year-on-year increase of 9%, and sales collection amounted to RMB53.4 billion with a collection rate of 94%. Faced with market fluctuations and the "price-for-volume" promotion strategies of certain competitors, the Group remained committed to the quality of products and services. The average selling price of contracted sales was RMB18,038 per square metre. The average selling price of contracted sales in the mainland market was RMB17,469 per square metre, which was basically maintained at a similar level of last year.

The Company has stimulated its sales vitality by strengthening its brand awareness activities and deepening its performance assessment. The sales performance of Shenzhen Poly Keenstar Super City and Villa La Plage in Tuen Mun, Hong Kong were among the best in the local comparable properties. Breakthroughs were made in bulk commercial sales such as Shanghai Poly Greenland Plaza and Baoshan Poly Felicity Mall. Several projects under POLY LIGHT production system were launched and well-received by the market, and the competitiveness focusing on community accessibility, apartment comfort level and interior decoration have been further improved. The large-scale annual public welfare campaign of “Poly Youth Ambition” initiated by the Group received the 8th “State-owned Enterprise Good News” award from the SASAC and was selected as “China Top Ten Real Estate Brand Public Welfare Cases in 2021”.

The expansion focuses on economically-developed areas with secured market demand and small- and medium-sized residential projects with high turnover rate. The structure of land reserves has been optimized year by year. As at the end of 2021, the percentage of attributable land reserves held by the Group in first-tier and second-tier cities was 83%, representing a year-on-year increase of 3 percentage points and the percentage of attributable land reserves in Yangtze River Delta and Greater Bay Area was 40%, representing a year-on-year increase of 6 percentage points.

The land market has experienced drastic slowdown. The Group maintained its investment principles, strictly adhered to its project approval standards and fully grasped the opportunities for centralized supply of the second and third batches in major cities. A total of 19 development projects were acquired during the year, and the Group entered Changzhou, Taicang and Ninghai for the first time. More than 80% of the above investments was made in the second half of the year, and 40% of the investments was located in three high-turnover cities, namely Shenzhen, Shanghai and Ningbo, which secured the sales collections and shareholder returns for the Group. With the improvement of the operation and management and the further optimization of the project development cycle, the construction of 12 newly-acquired projects has been commenced.

Financial management has become the key task of the Group. Reasonable planning and dynamic management and control of corporate investment and expenditure have been implemented to ensure that the investment matches the sales collections. The operating cash flow remains healthy and safe. The Group has actively expanded its innovative financing channels. During the year, through the issuance of corporate bonds and Shanghai Stock Exchange Building CMBS, and the replacement of overseas syndicated loans, the average funding cost was further reduced by 0.20 percentage points to 4.52%.

Deleveraging made progress. During the year, the total debts decreased slightly, and the “three red lines” regulatory indicators have been fully optimized. The debt structure has been improved year by year, with the proportion of trust loans dropping by 3 percentage points to 12% as compared with the end of last year. The distribution of debt maturities was reasonable, and the proportion of debts due within one year has reduced by 5

percentage points to 27%. The cash-to-short-term debt ratio was 1.58. The Company's outstanding overseas bonds were only the US\$500 million five-year senior note issued in 2020, reflecting the sufficient liquidity and solvency of the Company.

The Group advocates the culture of “delicacy management” which encourages the operation concept of making progress from small and micro improvement to continuous enhancement and replication and promotion of achievements. This culture has been embedded in many key business aspects such as project approval process, operation control, product research and development, performance evaluation and information technology development, and has made initial improvements. In response to the challenges of macro-economy and industry development, property developers have entered the era of delicacy management. The Group will continue to promote the concept of delicacy management in terms of staff, process and system, so as to comprehensively improve the efficiency of its operation and management.

BUSINESS OUTLOOK

The Central Economic Work Conference has clearly specified the development direction for 2022, which focuses on “promoting growth prudentially while maintaining stability”. By balancing expectations, stimulating domestic demand and maintaining supply, fiscal policies and monetary policies will be coordinated, and cross-cycle and counter-cyclical macro-control policies will be organically integrated. China's economy will maintain its advantages and characteristics such as resilience, great potential and vitality, and the quality of development will continue to improve.

The real estate control policy will continue to adhere to the positioning of “no speculation of residential properties” to meet reasonable demands for property development and investment and housing purchases, strengthen guidance of expectations, and explore new development models. The local governments will actively promote the construction of affordable housing and implements policies in response to the actual situations in their respective cities, so as to jointly promote a virtuous cycle and healthy growth of the real estate industry.

Under the background of stabilizing housing prices, land prices and expectations, real estate developers have begun, and will continue, to carry out restructuring by weakening financial attributes and pursuing their core business. State-owned enterprises with sound credit backgrounds and professional property developers focusing on property development and operation will be favored by investors and the market. “Big ships are more stable when the wind is rough and the waves are high”. In the face of new development opportunities, Poly Property will endeavor to explore growth opportunities while stabilizing its operating performance.

In 2022, the Company will, firstly, strive to achieve significant growth in its contracted sales, maintain the high quality of equity ratio and collection ratio of sales. It will firmly adhere to the goal of “building another Poly Property during the 14th Five-Year Plan period”. Secondly, it will seek breakthroughs in financing channels and continue to optimize its average funding costs. Thirdly, it will expand its business by making investments based on the sales performance while maintaining quality and quantity, so as to secure a healthy development of the Company. In addition, the Company will focus on promoting the reform of its professional talent system and remuneration assessment system to stimulate the vitality and operating performance of the Company. It will consolidate the fundamental systems of property management and hotel management, and extend the property management services to public spaces and third-party properties. While achieving unified internal management and control, hotel management business will actively promote its brand and services to increase the proportion of asset-light operations.

In different stages of social development, real estate projects provide major places where people can engage in daily living, work and other activities. As houses resume to their essential attributes of living, property developers shall also resume to their original aspirations by focusing on product quality improvement and research and development, building more practical and comfortable houses for its customers, and providing diverse and more convenient spaces for the city.

The journey is long and we must work harder. In 2022, Poly Property will be fully transformed into a comprehensive urban operator, which will create tens of thousands of exceptional properties with a commitment for excellence to bring you quality of life.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the year ended 31 December 2021 (the “Year”), the Group recorded a revenue of HK\$36,513 million (2020: HK\$31,281 million), representing an increase of 16.7% when comparing to last year. Profit attributable to shareholders amounted to HK\$2,481 million (2020: HK\$1,880 million), representing an increase of 32.0% when comparing to last year. Basic and diluted earnings per share were HK67.35 cents and HK67.35 cents, representing year-on-year increases of 31.2% and 31.3%, respectively. The Board of Directors of the Company recommended the payment of a final dividend of HK13.5 cents per share.

As at 31 December 2021, shareholders’ equity of the Group amounted to HK\$38,416 million (as at 31 December 2020: HK\$35,444 million), along with a net asset value per share of HK\$10.35 (as at 31 December 2020: HK\$9.68).

PROPERTY DEVELOPMENT

The total GFA of newly commenced construction of Poly Property Group (the Group, together with its joint ventures and associates) during the Year was approximately 4,923,000 square metres. The GFA of construction completed during the Year was approximately 3,095,000 square metres. The total contracted area sold amounted to approximately 3,138,000 square metres. There were 106 continual launches and 24 debut launches during the Year. As at 31 December 2021, Poly Property Group had 83 projects under construction or planning, representing a total GFA of approximately 22,653,000 square metres.

PROPERTY SALES

In 2021, contracted sales of Poly Property Group increased by 9% year-on-year to RMB56.6 billion. Contracted area sold was 3,138,000 square metres. The average selling price of contracted sales was RMB18,038 per square metre. The average selling price of contracted sales in Mainland China was RMB17,469 per square metre, which remained stable as compared with last year. 18 projects recorded contracted sales of over RMB1 billion, including Harbin Guang Xin Project, Shenzhen Poly Keenstar Super City, Nanning Poly Town, Ningbo Poly Riverview Mansion, Ningbo Luxury Clivia, Shanghai Poly Moon Light, Guangzhou Poly Gratified West Bay, Foshan Guangfo Poly City, Hangzhou Future Mansion, Kunming Poly City and Hong Kong Villa La Plage.

Region	Contracted Sales in 2021 by Region (RMB million)	Percentage (%)	Contracted Area Sold in 2021 by Region ('000 square metres)	Percentage (%)
Yangtze River Delta	19,241	34%	682	22%
Pearl River Delta	12,643	22%	449	14%
Southwestern	8,612	15%	722	23%
Others	14,222	25%	1,279	41%
Hong Kong	1,892	4%	6	0%
Total	56,610	100%	3,138	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 2021, 19 development projects were acquired by Poly Property Group in Shanghai, Kunshan, Suzhou, Ningbo, Shenzhen, Guangzhou, Foshan, Jinan and Guiyang. Projects in Changzhou, Taicang and Ninghai were acquired for the first time. The planned GFA of new land reserves for the Year was approximately 3,609,000 square metres. The cost of land was considered reasonable.

List of Land Reserve Acquired in 2021

Project	Type	Site Area (<i>'000 square metres</i>)	Planned GFA (<i>'000 square metres</i>)	Interests	Development Status
				Attributable to the Group (%)	
Guangzhou Glory of City	Commercial and Residential	69	183	40%	For sale
Guangzhou Lihu Street Project	Residential	51	228	100%	Under planning
Suzhou Riverside Time Zone	Residential	26	82	49%	For sale
Guiyang Poly Bright Moon On Top	Commercial and Residential	73	299	100%	For sale
Guangzhou Yongning Street Project	Commercial and Residential	25	117	100%	Under construction
Foshan Rong Gui Project	Commercial and Residential	51	209	100%	Under construction
Changzhou Poly Jingyue Palace	Commercial and Residential	94	227	51%	For sale
Taicang Tianhe Mansion	Residential	46	120	41%	For sale
Ninghai Bus Terminal Project	Commercial and Residential	31	92	100%	Under planning
Shenzhen Long Gang Project	Commercial and Residential	25	180	51%	Under construction
Shenzhen Long Hua Project	Commercial and Residential	25	173	51%	Under construction
Shenzhen Ping Shan Project	Commercial and Residential	40	247	100%	Under construction
Kunshan Hua Qiao Project	Residential	54	194	49%	Under construction
Shanghai Yang Pu Project	Residential	25	86	100%	Under planning
Ningbo Hai Shu Project	Residential	29	91	100%	Under planning
Ningbo Yin Zhou Project	Residential	38	133	100%	Under planning
Jinan Wuli Paifang Project II	Commercial and Residential	105	525	100%	Under planning
Suzhou Sheng Pu Project	Residential	51	152	36%	Under planning
Kunshan Huangpu River Road Project	Commercial and Residential	95	272	32%	Under construction
Total		954	3,609		

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 2021.

SUMMARY OF NEWLY ACQUIRED PROJECTS IN 2021

1. Guangzhou Glory of City

The project is located to the east of Jinghu Avenue and to the north of Xinya Avenue in Huadu District, Guangzhou. It is 1.5 kilometres from Qingtang Station of Metro Line 9, 5.5 kilometres from Guangzhou North Station and about 45-minute driving distance from the central area of Guangzhou. The site is surrounded by well-developed residential communities with all necessary facilities, which can meet the basic living needs. The commercial and healthcare infrastructures will be further improved after the completion of the Guangzhou International Airport Centre and Renji Hospital, an associated hospital of Sun Yat-sen University, which are currently under construction. The project, with a planned total gross floor area of approximately 183,000 square metres, is intended to be developed into high-rise residential buildings.

2. Guangzhou Lihu Street Project

The project is located in Lihu Area in Zengcheng District, Guangzhou and at the junction of Guangzhou, Dongguan and Huizhou. The project is conveniently connected by highways and is within two-hour driving distance from major cities in the Greater Bay Area. The site is 3 kilometres from Zengcheng District government offices, 10-minute driving distance from Zengcheng Square Station of Metro Line 21 and 1 kilometre from Lake Lihu with a pleasant living environment. The area is well equipped with commercial, education and healthcare facilities with huge development potential. 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.

3. Suzhou Riverside Time Zone

The project is located at Baofeng Road, Chengnan Street in Wuzhong District, Suzhou. The area is the old town centre and well developed with high-quality education, commercial and healthcare resources. Stations of Metro Line 2 and Metro Line 4 are within 2 kilometres from the north of the site. Traffic in the area is very convenient as the project is only 300 metres from the nearest station of Metro Line 7 which is under construction. The area has attracted market attention since urban redevelopment was accelerated in the last two years. The project, with a planned total gross floor area of approximately 82,000 square metres, is intended to be developed into high-rise residential buildings.

4. Guiyang Poly Bright Moon On Top

The project is located at Shuanglong Area of Nanming District, Guiyang and is adjacent to Guiyang Forest Park and approximately 700 metres from Forest Park Station of Metro Line 2. The area is an ideal site for residential development with beautiful environment and convenient transportation. Nanming District is part of the city centre of Guiyang and the Shuanglong Airport Economic Zone is a national air traffic economic zone. The site is close to an outlet mall and No.1 People's Hospital of Guiyang. There are also schools, tourist attractions and sports facilities nearby. The project, with a planned total gross floor area of approximately 299,000 square metres, is intended to be developed into high-rise residential buildings.

5. Guangzhou Yongning Street Project

The project is located in Xintang Area in Zengcheng District, Guangzhou and in the centre of Guangzhou Economic and Technological Development District and Zengcheng Economic and Technological Development Zone. Adjacent to Xinxin Avenue in the east, the site is 15 kilometres from Guangzhou Science City and 20 kilometres from Guangzhou Knowledge City Station, and one-hour traffic distance from the central area such as Guangzhou East Railway Station with Metro Line 23 under planning. It is surrounded by comfortable living environment and is well-positioned with large commercial complexes, and education and medical facilities. The project, with a planned total gross floor area of approximately 117,000 square metres, is intended to be developed into high-rise residential buildings.

6. Foshan Rong Gui Project

The project is located in Ronggui Street, Shunde District, Foshan, situated in the central riverfront area of Ronggui District and in proximity to Desheng Riverside Park and Meijiao River Park. The site is 2 kilometres from Ronggui Station of Guangzhou-Zhuhai Intercity Railway and 4 kilometres from the government office of Shunde District, with Foshan Metro Line 13 under planning in the southwest side. It is surrounded by multiple luxurious and well-developed residential communities and is well equipped with commercial facilities as well as educational and healthcare institutions. The project, with a planned total gross floor area of approximately 209,000 square metres, is intended to be developed into high-rise residential buildings.

7. Changzhou Poly Jingyue Palace

The project is located in Fenghuang New Town in Changzhou, a favourable geographical location adjacent to Qingyang Flyover, which provides excellent accessibility to Xinbei, Wujin and other areas. The site is close to Zhongwu Avenue in the south, with Metro Line 4 under planning. It is surrounded by well-developed residential communities with limited new housing supply, comprehensive commercial, medical and recreational facilities as well as abundant natural and scenic resources. The project, with a planned total gross floor area of approximately 227,000 square metres, is intended to be developed into high-rise residential buildings.

8. Taicang Tianhe Mansion

The project is located in Loujiang New Town in High-tech District, the key planning area of Taicang. The site is 3 kilometres from the municipal government office and 5.6 kilometres from Taicang Railway Station. Leveraging on the construction and operation of Shanghai-Nantong Railway, intercity high-speed railway and Jiamin Line, the distance between Taicang and Shanghai will be further shortened, thus creating great potential for its development. The site is close to Wanda commercial properties and equipped with abundant educational resources. Municipal facilities, including Class III Grade A hospitals and sports centres, are under construction in the vicinity. The project, with a planned total gross floor area of approximately 120,000 square metres, is intended to be developed into high-rise residential buildings.

9. Ninghai Bus Terminal Project

The project is located in Yuelong Street in the prime area of Ninghai County, Ningbo. Situated in the north of the traditional downtown, the project enjoys convenient transportation. Featuring the combination of ecology, history and modernity, the project is planned to revitalize the downtown area. It is positioned with comprehensive commercial facilities and infrastructures and supported by high-quality educational resources and professional medical services. 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.

10. Shenzhen Long Gang Project

The project is located at the junction of Longgang Street and Pingdi Street, Shenzhen and in the southeast side of the intersection of Longping Road and Longfeng Road. The site enjoys convenient transportation with a distance of approximately 1 kilometre from the Metro Line 3 (East Extension) under construction and approximately 900 metres from the highway entrance in Longyan Avenue. Situated in the Low Carbon City area of Pingdi Street, the project is mainly positioned for the development of high-tech industries. It is surrounded by well-developed commercial, educational and medical facilities with excellent scenic views. The project, with a planned total gross floor area of approximately 180,000 square metres, is intended to be developed into high-rise residential buildings.

11. Shenzhen Long Hua Project

The project is located at the junction of Mintang Road and Minfeng Road of Longhua District, Shenzhen, which is the business centre of Shenzhen North Railway Station area. The site is adjacent to Nanyuan Park in the north, and is positioned with large commercial complexes within 1.5 kilometres, such as Rainbow Shopping Mall and Galaxy COCO CITY. It is highly accessible to various metro stations, high-speed railway stations and highway entrances. The project is surrounded by high-quality schools and abundant cultural and scenic resources. The project, with a planned total gross floor area of approximately 173,000 square metres, is intended to be developed into high-rise residential buildings.

12. Shenzhen Ping Shan Project

The project is located in Shahu Community, Biling Street, Pingshan District, Shenzhen, where the development of life and healthcare industry in Shenzhen and Hong Kong is strongly supported by the district government. The site is in close proximity to Pingshan River in the south and adjacent to Pingshan Avenue and Jinlong Avenue, with a distance of approximately one kilometre from Shahu Station of Metro Line 14 under construction. It is equipped with a number of schools within one kilometre and is two kilometres from the central business district of Pingshan. The project enjoys exceptional scenic views with mountains surrounded and close to Bingkeng Reservoir and Biling Reservoir. The project, with a planned total gross floor area of approximately 247,000 square metres, is intended to be developed into high-rise residential buildings.

13. Kunshan Hua Qiao Project

The project is located in Huaqiao Town, Kunshan, adjacent to Jiading District of Shanghai in the east. Driven by the integration of Yangtze River Delta, the site is provided with great potential for development. The project enjoys convenient transportation by virtue of its neighbouring Kunshan Metro Line S1 under construction in the north, which can be connected to Shanghai Metro Line 11. It is situated in the international enterprise park in west Huaqiao with strong industrial support, while in the east is the core area of Huaqiao Town equipped with commercial and educational facilities. The project, with a planned total gross floor area of approximately 194,000 square metres, is intended to be developed into high-rise residential buildings.

14. Shanghai Yang Pu Project

The project is located in Dinghai Community, Yangpu District, Shanghai. Situated in the central district with convenient transportation, the site is 8 kilometres from the People's Square and 3.5 kilometres from the People's Government of Yangpu District. It is surrounded by comprehensive infrastructure and pleasant residential atmosphere and positioned with public leisure areas like Yangpu Park and Huangxing Park in the vicinity. The site is also close to Dalian Road commercial district and Wujiaochang commercial district. It enjoys medical facilities such as Central Hospital of Yangpu District and Xinhua Hospital as well as rich educational resources. The project, with a planned total gross floor area of approximately 86,000 square metres, is intended to be developed into high-rise residential buildings.

15. Ningbo Hai Shu Project

The project is located in Jishigang Town, Haishu District, Ningbo, which is the west gateway to the central district of Ningbo. The site is 2.4 kilometres from the government office of Jishigang Town and approximately 2 kilometres from the outlet commercial district. In proximity to well-developed residential communities, the project enjoys full-fledged ancillary facilities, abundant educational and medical resources and convenient transportation. In the south side of the project is a river with certain landscape resources. The project, with a planned total gross floor area of approximately 91,000 square metres, is intended to be developed into high-rise residential buildings.

16. Ningbo Yin Zhou Project

The project is located in the Science Park, High-tech Zone, Yinzhou District, Ningbo, which is approximately 600 metres from the High-tech Zone Station of Metro Line 5, enjoying convenient transportation. Leveraging on its favourable geographical location, the project is only 2 kilometres from Eastern New Town, the political, economic, cultural and commercial centre of Ningbo under planning. The site is equipped with comprehensive facilities in the vicinity, in particular educational and medical resources. The project, with a planned total gross floor area of approximately 133,000 square metres, is intended to be developed into high-rise residential buildings.

17. Jinan Wuli Paifang Project II

The project is located in the western old city centre of Huaiyin District, Jinan, at the junction of Jingshi Road and Yangguangxin Road. Adjacent to the city artery and Rail Transit Line 4 under construction, the project features well-developed road network and convenient transportation. It is well equipped with commercial and medical resources such as Harmony Plaza, Citylink Plaza, Shandong Provincial Hospital and Jinan Children's Hospital, as well as amenity facilities. The project, with a planned total gross floor area of approximately 525,000 square metres, is intended to be developed into high-rise residential buildings and commercial complex.

18. Suzhou Sheng Pu Project

The project is located in the Shengpu Area of Suzhou Industrial Park (SIP), which is an emerging residential area planned by SIP government and equipped with improving educational and commercial facilities. In the northeast side of the project is a neighborhood centre under construction, offering all necessary consumer goods. There are key schools within one kilometre from SIP. Adjacent to the main road of Zhongxin Avenue in the north, the site provides fast access to all areas of the city. With the extension of Metro Line 1 and Metro Line 22 under planning, the project is expected to enjoy more convenient transportation. The project, with a planned total gross floor area of approximately 152,000 square metres, is intended to be developed into high-rise residential buildings.

19. Kunshan Huangpu River Road Project

The project is located at the border between the central area of Yushan Town and the eastern area of Kunshan, which is only 3 kilometres from the core area of downtown of Kunshan and 1.5 kilometres from Jinshajiang Road Station of Metro Line S1 under construction. It is equipped with necessary educational and commercial resources in the vicinity. The downtown area enjoys great potential for development with Kunshan Central Business District and Qingyang Harbor Riverfront Urban Centre under planning. The project, with a planned total gross floor area of approximately 272,000 square metres, is intended to be developed into high-rise residential buildings.

PROJECTS UNDER CONSTRUCTION AND PROJECTS UNDER PLANNING

As at 31 December 2021, Poly Property Group had a total of 83 real estate development projects in 30 cities. Approximately 42% of the total GFA was located in Yangtze River Delta and Pearl River Delta Region, approximately 32% in Southwestern Region, approximately 25% in Other Regions, and approximately 1% in Hong Kong. Meanwhile, 68 projects were under construction, with a total GFA of approximately 12,692,000 square metres (attributable area amounted to approximately 9,708,000 square metres), and a total GFA of approximately 9,960,000 square metres (attributable area amounted to approximately 6,894,000 square metres) was under planning.

List of Projects under Construction and under Planning as at 31 December 2021

Project	GFA under construction (’000 square metres)	GFA under planning (’000 square metres)	Interest attributable to the Group (%)
Yangtze River Delta Region			
1. Shanghai Poly Moon Light	92	—	100%
2. Shanghai Chong Ming Project	110	—	100%
3. Shanghai Poly Twilight Mansion	101	—	100%
4. Shanghai Yang Pu Project	—	86	100%
5. Kunshan Moonlight Mansion	221	—	49%
6. Kunshan Hua Qiao Project	194	—	49%
7. Kunshan Huangpu River Road Project	272	—	32%
8. Changzhou Poly Jingyue Palace	227	—	51%
9. Taicang Tianhe Mansion	120	—	41%
10. Suzhou Poly Lake Mansion	—	104	100%
11. Suzhou Wonderful Times	105	—	51%
12. Suzhou Above The Clouds	125	—	45%
13. Suzhou Urban Ideal Habitat	280	—	20%
14. Suzhou Poly Poetic Dwelling	101	—	100%
15. Suzhou Riverside Time Zone	82	—	49%
16. Suzhou Sheng Pu Project	—	152	36%
17. Ningbo Poly City	73	241	100%
18. Ningbo Poly Lake Imprint	189	—	100%
19. Ningbo Poly Riverview Mansion	175	—	70%
20. Ningbo Luxury Clivia	154	—	49%
21. Ningbo Hai Shu Project	—	91	100%
22. Ningbo Yin Zhou Project	—	133	100%
23. Ninghai Bus Terminal Project	—	92	100%
24. Hangzhou Future Mansion	304	—	50%
25. Yuyao Poly Jordan International	13	299	100%
26. Deqing Poly Origin	—	67	100%
Sub total	2,936	1,265	
Pearl River Delta Region			
27. Guangzhou Poly Gratified West Bay	77	373	75%
28. Guangzhou Nansha Poly City	117	—	85%
29. Guangzhou Clover Shades	184	—	38%
30. Guangzhou Poly Glory	145	—	100%
31. Guangzhou Nan Sha Project	52	—	100%
32. Guangzhou Poly Polaris	172	117	94%
33. Guangzhou Glory of City	183	—	40%
34. Guangzhou Lihu Street Project	—	228	100%

Project	GFA under construction <i>(’000 square metres)</i>	GFA under planning <i>(’000 square metres)</i>	Interest attributable to the Group <i>(%)</i>
35. Guangzhou Yongning Street Project	117	—	100%
36. Foshan Shun De Project	108	—	100%
37. Foshan Guangfo Poly City	240	—	100%
38. Foshan Guangfo Poly City Phase II	124	—	100%
39. Foshan Rong Gui Project	98	111	100%
40. Shenzhen Poly Keenstar Super City	267	1,835	50%
41. Shenzhen Long Gang Project	180	—	51%
42. Shenzhen Long Hua Project	173	—	51%
43. Shenzhen Ping Shan Project	247	—	100%
44. Huizhou Poly Lujiang Lane	230	—	100%
Sub total	2,713	2,663	
Southwestern Region			
45. Guiyang Poly Park 2010	166	525	100%
46. Guiyang Poly Phoenix Bay	—	198	51%
47. Guiyang Poly Bright Moon On Top	30	269	100%
48. Zunyi Poly Metropolis of Future	—	2,105	35%
49. Nanning Poly Dream River	210	—	30%
50. Nanning Poly Hearty	103	—	100%
51. Nanning Poly Town	380	—	100%
52. Nanning Poly Town Phase II	773	593	100%
53. Nanning Poly Moon Bay	329	—	100%
54. Liuzhou Poly Mountain Villa	127	—	100%
55. Kunming Poly City	799	273	90%
56. Kunming Poly Moonlight Mansion	168	103	51%
Sub total	3,086	4,066	
Other Regions			
57. Wuhan Poly City	—	678	68%
58. Wuhan Poly Park	—	286	55%

Project	GFA under construction (<i>'000 square metres</i>)	GFA under planning (<i>'000 square metres</i>)	Interest attributable to the Group (%)
59. Wuhan Poly Up Town	179	—	100%
60. Wuhan Poly Emerald Mansion	204	—	100%
61. Wuhan Poly Joyful Mansion	178	—	100%
62. Wuhan Poly Bright Lights	230	—	100%
63. Harbin Poly City	12	—	100%
64. Harbin Poly Tin Yor Phase II	1	—	100%
65. Harbin Poly Time Lane	233	—	100%
66. Harbin Guang Xin Project	608	—	100%
67. Mudanjiang Poly Landscape	134	34	100%
68. Jinan Phili House	—	83	25%
69. Jinan Poly Mountain Villa	184	—	60%
70. Jinan Huai Yin Project	660	—	75%
71. Jinan Poly Grand Joy	138	—	70%
72. Jinan Wuli Paifang Project II	—	525	100%
73. Yantai Poly Moon Mansion	184	—	51%
74. Weihai Caixin Poly Masterpiece	19	—	30%
75. Weihai Poly Hanlin Mansion	121	—	40%
76. Weihai Poly Moon Fenghua	224	—	51%
77. Zibo Poly Mansion	7	—	65%
78. Zibo Poly City	177	—	65%
79. Weifang Zoina Poly Mansion	53	—	30%
80. Tai'an Poly Yuelu Mansion	276	—	60%
81. Wanning Poly Peninsula No.1	—	360	100%
Sub total	3,822	1,967	
Hong Kong			
82. Hong Kong Yau Tong Project	42	—	70%
83. Hong Kong Kai Tak 6553 Project	93	—	35%
Sub total	135	—	
Grand total	12,692	9,960	

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 2021, the Poly Property Group has achieved a total GFA of approximately 3,095,000 square metres in completed construction. The construction of all phases of 11 projects has been completed in the Year.

List of Major Completed Construction in 2021

Project	Completed GFA in 2021 (<i>'000 square metres</i>)	Accumulated completed GFA by the end of 2021 (<i>'000 square metres</i>)
Yangtze River Delta Region		
Shanghai Jiading Affordable Housing Project	164	164
Suzhou Poly Yue Ying Ting	81	81
Suzhou Poly Tianyue Mansion	1	155
Pearl River Delta Region		
Guangzhou Nansha Poly City	170	685
Foshan Guangfo Poly City	12	12
Huizhou Poly Sunshine Town	362	877
Southwestern Region		
Guiyang Poly Phoenix Bay	72	1,216
Zunyi Poly Metropolis of Future	240	2,971
Nanning Poly Crescendo	7	542
Nanning Poly Hearty	32	201
Nanning Poly Town	158	1,359
Nanning Poly Town Phase II	390	390
Other Regions		
Wuhan Poly City	53	1,140
Harbin Poly The Water's Fragrant Dike	74	602
Harbin Poly City	19	595
Harbin Poly Tin Yor Phase II	142	142
Harbin Poly Tin Yor	144	144
Jinan Phili House	126	198
Jinan Poly Sheng Jing Tai	152	147
Jinan Zhong Lu Mansion	151	303
Jinan Poly Grand Joy	85	85
Yantai Poly Ocean Luxe	83	203
Weihai Caixin Poly Masterpiece	167	285
Zibo Poly Mansion	82	151
Zibo Poly City	57	57
Weifang Zoina Poly Mansion	52	365
Hong Kong		
Hong Kong Villa La Plage	17	17
Grand total	3,095	13,086

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 76 projects of Poly Property Group have been recognised in 2021, with a total sales value of RMB28.3 billion and a total GFA of approximately 1,940,000 square metres. The recognised average selling price was approximately RMB14,589 per square metre. Among the sales recognised, ordinary residential properties accounted for 83%, villas accounted for 8%, retail shops accounted for 5%, offices accounted for 1% and parking spaces accounted for 3% 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 17%, 22%, 32%, 24% and 5%, respectively.

List of Major Projects with Sales Recognised in 2021

Project	Sales recognized in 2021 (RMB million)
Yangtze River Delta Region	
1. Shanghai Jiading Project	146
2. Shanghai Poly Phili House	323
3. Shanghai Jiading Affordable Housing Project	436
4. Suzhou Poly Yue Ying Ting	2,099
5. Suzhou Poly Tianyue Mansion	793
6. Ningbo Poly City	434
7. Deqing Poly Pearl Bay	336
8. Others	202
Sub total	4,769
Pearl River Delta Region	
9. Guangzhou Nansha Poly City	2,036
10. Foshan Poly Central Park	160
11. Foshan Poly Tongji Mansion	1,319
12. Huizhou Poly Sunshine Town	2,516
13. Others	126
Sub total	6,158

Project	Sales recognized in 2021 (RMB million)
Southwestern Region	
14. Guiyang Poly Spring Street	156
15. Guiyang Poly Park 2010	204
16. Guiyang Poly Phoenix Bay	326
17. Zunyi Poly Metropolis of Future	645
18. Nanning Poly Crescendo	648
19. Nanning Poly Hearty	410
20. Nanning Poly Town	2,789
21. Nanning Poly Town Phase II	3,252
22. Kunming Poly One Family One World	375
23. Others	117
	<hr/>
Sub total	8,923
Other Regions	
24. Wuhan Poly City	954
25. Wuhan Poly Riverview	168
26. Wuhan Poly Up Town	1,651
27. Harbin Poly City	267
28. Harbin Poly Tin Yor Phase II	274
29. Harbin Poly Tin Yor	918
30. Jinan Poly Center	158
31. Jinan Poly Mountain Villa	116
32. Jinan Poly Sheng Jing Tai	586
33. Jinan Poly Grand Joy	415
34. Yantai Poly Ocean Luxe	410
35. Zibo Poly Mansion	450
36. Zibo Poly City	346
37. Others	189
	<hr/>
Sub total	6,902
Hong Kong	
38. Hong Kong Kai Tak Vibe Centro	1,040
39. Hong Kong Villa La Plage	517
	<hr/>
Sub total	1,558
Grand total	28,310
	<hr/> <hr/>

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 2021 by Property Type

Property type	Sales recognized in 2021 (RMB million)	Percentage (%)
Ordinary residential property	23,530	83%
Villa	2,297	8%
Retail shop	1,451	5%
Office	133	1%
Parking space	897	3%
Total	28,310	100%

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 706,000 square metres and an asset value of approximately HK\$12.0 billion. Due to efficient and effective pandemic control measures taken, hotel operation started to pick up during the Year, and revenue from investment properties held remained stable.

List of Major Investment Properties and Hotels as at 31 December 2021

Region	Project	GFA held (<i>'000 square metres</i>)	Average occupancy rate of 2021	Average occupancy rate of 2020	Interests attributable to the Group	Property type
Investment properties						
Beijing	Beijing Poly Plaza	15	81%	92%	75%	Office
Shanghai	Shanghai Poly Plaza (partial)	30	78%	79%	100%	Office and commercial
Shanghai	Shanghai Stock Exchange Building (partial)	48	61%	77%	100%	Office
Shenzhen	Shenzhen Poly Cultural Plaza (partial)	135	100%	100%	100%	Commercial
Wuhan	Wuhan Poly Plaza (partial)	56	75%	74%	100%	Office
Hotels						
Beijing	Beijing Poly Plaza Hotel	63	36%	29%	75%	Hotel
Shanghai	Hyatt Regency Shanghai Jiading	69	64%	47%	100%	Hotel
Wuhan	Wuhan Poly Hotel	28	51%	35%	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 2021, the Group's property management companies recorded total revenue of RMB1,021 million, representing a year-on-year increase of 14.8%. The companies managed a total of 264 property projects with a GFA under management of 43,713,000 square metres, representing an increase of 18.7% when comparing with last year.

FINANCIAL REVIEW

Liquidity and Capital Structure

As at 31 December 2021, total equity attributable to shareholders of the Company amounted to HK\$38,415,644,000 (2020: HK\$35,444,032,000), while the net asset value per share was HK\$10.35 (2020: HK\$9.68). As at 31 December 2021, the Group's gearing ratio (on the basis of the amount of total liabilities divided by the amount of total assets) was 80.3% (2020: 80.9%).

As at 31 December 2021, the Group had an outstanding bank and other borrowings (including the notes payable) of HK\$84,681,182,000. In terms of maturity, the outstanding bank and other borrowings (including notes payable) can be divided into HK\$23,180,829,000 (27%) to be repaid within one year, HK\$25,993,917,000 (31%) to be repaid after one year but within two years, HK\$27,110,779,000 (32%) to be repaid after two years but within five years, HK\$8,395,657,000 (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\$74,777,321,000 (88%) in Renminbi, HK\$3,900,000,000 (5%) in United State dollars, and HK\$6,003,861,000 (7%) in Hong Kong dollars.

31.9% of the bank and other borrowings (including the notes payable) of the Group are subject to fixed interest rates and the remaining 68.1% 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 2021, the Group had a net current assets of HK\$82,131,689,000 and total bank balances of HK\$36,601,563,000 (2020: HK\$72,849,835,000 and HK\$43,652,392,000, 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:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties	5,920,475	6,360,367
Hotel properties	474,390	1,832,143
Buildings	154,067	154,374
Right-of-use assets	271,882	314,196
Properties under development	30,321,064	36,709,891
Properties held for sale	4,388,314	615,445
Bank deposits	323,696	688,766
	<u>41,853,888</u>	<u>46,675,182</u>

In addition to above pledge of assets, at 31 December 2021 and 2020, 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:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	15,937,391	21,510,037
Total liabilities	<u>(13,615,021)</u>	<u>(21,377,608)</u>
Net assets value	<u>2,322,370</u>	<u>132,429</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\$28,330,102,000 as at 31 December 2021 (2020: HK\$26,983,212,000). 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 2021, 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\$8,274,492,000 (2020: HK\$9,310,801,000), of which HK\$5,490,468,000 (2020: HK\$5,633,122,000) had been utilised by associates and joint ventures.

EMPLOYEES

As at 31 December 2021, the Group employed about 9,700 employees with remuneration for the year amounted to approximately HK\$1,781 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 2021, 87,211,058 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, ongoing prevention and control measures have been carried out throughout the PRC and Hong Kong to mitigate the impact of Covid-19 pandemic. The epidemic 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 directors of the Company are continuing to 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. Fung Chi Kin and Mr. Wong Ka Lun. The consolidated financial statements of the Group for the year ended 31 December 2021 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 B.3.1 to B.3.4 (former code provision A.5.1 to A.5.4) and F.2.2 (former code provision E.1.2) of the CG Code. The reasons for deviations from such provisions are explained below:

Code Provisions B.3.1 to B.3.4 (former code provision A.5.1 to A.5.4) of the CG Code — Nomination Committee

Under code provisions B.3.1 to B.3.4 (former code provision 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. After careful consideration of the pros and cons, the Company did not establish a nomination committee.

The Board is aware of the requirement set out in the CG Code contained in Appendix 14 to the Listing Rules that, effective from 1 January 2022, a listed issuer shall establish a nomination committee, which shall be chaired by the chairman of the board of directors or an independent non-executive director and mainly consist of independent non-executive directors. To comply with the requirement, the Company established the nomination committee on 22 December 2021. The terms of reference of nomination committee has been complied since its establishment and has been recognized and adopted by the Board. It has been set out on the website of the Company.

Code Provision F.2.2 (former code provision E.1.2) of the CG Code — Attendance of Chairman of the Board at the Annual General Meetings

Under code provision F.2.2 (former 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 2021, 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 28 May 2021. 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 2021.

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 2021 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 2022.

For and on behalf of the Board
Poly Property Group Co., Limited
WAN Yuqing
Chairman

Hong Kong, 24 March 2022

As at the date of this announcement, the executive directors of the Company are Mr. Wan Yuqing, Mr. Wang Jian and Mr. Ye Liwen; and the non-executive director of the Company is Guo Jianquan and the independent non-executive directors of the Company are Mr. Ip Chun Chung, Robert, Mr. Fung Chi Kin, Miss Leung Sau Fan, Sylvia and Mr. Wong Ka Lun.