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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 30 JUNE 2019

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 30 June 2019 with comparative figures for the six months ended 30 June 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*2*	**17,493,954**	6,992,149
Cost of sales		**(10,073,465)**	(4,503,665)
Gross profit		**7,420,489**	2,488,484
Increase in fair value of investment properties		**34,091**	32,000
Increase/(decrease) in fair value of financial assets		**28,418**	(1,961)
Other gains, net		**98,192**	340,130
Selling expenses		**(539,080)**	(296,898)
Administrative expenses		**(642,099)**	(576,858)
Other operating expenses		**(144,778)**	(131,773)
Gain on step-up acquisition of a subsidiary		**53,330**	—
Finance costs		**(741,528)**	(549,232)
Share of results of associates		**(23,937)**	(5,870)
Share of results of joint ventures		**259,083**	70,767
Profit before income tax expense	*3*	**5,802,181**	1,368,789
Income tax expense	*4*	**(1,786,860)**	(691,860)
Profit for the period		**4,015,321**	676,929

	Notes	Six months ended 30 June **2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Unaudited)
Attributable to:			
Owners of the Company		**3,737,636**	620,804
Non-controlling interests		**277,685**	56,125
		4,015,321	676,929
Earnings per share (expressed in HK cents)	*6*		
— Basic		**102.08**	16.95
— Diluted		**101.65**	16.95

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**4,015,321**	676,929
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	**(307,895)**	36
Items that will not be reclassified to profit or loss:		
Surplus arising on revaluation of properties	**70,045**	22,496
Other comprehensive income before tax	**(237,850)**	22,532
Deferred tax liability arising on revaluation of properties	**(17,511)**	(5,623)
Other comprehensive income for the period, net of tax	**(255,361)**	16,909
Total comprehensive income for the period	**3,759,960**	693,838
Attributable to:		
Owners of the Company	**3,504,349**	633,019
Non-controlling interests	**255,611**	60,819
	3,759,960	693,838

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Non-current assets			
Investment properties		**12,465,016**	12,571,809
Property, plant and equipment		**3,817,079**	3,878,612
Right-of-use assets		**7,967**	—
Prepaid lease payments — non-current portion		**361,257**	372,363
Interests in associates		**251,304**	264,576
Interests in joint ventures		**7,627,723**	7,773,395
Financial assets at fair value through profit or loss		**450,679**	426,941
Loan receivables		**219,422**	216,021
Deposits paid for acquisition of land use rights		**3,850,958**	1,921,839
Deferred tax assets		**329,184**	327,848
Total non-current assets		**29,380,589**	27,753,404
Current assets			
Properties under development		**55,993,297**	52,885,536
Properties held for sale		**22,021,309**	28,197,992
Other inventories		**61,857**	46,478
Contract costs		**194,341**	465,069
Trade and other receivables	*8*	**5,767,488**	5,151,482
Prepaid lease payments — current portion		**12,618**	11,995
Amounts due from associates		**780,574**	1,228,259
Amounts due from joint ventures		**2,490,542**	3,015,072
Amounts due from non-controlling shareholders of subsidiaries		**858,423**	862,587
Taxation recoverable		**2,370,309**	1,691,067
Pledged bank deposits		**3,934,743**	4,201,597
Bank balances, deposits and cash		**27,503,705**	23,152,884
Total current assets		**121,989,206**	120,910,018

	Notes	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Current liabilities			
Trade and other payables	*9*	**18,087,256**	19,694,131
Contract liabilities		**29,400,586**	31,110,373
Property rental deposits		**121,542**	122,336
Amounts due to an associate		**30,795**	—
Amounts due to joint ventures		**2,228,525**	3,518,574
Amount due to the ultimate holding company		**51,974**	52,571
Amount due to an intermediate holding company		**3,172**	3,209
Amounts due to fellow subsidiaries		**1,361**	1,377
Amounts due to non-controlling shareholders of subsidiaries		**2,293,113**	2,395,404
Taxation payable		**3,256,551**	2,282,487
Bank and other borrowings — due within one year		**20,255,984**	13,840,294
Total current liabilities		**75,730,859**	73,020,756
Net current assets		**46,258,347**	47,889,262
Total assets less current liabilities		**75,638,936**	75,642,666
Capital and reserves attributable to owners of the Company			
Share capital	*10*	**17,685,677**	17,685,677
Reserves		**15,270,287**	12,203,418
Equity attributable to owners of the Company		**32,955,964**	29,889,095
Non-controlling interests		**2,908,918**	2,670,318
Total equity		**35,864,882**	32,559,413

	Notes	**30 June 2019**	31 December 2018
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Non-current liabilities			
Bank and other borrowings — due after one year		**33,028,198**	36,460,925
Notes payable		**4,695,455**	4,704,598
Lease liabilities		**3,367**	—
Loan from a fellow subsidiary		**204,545**	206,897
Deferred tax liabilities		**1,842,489**	1,710,833
Total non-current liabilities		**39,774,054**	43,083,253
		75,638,936	75,642,666

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 31 December 2018, except for the changes in accounting policy made when the Group initially applies financial reporting standards newly applicable to the annual accounting period beginning on 1 January 2019.

The preparation of 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 31 December 2018. 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 31 December 2018 that is included in this announcement of the interim results for the six months ended 30 June 2019 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 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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 19 (Amendments)	Employee Benefits
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Annual Improvements to 2015-2017 Cycle	Improvements to HKFRS
HK (IFRIC) 23	Uncertainty over Income Tax Treatments

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 standard:

- HKFRS 16 Leases

The impact of the adoption of this standard and the new accounting policy 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.

HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
HKFRS 17	Insurance Contracts[1]

1 Effective for annual periods beginning on or after 1 January 2021
2 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 30 June 2019

	Property development business *HK$'000*	Property investment and management *HK$'000*	Hotel operations *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
REVENUE						
External revenue	16,473,205	828,007	160,360	32,382	—	17,493,954
Inter-segment revenue*	—	45,996	—	—	(45,996)	—
Total revenue	16,473,205	874,003	160,360	32,382	(45,996)	17,493,954
SEGMENT RESULTS	6,109,760	199,895	(61,144)	43,059	—	6,291,570
Unallocated income						92,334
Unallocated expenses						(128,671)
Gain on step-up acquisition of a subsidiary	53,330					53,330
Finance costs						(741,528)
Share of results of associates	(23,937)					(23,937)
Share of results of joint ventures	259,083					259,083
Profit before income tax expense						5,802,181
Income tax expense						(1,786,860)
Profit for the period						4,015,321

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

At 30 June 2019

Assets and liabilities

	Property development business HK$'000	Property investment and management HK$'000	Hotel operations HK$'000	Other operations HK$'000	Total HK$'000
Assets					
Segment assets	**92,265,769**	**12,949,269**	**3,346,829**	**754,395**	**109,316,262**
Interests in associates	**249,120**	—	—	**2,184**	**251,304**
Interests in joint ventures	**7,626,258**	—	—	**1,465**	**7,627,723**
Unallocated corporate assets					**34,174,506**
Total assets					**151,369,795**
Liabilities					
Segment liabilities	**50,852,365**	**1,294,073**	**199,916**	**20,523**	**52,366,877**
Unallocated corporate liabilities					**63,138,036**
Total liabilities					**115,504,913**

For the six months ended 30 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 31 December 2018
Assets and liabilities

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

3. PROFIT BEFORE INCOME TAX EXPENSE

	Six months ended 30 June **2019** ***HK$'000***	2018 *HK$'000*
Profit before income tax expense is arrived at after charging/ (crediting):		
Amortisation of prepaid lease payments (included in administrative expenses)	**6,116**	5,261
Depreciation of property, plant and equipment	**102,381**	61,934
Share of tax of joint ventures (included in share of results of joint ventures)	**186,566**	28,032
(Gain)/loss on disposal of investment properties	**(425)**	324

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax	**522,266**	—
PRC Enterprise Income Tax	**464,474**	339,910
Land Appreciation Tax ("LAT")	**825,778**	341,174
	1,812,518	681,084
Deferred taxation	**(25,658)**	10,776
	1,786,860	691,860

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period ended 30 June 2019. No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2018 as there is no assessable profit for the period.

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 30 June 2019 (six months ended 30 June 2018: HK$Nil).

The Company paid final dividend, in respect of the previous financial year, of HK$0.123 per share during the period.

6. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the six months ended 30 June 2019 is based on the following data:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Earnings:		
Profit for the period attributable to owners of the Company	**3,737,636**	620,804

	Six months ended 30 June	
	2019	2018
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	**15,595,799**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**3,677,132,845**	3,661,537,046

7. TRANSFER TO AND FROM RESERVES

During the six months ended 30 June 2019, 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 30 June 2018: HK$Nil), and the Group's subsidiaries in the PRC did not release any amount net of non-controlling interests' share out of the PRC statutory reserves to accumulated profits (six months ended 30 June 2018: HK$20,529,000).

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 which arise from sales of properties as the Group has numerous customers. In respect of sales of goods 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:

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
0 to 30 days	**153,706**	108,164
31 to 90 days	**20,455**	10,566
More than 90 days	**71,271**	111,041
Total trade receivables	**245,432**	229,771
Other receivables	**5,522,056**	4,921,711
	5,767,488	5,151,482

9. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	30 June 2019 *HK$'000*	31 December 2018 *HK$'000*
0 to 30 days	**2,527,892**	4,965,999
31 to 90 days	**605,591**	121,024
More than 90 days	**5,996,695**	6,112,676
Total trade payables	**9,130,178**	11,199,699
Bills payables	**52,955**	42,587
Other payables	**8,904,123**	8,451,845
	18,087,256	19,694,131

10. SHARE CAPITAL

	Number of ordinary shares	**Amount** *HK$'000*
Ordinary shares, issued and fully paid:		
At 1 January 2019 and 30 June 2019	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$25,120,107,000 as at 30 June 2019 (31 December 2018: HK$24,775,663,000). 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 30 June 2019, the Group had given guarantees to certain banks in respect of credit facilities granted to certain joint ventures of the Group amounting to HK$1,387,499,000 (31 December 2018: HK$3,923,226,000), of which HK$1,373,383,000 (31 December 2018: HK$3,909,068,000) 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$14,594,628,000 as at 30 June 2019 (31 December 2018: HK$9,864,682,000).

The Group did not have any capital expenditure authorised but not contracted for as at 30 June 2019 (31 December 2018: HK$Nil).

13. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 13(b) below.

(a) Impact of adoption

HKFRS 16 affects the accounting for the Group's operating leases. The adoption of HKFRS 16 resulted in changes in accounting policies and adjustments to amounts recognised in the financial statements. The new accounting policies are set out in note 13(b) and the adjustments to the financial statements are set out below.

Prior to the adoption of HKFRS 16, leases where substantially all the rewards and risks of ownership of assets remained with the lessor were accounted for as operating leases. Operating lease rentals were recognised under operating expenses in the condensed consolidated statement of profit or loss on a straight-line basis over the lease term. Commitments under operating leases for future periods were not recognised as liabilities.

Upon adoption of HKFRS 16, the operating leases (except for short-term leases with lease terms of less than 12 months) are recognised in the condensed consolidated statement of financial position as right-of-use assets and lease liabilities (see note 13(b) below).

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

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

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

The following table shows the adjustments recognised for each individual line item in the opening condensed consolidated statement of financial position on 1 January 2019. Line items that were not affected by the changes have not been included, and therefore the line items disclosed do not add up to the sub-totals and totals below.

Condensed consolidated statement of financial position (extracts)	**31 December 2018 As originally presented** *HK$'000*	**Impact from adoption of HKFRS 16** *HK$'000*	**1 January 2019 Restated** *HK$'000*
Non-current assets			
Right-of-use assets	—	10,436	10,436
Total assets	148,663,422	10,436	148,673,858
Current liabilities			
Trade and other payables	19,694,131	4,613	19,698,744
Non-current liabilities			
Lease liabilities	—	5,823	5,823
Total liabilities	116,104,009	10,436	116,114,445

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

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

The following tables show the impact on each individual line item of the condensed consolidated statement of profit or loss for the six months ended 30 June 2019, and the condensed consolidated statement of financial position as at 30 June 2019 following the adoption of HKFRS 16. Line items that were not affected by the changes have not been included, and therefore the line items disclosed do not add up to the subtotals and totals below.

	Six months ended 30 June 2019		
Condensed consolidated statement of profit or loss (extracts)	**Before adoption of HKFRS 16**	**Impact from adoption of HKFRS 16**	**As reported**
	HK$'000	*HK$'000*	*HK$'000*
Administrative expenses	(642,168)	69	(642,099)
Finance costs	(741,309)	(219)	(741,528)
Profit for the period	4,015,471	(150)	4,015,321

	Six months ended 30 June 2019		
Condensed consolidated statement of financial position (extracts)	**Before adoption of HKFRS 16**	**Impact from adoption of HKFRS 16**	**As reported**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use assets	—	7,967	7,967
Total assets	151,361,828	7,967	151,369,795
Current liabilities			
Trade and other payables	18,082,506	4,750	18,087,256
Non-current liabilities			
Lease liabilities	—	3,367	3,367
Total liabilities	115,496,796	8,117	115,504,913

(b) Accounting policies applied from 1 January 2019

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The lease liability is measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

The Group recognises a right-of-use asset equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised immediately before the date of initial application, and subsequently at cost less any accumulated depreciation and impairment losses. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Payments associated with short-term leases (ie, leases with a lease term of 12 months or less) and low value leases are recognised on a straight-line basis as an expense in the condensed consolidated statement of profit or loss.

MANAGEMENT DISCUSSION AND ANALYSIS

For the first half of 2019, Poly Property Group Co., Limited (the "Company") and its subsidiaries (the "Group") recorded a revenue of HK$17,494 million (corresponding period of 2018: HK$6,992 million), representing an increase of HK$10,502 million or 150% when comparing with the corresponding period of last year. Profit attributable to shareholders amounted to HK$3,738 million (corresponding period of 2018: HK$621 million), indicating an increase of HK$3,117 million or 502% from the corresponding period of last year. Basic and diluted earnings per share stood at HK102.08 cents and HK101.65 cents, respectively (corresponding period of 2018: HK16.95 cents).

As at 30 June 2019, shareholders' equity amounted to HK$32.956 billion (31 December 2018: HK$29.889 billion), indicating a 10.3% increase from last year end. Net asset value per share amounted to HK$9.00 (31 December 2018: HK$8.16), representing an increase of 10.3% when comparing with last year end.

BUSINESS REVIEW

In the first half of 2019, the overall economy of China remained stable despite complicated and severe domestic and global situation. The real estate market entered the adjustment period again. According to the National Bureau of Statistics, the growth of the sales of commodity properties, the investment in real estate development and the selling price of both newly constructed residential buildings and second-hand residential properties has slowed down. Adhering to the policy of "no speculation of residential properties" (房住不炒) and aiming at stabilising land price, housing price and market expectations, local governments took their primary responsibilities to promote a sound and stable growth of the real estate market.

In the first half of 2019, the Group, together with its joint ventures and associated companies ("Poly Property Group") recorded contracted sales of approximately RMB19.9 billion and sales collection of RMB20.2 billion. The average selling prices of contracted sales of Chinese mainland market recorded a year-on-year increase of 2%. The Group has scheduled to launch about 60% of saleable resources in the second half of the year and has confidence that the annual sales target of RMB42 billion will be achieved. With the successful delivery and recognition of Kai Tak Vibe Centro project in Hong Kong, the revenue and profit for the first half of the year recorded a significant growth.

During the period, the Group acquired four new property projects, which are located in Shenzhen, Suzhou, Hong Kong and Foshan respectively. The Group prioritised the residential products in first-tier and second-tier cities with higher turnover rate. The land reserves of the Group further concentrated on developed city clusters such as Yangtze River Delta and Greater Bay Area, etc. Other than closely monitoring the bidding, auction and listing market, the Group will also strive to explore the business opportunities through acquisition and mergers, urban renewal, primary and secondary co-development and strategic cooperation, to achieve controlled cost and active expansion simultaneously.

Recently, the real estate financing gradually tightened as the market mortgage rates rebounded and the trust business supervision became stricter. The Group seized the window period and successfully issued the second tranche of asset-backed securities under the asset-backed securities programme. The comprehensive coupon rate of such securities hit the lowest level of similar products in the past three years. The Group will continue to optimise its debt structure by broadening financing channels and replacing existing debts to control its net gearing ratio and borrowing costs at a reasonable level.

The meeting of the Political Bureau of the Central Committee emphasised the great importance of economic measures to be taken in the second half of the year. Strict and effective fiscal policies would be introduced to reduce tax and surcharge while moderate monetary policies would be implemented to maintain reasonable and sufficient liquidity. The meeting reiterated the policy of "no speculation of residential properties" together with implementation of the long-term mechanism. The meeting stated that property would not be used to stimulate short-term economic growth.

The real estate market in China is expected to remain steady in the second half of the year. The Group will pay close attention to policies and market development of each operating area, strive to promote sales and cash collection, and accurately grasp the expansion opportunities. Meanwhile, the Group will improve the project development efficiency, cost management and information level comprehensively through strengthening the construction of corporate systems. The Group will refine the remuneration mechanism and talent team, establish risk and compliance awareness, and build a modernised and market-oriented enterprise, to create sustained and ideal returns for its shareholders.

PROPERTY SALES

In the first half of 2019, Poly Property Group recorded contracted area sold of approximately 1,133,000 square metres, or approximately RMB19.9 billion in value, achieving 47% of its annual sales target of RMB42.0 billion.

During the period, Poly Property Group had 79 major projects for sale, with four of them being debut projects, including Mudanjiang Poly Landscape, Ningbo Oriental Imprint, Shanghai Xijiao Jinmao Palace and Zibo Poly City. Projects with contracted sales of over RMB1 billion included Shanghai Xijiao Jinmao Palace, Ningbo Prosperous Reflection and Wuhan Poly Up Town.

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 2019 *(RMB million)*	Percentage *(%)*
Yangtze River Delta Region	**7,763**	39%
Shanghai	3,403	
Suzhou	943	
Ningbo	2,847	
Deqing	27	
Yuyao	542	
Pearl River Delta Region	**2,280**	12%
Guangzhou	1,306	
Foshan	683	
Shenzhen	42	
Huizhou	249	
Southwestern Region	**2,856**	14%
Guiyang	886	
Zunyi	342	
Nanning	1,538	
Liuzhou	13	
Kunming	77	
Other Regions	**6,547**	33%
Wuhan	2,686	
Harbin	776	
Mudanjiang	485	
Jinan	1,075	
Yantai	20	
Weihai	634	
Zibo	485	
Weifang	374	
Wanning	12	
Hong Kong, Macau and Overseas	**428**	2%
Hong Kong	428	
Total	**19,874**	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 2019, Poly Property Group plans to launch eight new projects which include Deqing Fu Xi Project, Foshan Chan Cheng Project, Harbin Qun Li 034 Project, Jinan Huai Yin Project, Jinan Hai Zi Wa Project, Suzhou Shi Shan Project, Shanghai Jiading Affordable Housing Project and Shanghai Shan Jin Poly Plaza, depending on construction progress and market conditions.

NEWLY COMMENCED CONSTRUCTION

In the first half of 2019, Poly Property Group commenced construction on a total of 17 new projects with a gross floor area of approximately 2,183,000 square metres. Among which, five projects commenced construction for the first time, namely, Suzhou Shi Shan Project, Deqing Fu Xi Project, Harbin Qun Li 022 Project, Harbin Qun Li 034 Project and Jinan Huai Yin Project.

As at 30 June 2019, Poly Property Group held 48 projects under construction, with a gross floor area of approximately 10,441,000 square metres.

Project	**Gross Floor Area of Newly Commenced Construction** *('000 square metres)*	**Interests Attributable to the Group** *(%)*
Suzhou Shi Shan Project	81	100%
Deqing Fu Xi Project	85	100%
Guiyang Poly Park 2010	18	100%
Guiyang Poly Phoenix Bay	56	51%
Zunyi Poly Metropolis of Future	240	35%
Nanning Poly Town Phase II	518	100%
Wuhan Poly Up Town	103	100%
Harbin Poly The Water's Fragrant Dike	13	58%
Harbin Qun Li 022 Project	148	100%
Harbin Qun Li 034 Project	147	100%
Jinan Hai Zi Wa Project	70	60%
Jinan Da Shi Zi Yuan Project	57	51%
Jinan Zhong Lu Mansion	123	33%
Jinan Huai Yin Project	198	75%
Weihai Caixin Poly Masterpiece	107	30%
Zibo Poly City	191	65%
Weifang Zoina Poly Mansion	27	30%
Total	**2,183**	

Note:

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

RECOGNISED PROPERTY SALES

In the first half of 2019, the Group recognised total sales of approximately RMB14,386 million from property development with an area of approximately 531,000 square metres. The breakdown of the recognised sales by project is as follows:

Region and Project	Sales Recognised in the First Half of 2019 *(RMB million)*	Percentage *(%)*
Yangtze River Delta Region	**764**	5%
1. Shanghai Jiading Project	29	
2. Shanghai Poly Elegant Mansion	24	
3. Shanghai Poly Deluxe Mansion	157	
4. Suzhou Poly West Bank Villa	38	
5. Suzhou Poly Lake Mansion	7	
6. Ningbo Poly Wonderland	39	
7. Yuyao Poly Jordan International	433	
8. Deqing Poly Origin	28	
9. Others	7	
Pearl River Delta Region	**3,516**	25%
10. Guangzhou Poly Golf Shire	31	
11. Guangzhou Poly Zephyr City	22	
12. Guangzhou Poly Gratified West Bay	90	
13. Guangzhou Nansha Poly City	1,015	
14. Guangzhou Poly Jade Hills	119	
15. Foshan Poly Prestige City	17	
16. Foshan Poly Central Park	1,173	
17. Shenzhen Poly Up Town	25	
18. Huizhou Poly Deutch Kultur	91	
19. Huizhou Poly Sunshine Town	899	
20. Others	34	
Southwestern Regions	**1,725**	12%
21. Nanning Poly Aegean Sea	45	
22. Nanning Poly Hearty	73	
23. Nanning Poly Crescendo	713	
24. Guiyang Poly Spring Street	36	
25. Guiyang Poly Park 2010	72	
26. Guiyang Poly Phoenix Bay	55	
27. Zunyi Poly Metropolis of Future	543	
28. Kunming Poly One Family One World	147	
29. Others	40	

Region and Project	Sales Recognised in the First Half of 2019 *(RMB million)*	Percentage *(%)*
Other Regions	**607**	4%
30. Wuhan Poly Blue Ocean District	16	
31. Wuhan Poly Up Town	46	
32. Wuhan Poly City	158	
33. Jinan Poly Garden	58	
34. Jinan Poly Center	194	
35. Jinan Poly Elegant Garden	48	
36. Weihai Poly Maple Valley	15	
37. Wanning Poly Peninsula No.1	27	
38. Others	46	
Hong Kong, Macau and Overseas Regions	**7,774**	54%
39. Hong Kong Kai Tak Vibe Centro	7,774	
Total	**14,386**	100%

Note:

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

NEW LAND RESERVES

In the first half of 2019, Poly Property Group acquired four projects, which are located in Shenzhen, Suzhou, Hong Kong and Foshan, respectively. The planned total gross floor area of the new projects amounted to approximately 2,554,000 square metres with land cost at a reasonable level.

New Project	Planned Property Type	Total Site Area *('000 square metres)*	Planned Total Gross Floor Area *('000 square meters)*	Interests Attributable to the Group *(%)*
Shenzhen Long Gang Project	Commercial and Residential	283	2,101	50%
Suzhou Mu Du Project	Residential	36	106	51%
Hong Kong Kai Tak 6553 Project	Commercial and Residential	9	93	35%
Foshan Lun Jiao Project	Commercial and Residential	75	254	100%
Total		**403**	**2,554**	

Shenzhen Long Gang Project

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

Suzhou Mu Du Project

The project is located in Mudu Town, Wuzhou District, Suzhou. It is close to Metro Line No. 5 which is under construction and enjoys convenient transportation. The region is well surrounded by educational, commercial and medical facilities. The project, with a planned gross floor area of approximately 106,000 square metres, is intended to be developed into high-rise residential buildings.

Hong Kong Kai Tak 6553 Project

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

Foshan Lun Jiao Project

The project is located in Lunjiao Street, Shunde District, Foshan, 400 metres from the station of Metro Line No. 3 with access to convenient transportation. The site is close to Foshan Poly Central Park and Foshan Shun De Project, surrounded by well-developed educational, commercial and medical facilities. The project, with a planned gross floor area of approximately 254,000 square metres, is intended to be developed into high-rise residential buildings.

INVESTMENT PROPERTIES

The Group has various investment properties and hotels located in first-tier cities and second-tier provincial capitals. Its investment properties have a total gross floor area of approximately 809,000 square metres and asset value of approximately HK$12.5 billion. In the first half of 2019, the occupancy rates for the Group's office buildings and shopping malls remained steady. The rental rates achieved higher as compared to the corresponding period of last year. The hotel operations also performed reasonably well.

Location	**Major Investment Properties and Hotels**	**Gross Floor Area 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 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 the first half of 2019, the Group's property management companies recorded revenue of RMB417 million in aggregate, representing an increase of 14.9% when comparing with the corresponding period of last year. The companies managed a total of 209 property projects with an aggregate gross floor area of 35,510,000 square metres, representing an increase of 11.1% when comparing with the corresponding period of last year.

FINANCIAL REVIEW

Liquidity and Capital Structure

As at 30 June 2019, the shareholders' equity of the Group amounted to HK$32,955,964,000 (31 December 2018: HK$29,889,095,000), while the net asset value per share was HK$9 (31 December 2018: HK$8.16). As at 30 June 2019, the Group's gearing ratio (on the basis of the amount of total liabilities divided by total assets) was 76.3% (31 December 2018: 78.1%).

As at 30 June 2019, the Group had outstanding bank and other borrowings (including the notes payable) of HK$57,979,637,000. In terms of maturity, the outstanding bank and other borrowings (including the notes payable) can be divided into HK$20,255,984,000 (34.9%) to be repaid within one year, HK$14,490,983,000 (25%) to be repaid after one year but within two years, HK$17,060,545,000 (29.4%) to be repaid after two years but within five years and HK$6,172,125,000 (10.7%) 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$43,887,993,000 (75.7%) in Renminbi, HK$3,900,000,000 (6.7%) in United States dollars and HK$10,191,644,000 (17.6%) in Hong Kong dollars.

36.4% of the bank and other borrowings (including the notes payable) of the Group are subject to fixed interest rates and the remaining 63.6% 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 30 June 2019, the Group had net current assets of HK$46,258,347,000 and total bank balances of HK$31,438,448,000 (31 December 2018: HK$47,889,262,000 and HK$27,354,481,000, respectively). With the available banking facilities and cash revenue from business operations, it is believed that the Group has sufficient resources to meet the foreseeable working capital demands and capital expenditure.

The monetary assets and liabilities and business transactions of the Group are mainly carried out 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 30 June 2019, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	30 June 2019 *HK$'000*	31 December 2018 *HK$'000*
Investment properties	**5,975,753**	6,031,545
Hotel properties	**156,136**	151,724
Buildings	**94,841**	95,931
Prepaid lease payments	**60,204**	61,656
Properties under development	**22,923,060**	19,685,181
Properties held for sale	**789,660**	924,713
Bank deposits	**3,934,743**	4,201,597
	33,934,397	31,152,347

In addition to above pledge of assets, as at 30 June 2019, 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:

	30 June 2019 *HK$'000*	31 December 2018 *HK$'000*
Total assets	**12,852,223**	11,584,681
Total liabilities	**(12,080,101)**	(10,680,886)
	772,122	903,795

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

As at 30 June 2019, the Group's interests in joint ventures were pledged to secure the credit facilities granted to a subsidiary and a joint venture. The pledged interests were amounting to HK$3,707,213,000 (31 December 2018: 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$25,120,107,000 as at 30 June 2019 (31 December 2018: HK$24,775,663,000). 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 30 June 2019, the Group had given guarantees to certain banks in respect of credit facilities granted to certain joint ventures of the Group amounting to HK$1,387,499,000 (31 December 2018: HK$3,923,226,000), of which HK$1,373,383,000 (31 December 2018: HK$3,909,068,000) had been utilised by these joint ventures.

EMPLOYEES

As at 30 June 2019, the Group employed 11,448 (30 June 2018: 12,894) employees with remuneration for the period amounted to approximately HK$692 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.

SHARE OPTIONS

In order to provide incentives or rewards to the Directors and certain employees of the Company and certain eligible persons to contribute to the long term success of the business of the Group, the shareholders of the Company adopted a share option scheme (the "Share Option Scheme") on 28 May 2014. During the six months ended 30 June 2019, the Company granted a total of 109,750,000 options (each option entitles its holder to subscribe for one share of the Company) under the Share Option Scheme to certain executive Directors and employees.

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

During the six months period ended 30 June 2019, 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 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.

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 30 June 2019.

AUDIT COMMITTEE

The audit committee of the Company ("the Audit Committee") presently comprises four independent non-executive Directors, namely Miss Leung Sau Fan, Sylvia (as Chairlady), Mr. Ip Chun Chung, Robert, 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 condensed financial statements of the Company for the six months ended 30 June 2019. 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 2019 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 2019.

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

Hong Kong, 22 August 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.