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 31ST DECEMBER, 2018

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 31st December, 2018, together with comparative figures for the previous year ended 31st December, 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December, 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
Revenue	*2*	**23,233,644**	31,703,042
Cost of sales		**(14,715,439)**	(25,162,217)
Gross profit		**8,518,205**	6,540,825
Increase in fair value of investment properties		**278,932**	66,329
Increase in fair value of financial assets		**14,389**	—
Other gains, net		**349,184**	994,129
Selling expenses		**(693,000)**	(1,009,851)
Administrative expenses		**(1,606,298)**	(1,405,405)
Gain on step-up acquisition of a subsidiary		**—**	848,352
Impairment loss on properties under development and held for sale		**(10,909)**	—
Other operating expenses		**(346,418)**	(371,317)
Finance costs	*3*	**(1,275,566)**	(961,878)
Share of results of associates		**(53,954)**	(10,083)
Share of results of joint ventures		**250,369**	198,088
Profit before income tax expense	*4*	**5,424,934**	4,889,189
Income tax expense	*5*	**(2,823,486)**	(2,322,549)
Profit for the year		**2,601,448**	2,566,640
Attributable to:			
Owners of the Company		**2,241,590**	2,462,061
Non-controlling interests		**359,858**	104,579
		2,601,448	2,566,640
Earnings per share (expressed in HK cents)	*7*		
— Basic		**61.22**	67.24
— Diluted		**61.22**	67.24

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st December, 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**2,601,448**	2,566,640
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	**(908,196)**	1,354,507
Change in fair value of available-for-sale investments	**—**	14,895
	(908,196)	1,369,402
Items that will not be reclassified to profit or loss:		
Surplus arising on revaluation of properties	**547,454**	44,548
Other comprehensive income before income tax effect	**(360,742)**	1,413,950
Deferred tax liability arising on revaluation of properties	**(136,863)**	(11,137)
Other comprehensive (loss) income for the year, net of tax	**(497,605)**	1,402,813
Total comprehensive income for the year	**2,103,843**	3,969,453
Attributable to:		
Owners of the Company	**1,831,558**	3,530,535
Non-controlling interests	**272,285**	438,918
	2,103,843	3,969,453

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Investment properties		**12,571,809**	10,904,879
Property, plant and equipment		**3,878,612**	1,890,842
Prepaid lease payments — non-current portion		**372,363**	325,385
Interests in associates		**264,576**	298,155
Interests in joint ventures		**7,773,395**	3,956,952
Financial assets at fair value through profit or loss		**426,941**	—
Available-for-sale investments		**—**	325,839
Loan receivables		**216,021**	112,583
Deposits paid for acquisition of land use rights		**1,921,839**	1,643,905
Deposits paid for acquisition of subsidiaries		**—**	238,095
Deferred tax assets		**327,848**	319,150
Total non-current assets		**27,753,404**	20,015,785
Current assets			
Properties under development		**52,885,536**	53,631,353
Properties held for sale		**28,197,992**	21,608,481
Contract costs		**465,069**	—
Other inventories		**46,478**	54,057
Trade and other receivables	*8*	**5,151,482**	4,776,797
Prepaid lease payments — current portion		**11,995**	10,175
Amounts due from associates		**1,228,259**	757,418
Amounts due from joint ventures		**3,015,072**	4,141,267
Amounts due from non-controlling shareholders of subsidiaries		**862,587**	939,600
Taxation recoverable		**1,691,067**	1,592,664
Pledged bank deposits		**4,201,597**	329,237
Bank balances, deposits and cash		**23,152,884**	20,921,650
Total current assets		**120,910,018**	108,762,699

	Notes	2018 HK$'000	2017 HK$'000
Current liabilities			
Trade and other payables	9	**19,694,131**	15,552,504
Contract liabilities		**31,110,373**	—
Pre-sale deposits		**—**	25,906,757
Property rental deposits		**122,336**	126,151
Amounts due to joint ventures		**3,518,574**	2,258,285
Amount due to the ultimate holding company		**52,571**	411,592
Amount due to an intermediate holding company		**3,209**	21,034
Amounts due to fellow subsidiaries		**1,377**	587,869
Amounts due to non-controlling shareholders of subsidiaries		**2,395,404**	2,529,004
Taxation payable		**2,282,487**	2,009,346
Notes payable		**—**	3,900,000
Bank and other borrowings — due within one year		**13,840,294**	15,835,437
Total current liabilities		**73,020,756**	69,137,979
Net current assets		**47,889,262**	39,624,720
Total assets less current liabilities		**75,642,666**	59,640,505
Capital and reserves attributable to owners of the Company			
Share capital	10	**17,685,677**	17,685,677
Reserves		**12,203,418**	10,610,687
Equity attributable to owners of the Company		**29,889,095**	28,296,364
Non-controlling interests		**2,670,318**	2,520,217
Total equity		**32,559,413**	30,816,581

	Notes	**2018** **HK$'000**	2017 HK$'000
Non-current liabilities			
Bank and other borrowings — due after one year		**36,460,925**	27,089,799
Notes payable		**4,704,598**	—
Loan from a fellow subsidiary		**206,897**	214,286
Deferred tax liabilities		**1,710,833**	1,519,839
Total non-current liabilities		**43,083,253**	28,823,924
		75,642,666	59,640,505

Notes:

1. BASIS OF PREPARATION

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

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

The consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the most recent consolidated financial statements for the year ended 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 consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This announcement contains consolidated financial statements and selected explanatory notes. The explanatory notes include an explanation of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the most recent consolidated financial statements for the year ended 31st December, 2017. The consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The financial information relating to the financial year ended 31st December, 2017 that is included in this announcement of the results for the year ended 31st December, 2018 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 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 consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued 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:

Annual Improvement to HKFRSs 2014–2016 Cycle	Amendment to HKAS 28, Investments in associates and Joint Venture
HKAS 40 (Amendments)	Transfers of Investment Property
Annual Improvement to HKFRSs 2014–2016 Cycle	Amendment to HKFRS 1, First time adoption of Hong Kong Financial Reporting Standards
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendment to HKFRS 15	Revenue from Contracts with Customers (Clarification to HKFRS 15)
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 year. 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 11. 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.

Amendments to HKFRS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	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 HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combination[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Cost[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 The amendments were originally intended to be effective for the periods beginning on or after 1st January, 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

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

2. REVENUE AND SEGMENT INFORMATION

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

Principal activities are as follows:

Property development business — property development

Property investment and management — property investment and management

Hotel operations — hotel and restaurant business and its related services

Other operations — manufacturing and sales of digital discs and others

Information about these segments is presented below:

For the year ended 31st December, 2018

	Property development business *HK$'000*	Property investment and management *HK$'000*	Hotel operations *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
REVENUE						
External revenue	**21,300,382**	**1,614,335**	**236,009**	**82,918**	**—**	**23,233,644**
Inter-segment revenue*	**—**	**188,054**	**—**	**—**	**(188,054)**	**—**
Total revenue	**21,300,382**	**1,802,389**	**236,009**	**82,918**	**(188,054)**	**23,233,644**
SEGMENT RESULTS	**6,126,651**	**579,979**	**(55,938)**	**21,573**	**—**	**6,672,265**
Unallocated income						**161,898**
Unallocated expenses						**(330,078)**
Finance costs						**(1,275,566)**
Share of results of associates	**(53,882)**	**—**	**—**	**(72)**	**—**	**(53,954)**
Share of results of joint ventures	**249,824**	**—**	**—**	**545**	**—**	**250,369**
Profit before income tax expense						**5,424,934**
Income tax expense						**(2,823,486)**
Profit for the year						**2,601,448**

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

At 31st December, 2018
Assets and liabilities

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

For the year ended 31st December, 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	29,957,423	1,456,841	196,758	92,020	—	31,703,042
Inter-segment revenue*	—	203,576	—	—	(203,576)	—
Total revenue	29,957,423	1,660,417	196,758	92,020	(203,576)	31,703,042
SEGMENT RESULTS	4,006,911	337,588	(30,128)	3,768	—	4,318,139
Unallocated income						582,730
Unallocated expenses						(86,159)
Gain on step-up acquisition of a subsidiary	848,352	—	—	—	—	848,352
Finance costs						(961,878)
Share of results of associates	(10,083)	—	—	—	—	(10,083)
Share of results of joint ventures	197,548	—	—	540	—	198,088
Profit before income tax expense						4,889,189
Income tax expense						(2,322,549)
Profit for the year						2,566,640

* *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. FINANCE COSTS

	2018 ***HK$'000***	2017 *HK$'000*
Finance costs on interest bearing borrowings	**3,285,328**	2,946,788
Less: amounts capitalised	**(2,009,762)**	(1,984,910)
	1,275,566	961,878

Borrowing cost capitalised during the year arose from specific borrowings.

4. PROFIT BEFORE INCOME TAX EXPENSE

	2018 ***HK$'000***	2017 *HK$'000*
Profit before income tax expense is arrived at after charging (crediting):		
Amortisation of prepaid lease payments (included in administrative expenses)	**10,764**	10,160
Depreciation of property, plant and equipment	**138,205**	124,950
Total depreciation and amortisation	**148,969**	135,110
Gain on disposal of investment properties	**(3,822)**	(5,326)
Loss on disposal of property, plant and equipment	**15,667**	10,343

5. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax	**—**	—
PRC Enterprise Income Tax	**1,168,499**	925,756
PRC Withholding Income Tax	**991**	632
Land Appreciation Tax ("LAT")	**1,628,112**	1,329,043
	2,797,602	2,255,431
Deferred taxation	**25,884**	67,118
	2,823,486	2,322,549

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made as there is no assessable profit for both years.

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

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

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

6. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividends recognised as a distribution during the year:		
2017 final dividend of HK$0.135 per share	**494,308**	—

No interim dividend was declared and paid for both years.

The Directors of the Company recommend the payment of a final dividend of HK$0.123 per share (2017: HK$0.135 per share) for the year ended 31st December, 2018.

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year ended 31st December, 2018 is based on the following data:

	2018	2017
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to owners of the Company	**2,241,590**	2,462,061

	2018	2017
Number of shares:		
Weighted average number of ordinary shares in issue for the purposes of basic and diluted earnings per share	**3,661,537,046**	3,661,537,046

The diluted earnings per share for the year ended 31st December, 2018 and 2017 are the same as basic earnings per share presented as there were no potentially dilutive ordinary shares.

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:

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**108,164**	92,766
31 to 90 days	**10,566**	6,849
More than 90 days	**111,041**	144,508
Total trade receivables	**229,771**	244,123
Other receivables (net of allowance of HK$123,548,000) (2017: HK$123,170,000)	**4,921,711**	4,532,674
	5,151,482	4,776,797

9. TRADE AND OTHER PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**4,965,999**	3,947,813
31 to 90 days	**121,024**	79,368
More than 90 days	**6,112,676**	6,520,838
Total trade payables	**11,199,699**	10,548,019
Bills payables	**42,587**	4,184
Other payables	**8,451,845**	5,000,301
	19,694,131	15,552,504

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

10. SHARE CAPITAL

	Number of ordinary shares	**Amount**
		HK$'000
Ordinary shares, issued and fully paid:		
At 31st December, 2017, 1st January, 2018 and 31st December, 2018	3,661,537,046	17,685,677

11. 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 consolidated statement of financial position as at 31st December, 2017, but are recognised in the opening of consolidated 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*
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 11(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 recognised in the opening of consolidated statement of financial position on 1st January, 2018:

	HKAS 39 carrying amount at 31st December, 2017 *HK$'000*	**Reclassification** *HK$'000*	**Remeasurement** *HK$'000*	**HKFRS 9 carrying amount at 1st January, 2018** *HK$'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 year and year 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 31st December, 2018		
	Amounts without the adoption of HKFRS 9 *HK$'000*	**Effects of the adoption of HKFRS 9** *HK$'000*	**Amounts as reported** *HK$'000*
Consolidated statement of financial position (extract)			
Financial assets at fair value through profit or loss	—	426,941	426,941
Available-for-sale investments	289,650	(289,650)	—
Reserves	12,066,127	137,291	12,203,418

	Year ended 31st December, 2018		
	Amounts without the adoption of HKFRS 9	**Effects of the adoption of HKFRS 9**	**Amounts as reported**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of profit or loss (extract)			
Changes in fair value of financial assets	—	14,389	14,389
Profit attributable to owners of the Company	2,227,201	14,389	2,241,590

(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 consolidated 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 year and year 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 31st December, 2018		
	Amounts without the adoption of HKFRS 15	**Effects of the adoption of HKFRS 15**	**Amounts as reported**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of financial position (extract)			
Contract costs	—	465,069	465,069
Contract liabilities	—	31,110,373	31,110,373
Pre-sale deposits	31,110,373	(31,110,373)	—
Deferred tax liabilities	1,616,116	94,717	1,710,833
Reserves	11,883,118	320,300	12,203,418
Non-controlling interests	2,620,266	50,052	2,670,318

	Year ended 31st December, 2018		
	Amounts without the adoption of HKFRS 15	**Effects of the adoption of HKFRS 15**	**Amounts as reported**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of profit or loss (extract)			
Selling expenses	(846,302)	153,302	(693,000)
Income tax expense	(2,791,032)	(32,454)	(2,823,486)
Profit for the year	2,480,600	120,848	2,601,448
Attributable to			
Owners of the Company	2,154,312	87,278	2,241,590
Non-controlling interests	326,288	33,570	359,858

(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 year ended 31st December, 2018, the Group recognised amortisation of HK$178,751,000 and capitalised commission fee of HK$332,053,000 which decreased selling expenses by the same amount, increase income tax expense by HK$32,454,000 and increased profit after tax by HK$120,848,000. 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 consolidated 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 year ended 31st December, 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.

FINAL DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK12.3 cents per share (2017: HK13.5 cents per share) for the year ended 31st December, 2018. The proposed final dividend is subject to the approval by the Company's shareholders at the forthcoming annual general meeting and will be paid on or around 28th June, 2019 to the shareholders whose names appear on the register of members of the Company on 14th June, 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11th June, 2019 to 14th June, 2019 (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 with the Company's share registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 10th June, 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the year ended 31st December, 2018 (the "Year"), the Group recorded a revenue of HK$23,233,644,000 (2017: HK$31,703,042,000), representing a decrease of 26.7% when comparing to last year. Profit attributable to shareholders amounted to HK$2,241,590,000 (2017: HK$2,462,061,000), while basic and diluted earnings per share were HK61.22 cents (2017: HK67.24 cents). The Board of Directors of the Company recommended the payment of a final dividend of HK12.3 cents per share.

As at 31st December, 2018, shareholders' equity of the Group amounted to HK$29,889,095,000 (as at 31st December, 2017: HK$28,296,364,000), along with a net asset value per share of HK$8.16 (as at 31st December, 2017: HK$7.73).

PROPERTY DEVELOPMENT

The total GFA of newly commenced construction of Poly Property Group (the Group, together with its joint ventures and associated companies) during the year was approximately 4,076,000 square metres. The total contracted area sold amounted to approximately 2,242,000 square metres. There were 68 continual launches and 8 debut launches during the Year. The GFA of construction completed during the Year was approximately 3,617,000 square metres. As at 31st December, 2018, Poly Property Group had 57 projects under construction or planning, representing a total GFA of approximately 20,250,000 square metres.

PROPERTY SALES

In 2018, total sales scale of the real estate industry in China further increased. According to the National Bureau of Statistics, the sales of commodity properties during the Year were nearly RMB15 trillion, representing a year-on-year increase of 12.2%. According to statistics of 70 large and medium-sized cities, the average selling price of newly constructed residential buildings as at the end of the Year increased at a higher rate when compared to last year. Under the policy of "no speculation of residential properties" (房住不炒), local governments introduced various control measures, resulting in slow-down of the growth of sales in the second half of the Year. The sales of projects slowed down and the market expectation was more rational.

During the Year, Poly Property Group recorded contracted area sold of approximately 2,242,000 square metres, or approximately RMB40.8 billion in value, achieving 102% of its annual sales target of RMB40.0 billion. 15 projects recorded contracted sales of over RMB1 billion, including Shanghai Poly Phili Regency, Nanning Poly Town, Suzhou Poly Lake Mansion, Hong Kong Kai Tak Vibe Centro and Guangzhou Nansha Poly City. In 2018, the average selling price of contracted sales was RMB18,193 per square metre, representing an increase of 20% when compared to last year. The average selling price of projects in mainland China increased by 32% year-on-year.

During the Year, in order to enhance the operation efficiency of projects and professional management of various business lines, the Group has selected three projects, namely Nanning Poly Town, Wuhan Poly Riverview and Zibo Poly Mansion, as "Premium +" Projects, for improvement in product quality, cost control, marketing and investment management. These projects served as models, which has resulted in significant improvement of development efficiency and brand premium.

Region	**Contracted Sales in 2018 by Region**[1] *(RMB million)*	**Percentage** *(%)*	**Contracted Area Sold in 2018 by Region** *('000 square metres)*	**Percentage** *(%)*
Yangtze River Delta	12,439	31%	346	16%
Pearl River Delta	5,405	13%	300	13%
Southwestern	9,790	24%	870	39%
Others	11,205	27%	717	32%
Hong Kong and Overseas	1,941	5%	9	0%

Note:

1. Contracted sales include sales of parking slots.

NEW LAND RESERVES

In 2018, 14 development projects were acquired by Poly Property Group in Jinan, Ningbo, Foshan, Shanghai, Harbin, Nanning, Hong Kong and other cities. Projects in Weifang and Mudanjiang were acquired for the first time. The planned GFA of new land reserves for the Year was approximately 3,427,000 square metres. The cost of land was considered reasonable.

List of Land Reserve Acquired in 2018

Land Plot/Project	Type	Site Area[1]	Planned GFA[1]	Interests Attributable to the Group	Current Status[2]
		('000 square metres)	*('000 square metres)*	*(%)*	
Jinan Huai Yin Project	Commercial and Residential	125	638	75%	Under planning
Weifang Zoina Poly Mansion	Residential	121	423	30%	Under construction
Zibo Da Cheng Project	Residential	65	232	65%	Under construction
Macau Coloane Project	Residential	49	528	30%	Under planning
Mudanjiang Poly Landscape	Residential	159	341	100%	Under construction
Ningbo Oriental Imprint	Residential	45	110	33%	Under construction
Foshan Shun De Project	Commercial and Residential	23	108	100%	Under planning
Shanghai Jiading Affordable Housing Project	Affordable Housing	47	159	100%	Under construction
Deqing Fu Xi Project	Residential	43	85	100%	Under planning
Suzhou Shi Shan Project	Residential	30	81	100%	Under planning
Hong Kong Yau Tong Project	Residential	4	42	70%	Under planning
Harbin Qun Li 022 Project	Commercial and Residential	46	148	100%	Under planning
Harbin Qun Li 034 Project	Commercial and Residential	45	146	100%	Under planning
Land parcel of FL-11, 12 of Nanning Poly Town Phase II	Commercial and Residential	48	386	100%	Under planning
Total		**848**	**3,427**		

Notes:

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

2. As at 31st December, 2018.

SUMMARY OF NEWLY ACQUIRED PROJECTS IN 2018

1. 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.

2. 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.

3. 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.

4. Macau Coloane Project

The project is located in Coloane, Macau. The project, with a planned GFA of approximately 528,000 square metres, is intended to be developed into a residential community.

5. **Mudanjiang Poly Landscape**

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 341,000 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.

6. **Ningbo Oriental Imprint**

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.

7. **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 108,000 square metres, is intended to be developed into a residential community mainly comprising small and medium units.

8. **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 159,000 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.

9. Deqing Fu Xi Project

The project is located in Fuxi Street, Deqing and to the north of Deqing old city center with scenic landscape and convenient transportation. The project, with a planned GFA of approximately 85,000 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.

10. Suzhou Shi Shan Project

The project is located in Shishan Street, High-tech Zone, Suzhou. It is adjacent to the old town with geographical advantages. The area is a commercial and financial centre and has well-developed education and medical facilities in close proximity. The Metro Line 3 under construction will further improve the convenience of transportation for the project. The project, with a planned GFA of approximately 81,000 square metres, mainly targets the upgrade demands from the new district as well as the old town. The project is intended to be developed into a residential community mainly comprising multi-storey and high-rise residential buildings.

11. Hong Kong Yau Tong Project

The project is located in Yau Tong, Kwun Tong, Kowloon East, Hong Kong, about 10-minutes walk distance from Yau Tong MTR station. It is well-positioned with all-round ancillary facilities. The project is the third residential development project acquired following Hong Kong Kai Tak Vibe Centro and Tuen Mun Project, replenishing the land reserves of Hong Kong, Macau and overseas. The project has a planned GFA of approximately 42,000 square metres.

12. Harbin Qun Li 022 Project

The project is located on the west of Qunli New District, Daoli, Harbin, a key development area of Harbin. The project is intended to be developed into a satellite financial, trading, office, commercial and residential centre. The land for residential development in the west of Qunli New District is highly demanded and has high potential of appreciation when the development of the eastern district is close to completion. The district has well-developed ancillary facilities and has high potential for commercial activities. The project, with a planned GFA of approximately 148,000 square metres, mainly targets first-time buyers and first-time upgrade buyers from the old town. The project is intended to be developed into a residential community mainly comprising high-rise residential buildings with two-to three-bedroom units.

13. **Harbin Qun Li 034 Project**

The project is located on the west of Qunli New District, Daoli, Harbin, a key development area of Harbin and is close to Harbin Qun Li 022 Project. The policy of Qunli New District has specific advantages and high potential for development. The project, with a planned GFA of approximately 146,000 square metres, is intended to be developed into a residential community mainly comprising high-rise residential buildings with two-to three-bedroom units.

14. **Land parcel of FL-11, 12 of Nanning Poly Town Phase II**

The project is located in the arm of Yong River in the eastern region of Dongmeng Business Zone in Qingxiu District, Nanning, and is adjacent to Qing Xiu Shan, a 5A-level scenic area. As the city development is planned to expand eastward, the geographic location and transportation facilities of the project are well embedded at the new city centre of Nanning. The project, with a planned GFA of approximately 386,000 square metres, will be integrated into Nanning Poly Town Phase II acquired in 2017. The parcel is intended to be developed into a commercial and residential complex.

PROJECTS UNDER CONSTRUCTION AND PROJECTS UNDER PLANNING

As at 31st December, 2018, Poly Property Group had a total of 57 residential and complex real estate development projects in 24 cities. Among which, approximately 21% of the total GFA was located in Yangtze River Delta and Pearl River Delta Regions, approximately 46% in Southwestern Region, approximately 30% in Other Regions, and approximately 3% in Hong Kong, Macau and overseas regions. Meanwhile, 47 projects were under construction, with a total GFA of approximately 9,317,000 square metres (attributable area amounted to approximately 5,824,000 square metres), and a total GFA of approximately 10,933,000 square metres (attributable area amounted to approximately 7,387,000 square metres) was under planning.

List of Projects under Construction and under Planning as at 31st December, 2018

	Project	GFA under construction (’000 square metres)	GFA under planning (’000 square metres)	Interest attributable to the Group (%)
Yangtze River Delta Region				
1	Shanghai Shan Jin Poly Plaza	121	—	50%
2	Shanghai Xijiao Jinmao Palace	216	—	14.9%
3	Shanghai Jiading Affordable Housing	159	—	100%
4	Suzhou Poly West Bank Villa	6	—	100%
5	Suzhou Poly Lake Mansion	241	100	100%
6	Suzhou Wei Tang Project	150	—	100%
7	Suzhou Lu Zhi Project	176	—	40%
8	Suzhou Shi Shan Project	—	81	100%
9	Ningbo Poly City	73	264	100%
10	Ningbo Prosperous Reflection	257	—	33%
11	Ningbo Oriental Imprint	110	—	33.3%
12	Yuyao Poly Jordan International	13	281	100%
13	Deqing Poly Origin	24	68	100%
14	Deqing Poly Prime Regency	50	—	100%
15	Deqing Fu Xi Project	—	85	100%
Sub total		**1,595**	**878**	
Pearl River Delta Region				
16	Guangzhou Poly Gratified West Bay	26	446	75%
17	Guangzhou Nansha Poly City	255	117	85%
18	Foshan Poly Central Park	196	—	100%
19	Foshan Chan Cheng Project	142	—	100%
20	Foshan Shun De Project	—	108	100%
21	Huizhou Poly Sunshine Town	560	—	70%
Sub total		**1,179**	**671**	

Project	GFA under construction *('000 square metres)*	GFA under planning *('000 square metres)*	Interest attributable to the Group *(%)*
Southwestern Region			
22 Guiyang Poly Spring Street	132	—	66.5%
23 Guiyang Poly Park 2010	418	545	100%
24 Guiyang Poly The Place of A Lake	172	—	50%
25 Guiyang Poly Phoenix Bay	496	321	51%
26 Zunyi Poly Metropolis of Future	629	2,581	35%
27 Nanning Poly Crescendo	167	—	100%
28 Nanning Poly Dream River	210	—	30%
29 Nanning Poly Hearty	169	—	100%
30 Nanning Poly Town	940	308	46.7%
31 Nanning Poly Town Phase II	94	1,680	100%
32 Kunming Poly One Family One World	355	—	73%
Sub total	**3,783**	**5,435**	
Other Regions			
33 Wuhan Poly City	386	440	68%
34 Wuhan Poly Riverview	136	—	51%
35 Wuhan Poly Park	—	297	55%
36 Wuhan Poly Up Town	358	164	64.3%
37 Harbin Poly The Water's Fragrant Dike	209	21	58%
38 Harbin Poly City	87	34	100%
39 Harbin Qun Li 022 Project	—	148	100%
40 Harbin Qun Li 034 Project	—	146	100%
41 Mudanjiang Poly Landscape	164	177	100%
42 Jinan Phili House	198	83	25%
43 Jinan Hai Zi Wa Project	24	164	60%
44 Jinan Da Shi Zi Yuan Project	91	57	51%
45 Jinan Zhong Lu Mansion	164	123	33%
46 Jinan Huai Yin Project	—	638	75%
47 Yantai Poly Ocean Luxe	203	—	70%
48 Weihai Caixin Poly Masterpiece	197	137	30%
49 Zibo Poly Mansion	158	—	65%
50 Zibo Da Cheng Project	43	191	65%
51 Weifang Zoina Poly Mansion	234	190	30%
52 Wanning Poly Peninsula No.1	—	369	100%
Sub total	**2,652**	**3,378**	

Project	GFA under construction *('000 square metres)*	GFA under planning *('000 square metres)*	Interest attributable to the Group *(%)*
Hong Kong, Macau and Overseas Regions			
53 Hong Kong Kai Tak Vibe Centro	70	—	100%
54 Hong Kong Tuen Mun Project	21	—	100%
55 Hong Kong Yau Tong Project	—	42	70%
56 Macau Coloane Project	—	528	30%
57 UK London Cambium Project	16	—	50%
Sub total	**108**	**571**	
Grand total	**9,317**	**10,933**	

Note:

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

COMPLETED CONSTRUCTION

In 2018, the Poly Property Group has achieved a total GFA of approximately 3,617,000 square metres in completed construction. The construction of all phases of ten projects has been completed in the Year.

List of Major Completed Construction in 2018

Project	Completed GFA in 2018 *('000 square metres)*	Accumulated completed GFA by the end of 2018 *('000 square metres)*
Yangtze River Delta Region		
Shanghai Jiading Project	164	477
Shanghai Poly Greenland Plaza	208	330
Ningbo Poly Wonderland	82	342
Ningbo Prosperous Reflection	223	223
Pearl River Delta Region		
Guangzhou Nansha Poly City	144	434
Guangzhou Poly Jade Hills	65	95
Foshan Poly Central Park	59	467
Huizhou Poly Deutch Kultur	24	473
Huizhou Poly Sunshine Town	156	310
Southwestern Region		
Guiyang Poly Spring Street	103	492
Guiyang Poly Park 2010	192	1,010
Guiyang Poly The Place of A Lake	136	690
Guiyang Poly Phoenix Bay	210	737
Zunyi Poly Metropolis of Future	114	1,961
Nanning Poly Crescendo	120	482
Nanning Poly Hearty	16	128
Nanning Poly Town	482	482
Liuzhou Poly Merization World	216	929
Other Regions		
Wuhan Poly City	140	1,004
Wuhan Poly Up Town	102	287
Harbin Poly The Water's Fragrant Dike	45	443
Harbin Poly City	136	489
Jinan Poly Hyde Mansion	69	434
Jinan Poly Center	153	477
Jinan Poly Elegant Garden	128	419
Weihai Poly Maple Valley	129	129
Grand total	**3,617**	**13,747**

Note:

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

RECOGNISED PROPERTY SALES

The sales of over 50 projects of Poly Property Group have been recognised in 2018, with a total sales value of RMB18.2 billion and a total GFA of approximately 1,593,000 square metres. The recognised average selling price was approximately RMB11,407 per square metre. Among the sales recognised, apartments accounted for 74%, villas accounted for 7%, retail shops accounted for 7%, offices accounted for 3% and parking spaces accounted for 9% of the total value. In terms of geographical distribution, Yangtze River Delta, Pearl River Delta, Southwestern and Other Regions accounted for approximately 17%, 19%, 28% and 36%, respectively.

List of Major Projects with Sales Recognised in 2018

	Project	**Sales recognised in 2018** *(RMB million)*
Yangtze River Delta Region		
1	Shanghai Poly Deluxe Mansion	418
2	Shanghai Poly Elegant Mansion	141
3	Shanghai Jiading Project	148
4	Suzhou Poly West Bank Villa	178
5	Suzhou Poly Lake Mansion	61
6	Ningbo Poly City	3
7	Ningbo Poly Wonderland	1,610
8	Yuyao Poly Jordan International	337
9	Deqing Poly Origin	26
10	Others	42
Sub total		**2,966**

Project	Sales recognised in 2018 *(RMB million)*
Pearl River Delta Region	
11 Guangzhou Poly Golf Shire	158
12 Guangzhou Poly Zephyr City	32
13 Guangzhou Poly Gratified West Bay	326
14 Guangzhou Poly Up House	35
15 Guangzhou Nansha Poly City	738
16 Guangzhou Poly Jade Hills	880
17 Foshan Poly Cullinan Garden	32
18 Foshan Poly Prestige City	27
19 Foshan Poly Central Park	449
20 Shenzhen Poly Up Town	18
21 Shenzhen Poly Joy-Zone	96
22 Huizhou Poly Deutch Kultur	197
23 Huizhou Poly Sunshine Town	435
24 Others	12
Sub total	**3,435**
Southwestern Regions	
25 Guiyang Poly Hot Spring Newisland	13
26 Guiyang Poly Spring Street	557
27 Guiyang Poly Park 2010	1,006
28 Guiyang Poly The Place of A Lake	549
29 Guiyang Poly Phoenix Bay	1,008
30 Zunyi Poly Metropolis of Future	529
31 Nanning Poly Crescendo	796
32 Nanning Poly Aegean Sea	40
33 Nanning Poly Hearty	161
34 Liuzhou Poly Merization World	82
35 Kunming Poly Sky and Earth	74
36 Kunming Poly One Family One World	153
37 Others	67
Sub total	**5,035**

Project		Sales recognised in 2018 *(RMB million)*
Other Regions		
38	Wuhan Poly City	953
39	Wuhan Poly Blue Ocean District	29
40	Harbin The Tsinghua Summer Palace of Poly	19
41	Harbin Poly The Water's Fragrant Dike	294
42	Harbin Poly Up Town	13
43	Harbin Poly City	1,486
44	Jinan Poly Hyde Mansion	807
45	Jinan Poly Center	1,073
46	Jinan Poly Elegant Garden	964
47	Yantai Poly Champs Elysees Mansion	59
48	Weihai Poly Triumph Mansion	49
49	Weihai Poly Maple Valley	795
50	Wanning Poly Peninsula No.1	128
51	Others	62
Sub total		**6,732**
Grand total		18,169

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 2018 by Property Type

Property type	Sales recognised in 2018 *(RMB million)*	Percentage *(%)*
Apartment	13,424	74%
Villa	1,305	7%
Retail shop	1,342	7%
Office	476	3%
Parking space	1,621	9%
Total	**18,169**	**100%**

Note:

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

INVESTMENT PROPERTIES

The Group has various investment properties and hotels located in first-tier cities and second-tier provincial capitals. The investment properties had a total GFA of approximately 807,000 square metres and an asset value of approximately HK$12.6 billion. In 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. Regarding the hotel operations, Beijing Poly Plaza, Wuhan Poly Hotel and Guiyang Poly Hot Spring Hotel achieved satisfactory operation results and the trial opening of Hyatt Regency Shanghai Jiading went smoothly.

List of Major Investment Properties and Hotels as at 31st December, 2018

Region	Project	GFA held *('000 square metres)*	Average occupancy rate of 2018	Average occupancy rate of 2017	Interests attributable to the Group	Property type
Investment properties						
Beijing	Beijing Poly Plaza	15	100%	100%	75%	Office
Shanghai	Shanghai Poly Plaza (partial)	34	92%	92%	100%	Office and commercial
Shanghai	Shanghai Stock Exchange Building (partial)	48	88%	90%	100%	Office
Shenzhen	Shenzhen Poly Cultural Plaza (partial)	135	100%	100%	100%	Commercial
Wuhan	Wuhan Poly Plaza (partial)	97	80%	85%	100%	Office and commercial
Guiyang	Guiyang Poly International Center	52	100%	100%	66.5%	Commercial
Hotels						
Beijing	Beijing Poly Plaza Hotel	63	78%	76%	75%	Hotel
Wuhan	Wuhan Poly Hotel	28	77%	72%	100%	Hotel
Guiyang	Guiyang Poly Hot Spring Hotel	39	52%	55%	66.5%	Hotel

PROPERTY MANAGEMENT

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

In 2018, the Group's property management companies recorded total revenue of RMB809 million, representing an increase of 15% when comparing with the corresponding period of last year. The companies managed a total of 195 property projects with an aggregate GFA of 33,820,000 square metres, representing an increase of 15% when comparing with the corresponding period of last year.

2019 OUTLOOK

In 2019, it is expected the main tone of control policies of the real estate market in China will be the stabilisation of land price, housing price and market expectations. The Central Economic Work Conference stated that a long-term mechanism shall be developed to maintain the healthy development of the real estate market, housing speculation shall be prohibited and policies shall be implemented based on local conditions. The local governments will be allowed to formulate their respective policies more flexibly based on the local economic and demographic developments, and shall be primarily responsible for implementing policies on both supply and demand sides in order to stabilise the housing prices. Policies and market conditions of different cities may vary from time to time, and market opportunities may emerge in different areas and different stages. The Group will closely monitor the transition period in every area it operates to boost sales and collection.

It is believed that the sentiment of the land market will remain stable despite the expected increase in supply. New methods of land transfer may be introduced with increased proportions of common property rights and hold-and-lease housings. In addition to the traditional ways of bidding, auction and listing, the Group will continue to seek investment opportunities from urban redevelopment, industrial real estate and cooperation with state owned enterprises. The Group will also pay active attention to featured towns, long-term leasing apartments, themed real estate and other new business development.

Market liquidity will improve as the Chinese government begins to stabilize the economy after deleveraging. The advantages of listed real estate enterprises in financing, land acquisition and sales become significant and the industry is further concentrated. The Group will continue to strengthen its cash flow management, improve development efficiency and increase its sales and de-stocking. The Group will further diversify its financing channels and seek funds at low cost by making full use of its status as a state-owned enterprise and overseas listed company. The Group will expand its business in a prudent and orderly manner and carefully select high quality projects to achieve steady growth in operating results.

In 2019, the Group will continue to maintain steady growth, improve quality and efficiency and enhance its core competitiveness and risk management. The Group will also continue to optimize and strengthen its principle business of real estate development, improve asset turnover rate, increase projects investment and deepen remuneration reforms in order to create sustainable and considerable returns for its shareholders.

FINANCIAL REVIEW

Liquidity and Capital Structure

As at 31st December, 2018, total equity attributable to shareholders of the Company amounted to HK$29,889,095,000 (2017: HK$28,296,364,000), while the net asset value per share was HK$8.16 (2017: HK$7.73). As at 31st December, 2018, the Group's gearing ratio (on the basis of the amount of total liabilities divided by the amount of total assets) was 78.1% (2017: 76.1%).

As at 31st December, 2018, the Group had an outstanding bank and other borrowings (including the notes payable) of HK$55,005,817,000. In terms of maturity, the outstanding bank and other borrowings (including notes payable) can be divided into HK$13,840,294,000 (25%) to be repaid within one year, HK$17,291,725,000 (31%) to be repaid after one year but within two years, HK$18,357,739,000 (34%) to be repaid after two years but within five years, HK$5,516,059,000 (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$40,988,609,000 (75%) in Renminbi, HK$3,900,000,000 (7%) in United State dollars, and HK$10,117,208,000 (18%) in Hong Kong dollars.

39.5% of the bank and other borrowings (including the notes payable) of the Group are subject to fixed interest rates and the remaining 60.5% 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 31st December, 2018, the Group had a net current assets of HK$47,889,262,000 and total bank balances of HK$27,354,481,000 (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, 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:

	2018	2017
	HK$'000	*HK$'000*
Investment properties	**6,031,545**	3,704,286
Hotel properties	**151,724**	157,143
Buildings	**95,931**	—
Prepaid lease payments	**61,656**	65,414
Properties under development	**19,685,181**	21,637,628
Properties held for sale	**924,713**	2,719,388
Bank deposits	**4,201,597**	329,237
	31,152,347	28,613,096

In addition to above pledge of assets, at 31st December, 2018 and 2017, the Group's interests in certain subsidiaries was pledged to secure credit facilities granted to the Group. The details of net asset value of subsidiaries are as follows:

	2018	2017
	HK$'000	*HK$'000*
Total assets	**11,584,681**	12,823,267
Total liabilities	**(10,680,886)**	(12,999,927)
Net asset/(liabilities) value	**903,795**	(176,660)

At 31st December 2018, the Group's interests in joint ventures were pledged to secure the credit facilities granted to the joint ventures. The pledged interests were amounting to HK$3,713,975,000.

Contingent Liabilities

The Group arranged mortgage loan facilities with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayment. The maximum guarantees given to banks amounted to HK$24,775,663,000 as at 31st December, 2018 (2017: HK$28,685,243,000). 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.

At 31st December, 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$3,923,226,000 (2017: HK$2,170,910,000), of which HK$3,909,068,000 (2017: HK$2,088,743,000) had been utilised by the joint ventures.

EMPLOYEES

As at 31st December, 2018, the Group employed about 13,152 employees with remuneration for the year amounted to HK$1,176,250,000. The Group provides its employees with various benefits including year-ended double-pay, contributory provident fund and medical insurance. In addition, share options and discretionary bonuses are also granted based on the Group's and individual's performance. Employee trainings are also provided as and when required.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 31st December, 2018 which would materially affect the Group's operating and financial performance as at the date of this announcement.

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

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

REVIEWED BY AUDIT COMMITTEE

The Audit Committee presently comprises four independent non-executive Director, namely Mr. Ip Chun Chung, Robert, Miss Leung Sau Fan, Sylvia (as Chairlady), Mr. Choy Shu Kwan and Mr. Wong Ka Lun. The financial statements of the Group for the year ended 31st December, 2018 has been reviewed by the Audit Committee.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year under review, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code"), other than code provisions A.5.1 to A.5.4 and E.1.2 of the CG Code. The reasons for deviations from such provisions are explained below:

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

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

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

Under code provision E.1.2 of the CG Code, the chairman of the board should attend annual general meetings. Due to other important engagement, Mr. Xue Ming, the chairman of the Company at the relevant time, was unable 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 throughout the year ended 31st December, 2018.

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 2018 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 2019.

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

Hong Kong, 29th March, 2019

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