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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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

INTERIM RESULTS

The directors (the "Directors/Board") of Poly Property Group Co., Limited (the "Company") hereby announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2018 with comparative figures for the six months ended 30th June, 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30th June,	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*2*	**6,992,149**	14,717,816
Cost of sales		**(4,503,665)**	(12,246,388)
Gross profit		**2,488,484**	2,471,428
Increase in fair value of investment properties		**32,000**	—
Decrease in fair value of financial assets		**(1,961)**	—
Other gains, net		**340,130**	440,189
Selling expenses		**(296,898)**	(469,135)
Administrative expenses		**(576,858)**	(598,953)
Other operating expenses		**(131,773)**	(165,649)
Finance costs		**(549,232)**	(518,318)
Share of results of associates		**(5,870)**	(3,826)
Share of results of joint ventures		**70,767**	41,656
Profit before income tax expense	*3*	**1,368,789**	1,197,392
Income tax expense	*4*	**(691,860)**	(487,199)

	Notes	Six months ended 30th June, 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Profit for the period		**676,929**	710,193
Attributable to:			
Owners of the Company		**620,804**	628,845
Non-controlling interests		**56,125**	81,348
		676,929	710,193
Earnings per share (expressed in HK cents)	*6*		
— Basic		**16.95**	17.17
— Diluted		**16.95**	17.17

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th June,	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**676,929**	710,193
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	**36**	494,319
Change in fair value of available-for-sale investments	**—**	(2,535)
	36	491,784
Items that will not be reclassified to profit or loss:		
Surplus arising on revaluation of properties	**22,496**	21,506
Other comprehensive income before tax effect	**22,532**	513,290
Deferred tax liability arising on revaluation of properties	**(5,623)**	(5,377)
Other comprehensive income for the period, net of tax	**16,909**	507,913
Total comprehensive income for the period	**693,838**	1,218,106
Attributable to:		
Owners of the Company	**633,019**	1,008,679
Non-controlling interests	**60,819**	209,427
	693,838	1,218,106

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30th June, 2018 HK$'000 (Unaudited)	31st December, 2017 HK$'000 (Audited)
Non-current assets			
Investment properties		**10,928,939**	10,904,879
Property, plant and equipment		**1,857,269**	1,890,842
Prepaid lease payments — non-current portion		**320,124**	325,385
Interests in associates		**320,143**	298,155
Interests in joint ventures		**7,736,986**	3,956,952
Financial assets at fair value through profit or loss		**424,261**	—
Available-for-sale investments		**—**	325,839
Loan receivables		**207,392**	112,583
Deposits paid for acquisition of land use rights		**2,526,952**	1,643,905
Deposits paid for acquisition of subsidiaries		**—**	238,095
Deferred tax assets		**330,224**	319,150
Total non-current assets		**24,652,290**	20,015,785
Current assets			
Properties under development		**58,559,294**	53,631,353
Properties held for sale		**23,157,757**	21,608,481
Contract costs		**388,987**	—
Other inventories		**54,423**	54,057
Trade and other receivables	*8*	**3,824,390**	4,776,797
Prepaid lease payments — current portion		**10,175**	10,175
Amounts due from associates		**1,667,800**	757,418
Amounts due from joint ventures		**3,553,473**	4,141,267
Amounts due from non-controlling shareholders of subsidiaries		**950,324**	939,600
Taxation recoverable		**2,230,426**	1,592,664
Pledged bank deposits		**357,762**	329,237
Bank balances, deposits and cash		**20,640,446**	20,921,650
Total current assets		**115,395,257**	108,762,699

	Notes	30th June, 2018 HK$'000 (Unaudited)	31st December, 2017 HK$'000 (Audited)
Current liabilities			
Trade and other payables	9	**14,323,575**	15,552,504
Contract liabilities		**36,563,636**	—
Pre-sale deposits		—	25,906,757
Property rental deposits		**134,081**	126,151
Amounts due to joint ventures		**4,037,284**	2,258,285
Amount due to the ultimate holding company		**54,449**	411,592
Amount due to an intermediate holding company		**3,323**	21,034
Amounts due to fellow subsidiaries		**215,712**	587,869
Amounts due to non-controlling shareholders of subsidiaries		**2,428,587**	2,529,004
Taxation payable		**1,457,264**	2,009,346
Notes payable		—	3,900,000
Bank and other borrowings — due within one year		**13,964,623**	15,835,437
Total current liabilities		**73,182,534**	69,137,979
Net current assets		**42,212,723**	39,624,720
Total assets less current liabilities		**66,865,013**	59,640,505
Capital and reserves attributable to owners of the Company			
Share capital	10	**17,685,677**	17,685,677
Reserves		**11,084,894**	10,610,687
Equity attributable to owners of the Company		**28,770,571**	28,296,364
Non-controlling interests		**2,599,676**	2,520,217
Total equity		**31,370,247**	30,816,581

	Notes	30th June, 2018 HK$'000 (Unaudited)	31st December, 2017 HK$'000 (Audited)
Non-current liabilities			
Bank and other borrowings — due after one year		**29,770,906**	27,089,799
Notes payable		**3,900,000**	—
Loan from a fellow subsidiary		**214,286**	214,286
Deferred tax liabilities		**1,609,574**	1,519,839
Total non-current liabilities		**35,494,766**	28,823,924
		66,865,013	59,640,505

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The condensed 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 31st December, 2017, 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 1st January, 2018.

The preparation of condensed consolidated financial statements in conformity with HKAS 34 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 condensed 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 31st December, 2017. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31st December, 2017 that is included in this announcement of the interim results for the six months ended 30th June, 2018 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those 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 financial statements for the year ended 31st December, 2017 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).

The Company's auditor has reported on those 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 the following amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

HKAS 28 (Amendments)	Investments in Associates and Joint Ventures
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRS 1 (Amendments)	First Time Adoption of HKFRS
HKFRS 2 (Amendments)	Classification and Measurement of Share-Based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration

The Group has assessed the impact of the adoption of these new and amended standards that are effective for the first time for this interim. The Group had to change its accounting policies and made adjustments as a result of adoption the following standards:

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed in note 13. The other standards, amendments and interpretation did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

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.

HKAS 19 (Amendments)	Employee Benefits[1]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[1]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
Annual Improvements to 2015-2017 Cycle	Improvements to HKFRS[1]
HK (IFRIC) 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1st January, 2019
2 Effective for annual periods beginning on or after 1st January, 2021
3 To be announced

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

2. REVENUE AND SEGMENT INFORMATION

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

Principal activities are as follows:

Property development business — property development

Property investment and management — property investment and management

Hotel operations — hotel and restaurant business and its related services

Other operations — manufacturing and sales of digital discs and others

Information about these segments is presented below:

For the six months ended 30th June, 2018

	Property development business *HK$'000*	Property investment and management *HK$'000*	Hotel operations *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
REVENUE						
External revenue	6,094,919	765,603	96,565	35,062	—	6,992,149
Inter-segment revenue*	—	54,067	—	—	(54,067)	—
Total revenue	6,094,919	819,670	96,565	35,062	(54,067)	6,992,149
SEGMENT RESULTS	1,639,898	182,589	(16,259)	178	—	1,806,406
Unallocated income						72,012
Unallocated expenses						(25,294)
Finance costs						(549,232)
Share of results of associates	(5,870)					(5,870)
Share of results of joint ventures	70,267			500		70,767
Profit before income tax expense						1,368,789
Income tax expense						(691,860)
Profit for the period						676,929

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

At 30th June, 2018
Assets and liabilities

	Property development business *HK$'000*	Property investment and management *HK$'000*	Hotel operations *HK$'000*	Other operations *HK$'000*	Total *HK$'000*
Assets					
Segment assets	**94,902,497**	**11,436,530**	**1,320,936**	**705,167**	**108,365,130**
Interests in associates	**320,143**	—	—	—	**320,143**
Interests in joint ventures	**7,735,008**	—	—	**1,978**	**7,736,986**
Unallocated corporate assets					**23,625,288**
Total assets					**140,047,547**
Liabilities					
Segment liabilities	**55,630,458**	**2,040,605**	**212,129**	**27,293**	**57,910,485**
Unallocated corporate liabilities					**50,766,815**
Total liabilities					**108,677,300**

For the six months ended 30th June, 2017

	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						
External revenue	13,939,910	650,710	90,741	36,455	—	14,717,816
Inter-segment revenue*	—	64,891	—	—	(64,891)	—
Total revenue	13,939,910	715,601	90,741	36,455	(64,891)	14,717,816
SEGMENT RESULTS	1,343,501	157,925	(16,737)	5,430	—	1,490,119
Unallocated income						234,880
Unallocated expenses						(47,119)
Finance costs						(518,318)
Share of results of associates	(3,826)					(3,826)
Share of results of joint ventures	41,353			303		41,656
Profit before income tax expense						1,197,392
Income tax expense						(487,199)
Profit for the period						710,193

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

At 31st December, 2017
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	87,949,525	11,511,551	1,336,220	511,842	101,309,138
Interests in associates	298,155	—	—	—	298,155
Interests in joint ventures	3,954,970	—	—	1,982	3,956,952
Unallocated corporate assets					23,214,239
Total assets					128,778,484
Liabilities					
Segment liabilities	45,760,760	1,541,377	207,151	46,376	47,555,664
Unallocated corporate liabilities					50,406,239
Total liabilities					97,961,903

3. PROFIT BEFORE INCOME TAX EXPENSE

	Six months ended 30th June, 2018 *HK$'000*	2017 *HK$'000*
Profit before income tax expense is arrived at after charging:		
Amortisation of prepaid lease payments (included in administrative expenses)	**5,261**	5,048
Depreciation of property, plant and equipment	**61,934**	63,403
Share of tax of joint ventures (included in share of results of joint ventures)	**28,032**	52,044
Loss on disposal of investment properties	**324**	441

4. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2018	2017
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax	**—**	—
PRC Enterprise Income Tax	**339,910**	280,278
	339,910	280,278
Land Appreciation Tax ("LAT")	**341,174**	222,137
Deferred taxation	**10,776**	(15,216)
	691,860	487,199

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30th June, 2017: 16.5%) of the estimated assessable profit for the period.

No provision for Hong Kong Profits Tax has been made as there is no assessable profit for both periods.

The PRC Enterprise Income Tax is calculated at 25% based on the estimated assessable profit for the period.

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.

5. DIVIDENDS

The Directors have decided not to declare any interim dividend for the six months ended 30th June, 2018 (six months ended 30th June, 2017: HK$Nil).

The Company paid final dividend, in respect of the previous financial year, of HK$0.135 per share during the period.

6. **EARNINGS PER SHARE**

The calculation of basic and diluted earnings per share for the six months ended 30th June, 2018 is based on the following data:

	Six months ended 30th June,	
	2018	2017
	HK$'000	*HK$'000*
Earnings:		
Profit for the period attributable to owners of the Company	**620,804**	628,845

	Six months ended 30th June,	
	2018	2017
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**3,661,537,046**	3,661,537,046
Effect of dilutive potential ordinary shares on share options	**—**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**3,661,537,046**	3,661,537,046

7. **TRANSFER TO AND FROM RESERVES**

During the six months ended 30th June, 2018, the Group's subsidiaries in the PRC did not appropriate any amount net of non-controlling interests' share out of accumulated profits to the PRC statutory reserves (six months ended 30th June, 2017: HK$Nil), and the Group's subsidiaries in the PRC released HK$20,529,000 net of non-controlling interests' share out of the PRC statutory reserves to accumulated profits (six months ended 30th June, 2017: HK$Nil).

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 arise 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 periods ranging from 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:

	30th June, 2018	31st December, 2017
	HK$'000	*HK$'000*
0 to 30 days	**58,970**	92,766
31 to 90 days	**12,767**	6,849
More than 90 days	**133,409**	144,508
Total trade receivables	**205,146**	244,123
Other receivables	**3,619,244**	4,532,674
	3,824,390	4,776,797

9. TRADE AND OTHER PAYABLES

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

	30th June, 2018 *HK$'000*	31st December, 2017 *HK$'000*
0 to 30 days	**3,741,260**	3,947,813
31 to 90 days	**1,087,401**	79,368
More than 90 days	**6,449,410**	6,520,838
Total trade payables	**11,278,071**	10,548,019
Bills payables	**15,470**	4,184
Other payables	**3,030,034**	5,000,301
	14,323,575	15,552,504

10. SHARE CAPITAL

	Number of ordinary shares	**Amount** *HK$'000*
Ordinary shares, issued and fully paid:		
At 1st January, 2018 and 30th June, 2018	3,661,537,046	17,685,677

11. 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$28,427,774,000 as at 30th June, 2018 (31st December, 2017: HK$28,685,243,000). Such guarantees will 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 loan guaranteed by the Group in the event the purchasers default payments to the banks.

At 30th June, 2018, the Group had given guarantees to certain banks in respect of credit facilities granted to certain joint ventures of the Group amounting to HK$3,314,010,000 (31st December, 2017: HK$2,170,910,000), of which HK$3,299,400,000 (31st December, 2017: HK$2,088,743,000) had been utilised by these joint ventures.

12. CAPITAL COMMITMENTS

Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of property development expenditures amounted to HK$11,119,935,000 as at 30th June, 2018 (31st December, 2017: property development expenditures and acquisition of a subsidiary amounted to HK$10,681,734,000 and HK$3,750,000,000 respectively).

The Group did not have any capital expenditure authorised but not contracted for as at 30th June, 2018 (31st December, 2017: HK$742,588,000).

13. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

(a) Impact on the financial statements

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated. As explained below, the Group adopted HKFRS 9 and HKFRS 15 without restating comparative information in accordance with the transitional provisions of these standards. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in statement of financial position as at 31st December, 2017, but are recognised in the opening of statement of financial position on 1st January, 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

	31st December, 2017	HKFRS 9	HKFRS 15	1st January, 2018 Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Condensed consolidated statement of financial position (extract)				
Non-current assets				
Financial assets at fair value through profit or loss	—	423,290	—	423,290
Available-for-sale investments	325,839	(325,839)	—	—
Current assets				
Contract costs	—	—	316,789	316,789
Total assets	128,778,484	97,451	316,789	129,192,724
Non-current liabilities				
Deferred tax liabilities	1,519,839	—	62,262	1,582,101
Current liabilities				
Contract liabilities	—	—	25,906,757	25,906,757
Pre-sale deposits	25,906,757	—	(25,906,757)	—
Total liabilities	97,961,903	—	62,262	98,024,165
Net assets	30,816,581	97,451	254,527	31,168,559
Reserves	10,610,687	97,451	238,045	10,946,183
Non-controlling interests	2,520,217	—	16,482	2,536,699
Total equity	30,816,581	97,451	254,527	31,168,559

(b) HKFRS 9 Financial Instruments — Impact of adoption

(i) Classification and measurement

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1st January, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 13(c) below. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

On 1st January, 2018 (the date of initial application of HKFRS 9), the Group's management has classified its financial instruments at fair value through profit or loss.

In summary, the following adjustments were made to the amounts recognized in the opening of statement of financial position on 1st January, 2018:

	HKAS 39 carrying amount at 31st December, 2017	Reclassification	Remeasurement	HKFRS 9 carrying amount at 1st January, 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss	—	325,839	97,451	423,290
Available-for-sale investments	325,839	(325,839)	—	—
Reserves	10,610,687	—	97,451	10,708,138

The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 9 as compared to HKAS 39 that were previously in effect before the adoption of HKFRS 9 is as follows:

	As at 30th June, 2018		
	Amounts without the adoption of HKFRS 9	Effects of the adoption of HKFRS 9	Amounts as reported
	HK$'000	*HK$'000*	*HK$'000*
Condensed consolidated statement of financial position (extract)			
Financial assets at fair value through profit or loss	—	424,261	424,261
Available-for-sale investments	307,856	(307,856)	—
Reserves	10,968,489	116,405	11,084,894

	Six months ended 30th June, 2018		
	Amounts without the adoption of HKFRS 9	**Effects of the adoption of HKFRS 9**	**Amounts as reported**
	HK$'000	*HK$'000*	*HK$'000*
Condensed consolidated statement of profit or loss (extract)			
Changes in fair value of financial assets	—	(1,961)	(1,961)
Profit attributable to owners of the Company	622,765	(1,961)	620,804

(ii) Impairment of financial assets

The cash and cash equivalent, pledged bank deposits, loan receivables, trade and other receivables are subject to the impairment requirements of HKFRS 9, and the identifiable impairment loss was immaterial.

(c) HKFRS 9 Financial Instruments — Accounting policies applied from 1st January, 2018

Investments and other financial assets

Classification

From 1st January, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for equity investment at fair value through other comprehensive income (FVOCI). The Group reclassified debts investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss as a reclassification adjustment. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investment in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in statement of profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1st January, 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(d) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1st January, 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 15, the Group has adopted the cumulative effect method and therefore has not restated comparatives for the 2017 financial year. In summary, the following adjustments were made to the amounts recognised in the opening of statement of financial position on 1st January, 2018:

	HKAS 18 carrying amount 31st December, 2017	**Reclassification**	**Remeasurement**	**HKFRS 15 carrying amount 1st January, 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract costs	—	—	316,789	316,789
Contract liabilities	—	25,906,757	—	25,906,757
Pre-sale deposits	25,906,757	(25,906,757)	—	—
Deferred tax liabilities	1,519,839	—	62,262	1,582,101

The impact on the Group's reserves and non-controlling interests as at 1st January, 2018 is as follows:

	HK$'000
Reserves and non-controlling interests as at 31st December, 2017	
Reserves	10,610,687
Non-controlling interests	2,520,217
Recognition of assets for costs to obtain a contract	316,789
Increase in deferred tax liabilities	(62,262)
Adjustment to reserves from adoption of HKFRS 15	238,045
Adjustment to non-controlling interests from adoption of HKFRS 15	16,482
Reserves and non-controlling interests as at 1st January, 2018	
Reserves	10,848,732
Non-controlling interests	2,536,699

The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that were previously in effect before the adoption of HKFRS 15 is as follows:

	As at 30th June, 2018		
	Amounts without the adoption of HKFRS 15	**Effects of the adoption of HKFRS 15**	**Amounts as reported**
	HK$'000	*HK$'000*	*HK$'000*
Condensed consolidated statement of financial position (extract)			
Contract costs	—	388,987	388,987
Contract liabilities	—	36,536,636	36,536,636
Pre-sale deposits	36,536,636	(36,536,636)	—
Deferred tax liabilities	1,534,892	74,682	1,609,574
Reserves	10,789,445	295,449	11,084,894
Non-controlling interests	2,580,820	18,856	2,599,676

	Six months ended 30th June, 2018		
	Amounts without the adoption of HKFRS 15	**Effects of the adoption of HKFRS 15**	**Amounts as reported**
	HK$'000	*HK$'000*	*HK$'000*
Condensed consolidated statement of profit or loss (extract)			
Selling expenses	(369,096)	72,198	(296,898)
Income tax expense	(679,440)	(12,420)	(691,860)
Profit for the period	617,151	59,778	676,929
Attributable to			
Owners of the Company	563,400	57,404	620,804
Non-controlling interests	53,751	2,374	56,125

(i) Accounting for costs to obtain a contract

Management expects the incremental costs, principally sale commission, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognised. During the six months ended 30th June, 2018, the Group recognised amortisation of HK$27,288,000 and capitalised commission fee of HK$99,486,000 which decreased selling expenses by the same amount, increase income tax expense by HK$12,420,000 and increased profit after tax by HK$59,778,000. There was no impairment loss in relation to the costs capitalised.

(ii) Presentation of assets and liabilities related to contracts with customers

The Group has also changed the presentation of the following amount in the statement of financial position to reflect the terminology of HKFRS 15:

- Contract liabilities in relation to property sale contracts were previously included in pre-sale deposits (HK$25,906,757,000 as at 1st January, 2018).

(e) HKFRS 15 Revenue from Contracts with Customers — Accounting policies

Accounting for property development activities

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, revenue are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- Provides all the benefits received and consumed simultaneously by the customer; or

- Creates and enhances an asset that the customer controls as the Group performs; or

- Do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

For the six months ended 30th June, 2018, the Group has assessed that there is no enforceable right to payment from the customers for performance completed to date. Thus, the Group has concluded that the adoption of HKFRS 15 did not have material impact on the timing of revenue recognition.

Accounting for significant financing component

For contracts where the period between the payment by the customer and transfer of the promised property or service exceeds one year, the transaction price should be adjusted for the effects or a financing component, if significant. The Group has assessed that the financing component effect was insignificant.

Accounting for property management

For property management services contracts, the Group recognises revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclosure the remaining performance obligations for these type of contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

For the first half of 2018, Poly Property Group Co., Limited and its subsidiaries ("the Group") recorded a revenue of HK$6,992 million (corresponding period of 2017: HK$14,718 million), representing a decrease of HK$7,726 million or 52.5% when comparing with the corresponding period of last year. Profit attributable to shareholders amounted to HK$621 million (corresponding period of 2017: HK$629 million), indicating a decrease of HK$8 million or 1.3% from the corresponding period of last year. Basic and diluted earnings per share stood at HK16.95 cents (corresponding period of 2017: HK17.17 cents).

As at 30th June, 2018, shareholders' equity amounted to HK$28.771 billion (31st December, 2017: HK$28.296 billion), indicating a 1.8% increase from the end of last year. Net asset value per share amounted to HK$7.86 (31st December, 2017: HK$7.73), representing an increase of 1.7% when comparing with the end of last year.

BUSINESS REVIEW

In the first half of 2018, the control policies for the Chinese real estate market remained at a steady and sustainable pace. According to the selling prices of newly built residential properties in 70 major and medium cities published by the National Bureau of Statistics, the housing prices in first-tier cities were stable in general, while those in certain second-tier cities and third-tier and fourth-tier cities increased significantly. The control policies in first-tier cities and major second-tier cities were further tightened and began to be extended to third-tier and fourth-tier cities. Meanwhile, the government adopted localised measures to promote shed reform monetisation, which was in line with the overall control principles of "City-specific Policies" and "Destocking".

At the beginning of 2018, the Group focused on accelerating sales and cash collection in response to the tightening financing environment of property developers. During the period, the Group, together with its joint ventures and associated companies ("Poly Property Group") recorded contracted area sold of approximately 1,326,000 square metres, contracted sales of approximately RMB24.1 billion and sales collection of RMB24.4 billion. During the second quarter, the Group completed the issuance of the USD500 million 5.20% guaranteed notes due 2021, and the coupon rate was remarkably lower than those of other Chinese property developers issued during the same period. In addition, the Group also got well prepared for various new financing models, including commercial mortgage backed notes ("CMBN"), asset-backed securities ("ABS") for final payments of house purchasing and private issuance of property rental corporate bonds. During the second half of 2018, the Group will continue to control its net gearing ratio and funding costs at a reasonable level by strengthening sales collection and effective debt replacement.

During the period, the Group added eight new property projects. The Group acquired Jinan Huai Yin Project under the industrial real estate model and acquired Mudanjiang Dong Si Qiao Project with the idea of cultural town for the first time. It is expected that the land market will be increasingly rational in the second half of 2018. The Group will focus on traditional ways such as bidding, auction and listing to prioritise the development opportunities in first-tier and second-tier cities, while moderately increase land reserves in weak second-tier cities and third-tier and fourth-tier cities with relatively stable supply and demand. Moreover, the Group will steadily increase its land reserves through cooperative development, minority interests, themed real estate and other models, and control its land costs at a competitive level among the peers.

In the first half of 2018, property developers accelerated their diversified operation. Overseas real estate and financial businesses are two major directions of the development of the Group in the future. The Hong Kong Kai Tak Vibe Centro project maintained a sell-through rate of 100%. The land reserves in Hong Kong, Macau and overseas region further grew. In addition, the Group successfully obtained Type 1, Type 4 and Type 9 licenses granted by the Securities and Futures Commission to engage in dealing in securities, advising on securities and asset management in Hong Kong. The Group will prepare for conducting financial businesses, in order to improve capital operation and industry-finance integration.

Looking forward to the second half of 2018, the Chinese economic development will still be challenged by trade war, financial deleveraging and other factors. The executive meetings of the State Council demanded a more positive financial policy and a moderately prudent monetary policy. It is expected that the real estate market condition and control policies will develop steadily. In accordance with its general principle of "steady growth, deepening reform and building-up and transformation of a new landscape of development", the Group will unswervingly strengthen and improve real estate development as its principal business, to achieve sustainable and desirable returns for its shareholders.

PROPERTY SALES

In the first half of 2018, Poly Property Group recorded contracted area sold of approximately 1,326,000 square metres, or approximately RMB24.1 billion in value, achieving 60% of its annual sales target of RMB40.0 billion.

During the period, Poly Property Group had 80 major projects for sale, with three of them being debut projects, including Deqing Poly Prime Regency, Weifang Zoina Poly Mansion and Jinan Zhong Lu Mansion. Projects with contracted sales of over RMB1 billion included Shanghai Poly Phili Regency, Ningbo Prosperous Reflection, Hong Kong Kai Tak Vibe Centro, Nanning Poly Town, Wuhan Poly Up Town, Guangzhou Nansha Poly City and Kunming Poly One Family One World.

During the period, the contracted sales of Poly Property Group by region were as follows:

Region and City	Contracted Sales for the First Half of 2018 *(RMB million)*	Percentage *(%)*
Yangtze River Delta Region	**7,405**	31%
Shanghai	3,228	
Suzhou	805	
Ningbo	2,537	
Deqing	589	
Yuyao	247	
Pearl River Delta Region	**3,152**	13%
Guangzhou	1,666	
Foshan	337	
Shenzhen	21	
Huizhou	1,129	
Southwestern Region	**6,016**	25%
Guiyang	1,718	
Zunyi	910	
Nanning	2,222	
Liuzhou	17	
Kunming	1,150	
Other Regions	**5,667**	24%
Wuhan	1,602	
Harbin	1,079	
Jinan	1,580	
Yantai	744	
Weihai	136	
Weifang	377	
Wanning	148	
Hong Kong, Macau and Overseas	**1,859**	8%
Hong Kong	1,859	
Total	24,100	100%

Notes:

1. Contracted sales include car parking sales;

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

In the second half of 2018, Poly Property Group will consider to introduce four new residential projects which include Wuhan Yang Yuan Project, Weihai Caixin Poly Masterpiece, Zibo Xin Hua Road Project and Shanghai Xijiao Jinmao Palace, depending on construction progress and market conditions.

NEWLY COMMENCED CONSTRUCTION

In the first half of 2018, Poly Property Group commenced construction on a total of 18 new projects with a gross floor area of approximately 2,071,000 square metres. Among which, eight projects commenced construction for the first time, namely, Suzhou Lu Zhi Project, Nanning Poly Town Phase II, Jinan Hai Zi Wa Project, Jinan Da Shi Zi Yuan Project, Jinan Zhong Lu Mansion, Weihai Caixin Poly Masterpiece, Zibo Xin Hua Road Project and Weifang Zoina Poly Mansion.

As at 30th June, 2018, Poly Property Group held 48 projects under construction, with a gross floor area of approximately 9,485,000 square metres.

Project	**Gross Floor Area of Newly Commenced Construction** *('000 square metres)*	**Interests Attributable to the Group** *(%)*
Suzhou Lu Zhi Project	176	40%
Guiyang Poly Spring Street	133	66.5%
Guiyang Poly Park 2010	88	100%
Guiyang Poly Phoenix Bay	84	51%
Zunyi Poly Metropolis of Future	96	35%
Nanning Poly Crescendo	105	100%
Nanning Poly Town	357	46.7%
Nanning Poly Town Phase II	133	100%
Harbin Poly The Water's Fragrant Dike	136	58%
Harbin Poly City	87	100%
Jinan Phili House	51	25%
Jinan Hai Zi Wa Project	24	60%
Jinan Da Shi Zi Yuan Project	91	51%
Jinan Zhong Lu Mansion	164	33%
Yantai Poly Ocean Luxe	20	70%
Weihai Caixin Poly Masterpiece	108	30%
Zibo Xin Hua Road Project	61	65%
Weifang Zoina Poly Mansion	157	30%
Total	2,071	

RECOGNISED PROPERTY SALES

In the first half of 2018, the Group recognised total sales of RMB5,064 million from property development with an area of approximately 368,000 square metres. The breakdown of the recognised sales by project is as follows:

Region and Project	Sales Recognised in the First Half of 2018 *(RMB million)*	Percentage *(%)*
Yangtze River Delta Region	**860**	17%
1. Shanghai Poly Lakeside Garden	16	
2. Shanghai Poly Star Island	134	
3. Shanghai Poly Elegant Mansion	80	
4. Shanghai Poly Deluxe Mansion	203	
5. Suzhou Poly West Bank Villa	91	
6. Suzhou Poly Lake Mansion	45	
7. Ningbo Poly Wonderland	83	
8. Yuyao Poly Jordan International	183	
9. Deqing Poly Origin	19	
10. Others	6	
Pearl River Delta Region	**1,583**	31%
11. Guangzhou Poly Golf Shire	99	
12. Guangzhou Poly Zephyr City	23	
13. Guangzhou Poly Up House	33	
14. Guangzhou Poly Gratified West Bay	194	
15. Guangzhou Nansha Poly City	69	
16. Guangzhou Poly Jade Hills	844	
17. Foshan Poly Prestige City	21	
18. Foshan Poly Central Park	243	
19. Huizhou Poly Deutch Kultur	26	
20. Others	30	
Southwestern Regions	**1,126**	22%
21. Nanning Poly Aegean Sea	17	
22. Nanning Poly Crescendo	127	
23. Liuzhou Poly Merization World	58	
24. Guiyang Poly Spring Street	17	
25. Guiyang Poly Park 2010	104	
26. Guiyang Poly Phoenix Bay	52	
27. Guiyang Poly The Place of A Lake	542	
28. Zunyi Poly Metropolis of Future	56	
29. Kunming Poly Sky and Earth	36	
30. Kunming Poly One Family One World	89	
31. Others	26	

Region and Project	Sales Recognised in the First Half of 2018 *(RMB million)*	Percentage *(%)*
Other Regions	**1,494**	30%
32. Wuhan Poly Blue Ocean District	11	
33. Wuhan Poly City	701	
34. Harbin The Tsinghua Summer Palace of Poly	11	
35. Harbin Poly City	25	
36. Jinan Poly Hyde Mansion	428	
37. Jinan Poly Center	128	
38. Jinan Poly Elegant Garden	85	
39. Weihai Poly Triumph Mansion	25	
40. Hainan Poly Peninsula No.1	52	
41. Others	28	
Grand total:	**5,064**	100%

Note:

1. Since figures were rounded up to the nearest thousand, their total may not equal to the actual sum of their grand total or sub-total.

NEW LAND RESERVES

In the first half of 2018, Poly Property Group added eight projects, which are located in Macau, Jinan, Weifang, Zibo, Mudanjiang, Ningbo, Foshan and Shanghai, respectively. The planned total gross floor area of the new projects amounted to approximately 2,533,000 square metres. The cost of land was considered to be at a reasonable level.

New Project	**Planned Property Type**	**Total Site Area** *('000 square metres)*	**Planned Total Gross Floor Area** *('000 square metres)*	**Interests Attributable to the Group** *(%)*
Macau Coloane Project	Residential	49	528	30%
Jinan Huai Yin Project	Commercial and Residential	125	638	75%
Weifang Zoina Poly Mansion	Residential	121	423	30%
Zibo Da Cheng Project	Residential	65	232	65%
Mudanjiang Dong Si Qiao Project	Residential	159	338	100%
Ningbo Bei Lun Project	Residential	45	110	33.33%
Foshan Shun De Project	Commercial and Residential	23	107	100%
Shanghai Jiading Affordable Housing Project	Affordable Housing	47	156	100%
Total:		633	2,533	

Note:

1. Since figures were rounded up, their grand total or sub-total may not equal to the actual sum.

Macau Coloane Project

The project is located in Coloane, Macau. Coloane is named as the "back garden of Macau" for its numerous natural and cultural resources. With the stable economic development and employment of Macau, the residential market mainly relies on local purchasers. The project, with a planned GFA of approximately 528,000 square metres, is intended to be developed into a residential community.

Jinan Huai Yin Project

The project is located in the area of West Railway Station of Huaiyin District, Jinan, and is a key investment promotion project of the government of Huaiyin District. The commercial land is located at the south of the provincial technology museum, while the residential land is located at the north of the government office of Huaiyin District. The project is well-positioned with convenient transportation and improving infrastructure in the area. The project has a planned GFA of approximately 638,000 square metres. The Group and its partner are responsible for the property development and industry introduction, respectively.

Weifang Zoina Poly Mansion

The project is located in the Weifang High-tech District, with convenient transportation and outstanding geographical advantage. With the eastward expansion strategy of Weifang and the eastward relocation of the municipal government, the area where the project is located has become a major direction of future development. The region is well surrounded by commercial, educational, medical, recreation and sports facilities, with excellent scenery and fresh air. The project, with a planned GFA of approximately 423,000 square metres, is intended to be developed into mid to high-end multi-group buildings with diversified product lines.

Zibo Da Cheng Project

The project is located in the core business circle of the central district of Zibo. It is well supported by educational resources, convenient transportation and well-developed facilities. The west of the district is planned to have a rail transit station, which improves the travel conditions of residents and the development premium of the project. The project, with a planned GFA of approximately 232,000 square metres, mainly targets local customers with rigid demand and first-time upgrade buyers, and is intended to be developed into mid to high-end multi-group buildings with diversified product lines.

Mudanjiang Dong Si Qiao Project

The project is located in Jiangnan New District, Mudanjiang. It is close to Mudanjiang river and the convention and exhibition centre, with excellent location and convenient transportation. Jiangnan New District is a new city centre developed by the government. The project is surrounded by improving commercial facilities, and abundant primary and secondary school resources, with enormous potential for future development. The project, with a planned GFA of approximately 338,000 square metres, mainly targets first-time buyers and existing owners looking for upgrade of living condition who emphasise the project brand, property management services and adjacent educational resources. As the first project in Mudanjiang of the Group, the project is intended to be developed into a high-quality residential community with beautiful landscape.

Ningbo Bei Lun Project

The project is located in the centre of Beilun District, Ningbo. It is close to the government of Beilun District, with square boundary and convenient transportation. The project is surrounded by water, with abundant landscape resources, mature commercial development, all-round ancillary facilities and rich education atmosphere. The project, with a planned GFA of approximately 110,000 square metres, mainly targets first-time buyers and first-time upgrade buyers. The project is intended to be developed into a residential community mainly comprising housings and high-rise residential buildings.

Foshan Shun De Project

The project is located in the junction of Daliang Subdistrict and Lunjiao Subdistrict, Shunde, Foshan, and the East of the first people's hospital of Shunde, with excellent location. The district is surrounded by well-developed educational, commercial, medical and recreational facilities, and is close to Foshan Poly Central Park. The construction of the planned Metro Line 3 in the area has commenced, offering convenient transportation. The project, with a planned GFA of approximately 107,000 square metres, is intended to be developed into a residential community mainly comprising small and medium units.

Shanghai Jiading Affordable Housing Project

The project is located in Huangdu Town, Jiading District, Shanghai, one kilometre from the east of Jiading campus of Tongji University. There are two large residential communities under construction in the South of the district. The project, with a planned GFA of approximately 156,000 square metres, is intended to be developed into Shanghai affordable houses. The participation in the development of the affordable housing project results in stable economic benefits and positive social influence of the brand of Poly Property.

INVESTMENT PROPERTIES

The Group has various investment properties and hotels located in first-tier cities and second-tier provincial capitals. Its investment properties had a total GFA of approximately 694,000 square metres and asset value of approximately HK$10.9 billion. In the first half of 2018, the occupancy rates for the Group's office buildings and shopping malls remained steady. The rental rates achieved higher as compared to the corresponding period of last year. The hotel operations also performed reasonably well.

Location	**Major Investment Properties and Hotels**	**GFA held** *('000 square metres)*	**Interests Attributable to the Group** *(%)*	**Property Type**
Investment Properties				
Beijing	Beijing Poly Plaza	15	75%	Office
Shanghai	Shanghai Poly Plaza (partial)	34	100%	Office and commercial
Shanghai	Shanghai Stock Exchange Building (partial)	48	100%	Office
Shenzhen	Shenzhen Poly Cultural Plaza (partial)	135	100%	Commercial
Wuhan	Wuhan Poly Plaza (partial)	97	100%	Office and commercial
Guiyang	Guiyang Poly International Center	52	66.5%	Commercial
Hotels				
Beijing	Beijing Poly Plaza Hotel	63	75%	Hotel
Wuhan	Wuhan Poly Hotel	28	100%	Hotel
Guiyang	Guiyang Poly Hot Spring Hotel	39	66.5%	Hotel

PROPERTY MANAGEMENT

The Group has various property management companies engaging in management of residential properties, commercial properties, offices, urban complexes, starred commercial hotels, resort hotels, theatres and cultural plazas. They have been the leading players in China which have received numerous titles and awards in recent years.

In the first half of 2018, the Group's property management companies recorded total revenue of RMB363 million, representing an increase of 13.9% when comparing with the corresponding period of last year. The companies managed a total of 153 property projects with an aggregate GFA of 31,970,000 square metres, representing an increase of 10.6% when comparing with the corresponding period of last year.

FINANCIAL REVIEW

Liquidity and Capital Structure

As at 30th June, 2018, the shareholders' equity of the Group amounted to HK$28,770,571,000 (31st December, 2017: HK$28,296,364,000), while the net asset value per share was HK$7.86 (31st December, 2017: HK$7.73). As at 30th June, 2018, the Group's gearing ratio (on the basis of the amount of total liabilities divided by total assets) was 77.6% (31st December, 2017: 76.1%).

As at 30th June, 2018, the Group had outstanding bank and other borrowings (including the notes payable) of HK$47,635,529,000. In terms of maturity, the outstanding bank and other borrowings (including the notes payable) can be divided into HK$13,964,623,000 (29%) to be repaid within one year, HK$15,145,393,000 (32%) to be repaid after one year but within two years, HK$14,401,542,000 (30%) to be repaid after two years but within five years and HK$4,123,971,000 (9%) 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$35,135,996,000 (74%) in Renminbi, HK$3,900,000,000 (8%) in United States dollars and HK$8,599,533,000 (18%) in Hong Kong dollars.

34.2% of the bank and other borrowings (including the notes payable) of the Group are subject to fixed interest rates and the remaining 65.8% are subject to floating interest rates. Therefore, under circumstances of uncertainty or fluctuations of interest rates 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 30th June, 2018, the Group had net current assets of HK$42,212,723,000 and total bank balances of HK$20,998,208,000 (31st December, 2017: HK$39,624,720,000 and HK$21,250,887,000, 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, United States dollars and Renminbi. The Group maintains a prudent strategy in its foreign exchange risk management, where foreign exchange risks are minimised by 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. On the other hand, due to recent fluctuation of Renminbi exchange rate against Hong Kong dollars, the Group would closely monitor the fluctuation and adopt policy to minimise exchange rate risks, if necessary.

Pledge of Assets

As at 30th June, 2018, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	30th June, 2018	31st December, 2017
	HK$'000	*HK$'000*
Investment properties	**4,386,124**	3,704,286
Hotel properties	**157,143**	157,143
Prepaid lease payments	**64,663**	65,414
Properties under development	**20,078,907**	21,637,628
Properties held for sale	**2,836,319**	2,719,388
Bank deposits	**357,762**	329,237
Interests in joint ventures	**3,708,676**	—
	31,589,594	28,613,096

In addition to above pledge of assets, as at 30th June, 2018, the Group's interests in certain subsidiaries were pledged to secure credit facilities granted to the Group. The details of net asset value of subsidiaries are as follows:

	30th June, 2018	31st December, 2017
	HK$'000	*HK$'000*
Total assets	**6,153,784**	12,823,267
Total liabilities	**(6,029,629)**	(12,999,927)
	124,155	(176,660)

There are duplication between the carrying value of the Group's assets and the Group's interests in certain subsidiaries being pledged.

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$28,427,774,000 as at 30th June, 2018 (31st December, 2017: HK$28,685,243,000). Such guarantees will 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 loan guaranteed by the Group in the event the purchasers default payments to the banks.

At 30th June, 2018, the Group had given guarantees to certain banks in respect of credit facilities granted to certain joint ventures of the Group amounting to HK$3,314,010,000 (31st December, 2017: HK$2,170,910,000), of which HK$3,299,400,000 (31st December, 2017: HK$2,088,743,000) had been utilised by these joint ventures.

EMPLOYEES

As at 30th June, 2018, the Group employed 12,894 (30th June, 2017: 12,175) employees with remuneration for the period amounted to approximately HK$687 million. The Group provides its employees with various benefits including year-ended double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. On-the-job training is also provided as and when required.

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

During the six months period ended 30th June, 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the period 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 deviation 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 and the appointment of any new Director. 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

The chairman of the Board (the "Chairman") should attend the annual general meeting. Due to other important engagement at the relevant time, Mr. Xue Ming, the Chairman, was not able to attend the annual general meeting of the Company held on 24th May, 2018.

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 for the six months ended 30th June, 2018.

AUDIT COMMITTEE

The audit committee of the Company ("the Audit Committee") presently comprises one non-executive Director, namely Mr. Ip Chun Chung, Robert and three independent non-executive Directors, namely Miss Leung Sau Fan, Sylvia (as Chairlady), Mr. Choy Shu Kwan and Mr. Wong Ka Lun.

The members of the Audit Committee have reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters including the review of the unaudited financial statements of the Company for the six months ended 30th June, 2018. The Audit Committee has approved the unaudited interim financial statements.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website and the website of the Stock Exchange of Hong Kong Limited. The Interim Report 2018 will also be available at the Company's website and the website of the Stock Exchange of Hong Kong Limited and will be despatched to shareholders of the Company in September of 2018.

For and on behalf of the Board
Poly Property Group Co., Limited
XUE Ming
Chairman

Hong Kong, 23rd August 2018

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