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 2020

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 2020 with comparative figures for the six months ended 30 June 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*2*	**12,989,295**	17,493,954
Cost of sales		**(8,108,362)**	(10,073,465)
Gross profit		**4,880,933**	7,420,489
(Decrease)/increase in fair value of investment properties		**(142,845)**	34,091
Increase in fair value of financial assets		**17,366**	28,418
Other gains, net		**298,491**	98,192
Selling expenses		**(280,844)**	(539,080)
Administrative expenses		**(521,435)**	(642,099)
Other operating expenses		**(147,577)**	(144,778)
Gain on step-up acquisition of a subsidiary		**2,175**	53,330
Loss on disposal of subsidiaries		**(265,078)**	—
Finance costs		**(782,362)**	(741,528)
Share of results of associates		**(26,675)**	(23,937)
Share of results of joint ventures		**27,513**	259,083
Profit before income tax expense	*3*	**3,059,662**	5,802,181
Income tax expense	*4*	**(1,905,370)**	(1,786,860)
Profit for the period		**1,154,292**	4,015,321

	Notes	Six months ended 30 June	
		2020	2019
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Attributable to:			
Owners of the Company		**828,398**	3,737,636
Non-controlling interests		**325,894**	277,685
		1,154,292	4,015,321
Earnings per share (expressed in HK cents)	*6*		
— Basic		**22.62**	102.08
— Diluted		**22.56**	101.65

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**1,154,292**	4,015,321
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	**(323,468)**	(307,895)
Items that will not be reclassified to profit or loss:		
(Deficit)/surplus arising on revaluation of properties	**(30,108)**	70,045
Other comprehensive income before tax	**(353,576)**	(237,850)
Deferred tax liability arising on revaluation of properties	**7,527**	(17,511)
Other comprehensive income for the period, net of tax	**(346,049)**	(255,361)
Total comprehensive income for the period	**808,243**	3,759,960
Attributable to:		
Owners of the Company	**519,338**	3,504,349
Non-controlling interests	**288,905**	255,611
	808,243	3,759,960

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2020** *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Non-current assets			
Investment properties		**10,884,637**	12,115,132
Property, plant and equipment		**2,841,899**	3,755,234
Right-of-use assets		**280,767**	365,040
Interests in associates		**240,709**	291,900
Interests in joint ventures		**7,415,645**	7,429,659
Financial assets at fair value through profit or loss		**556,107**	544,624
Loan receivables		**158,756**	195,666
Deposits paid for acquisition of land use rights		**5,344,209**	2,948,333
Deferred tax assets		**271,070**	285,286
Total non-current assets		**27,993,799**	27,930,874
Current assets			
Properties under development		**74,675,074**	65,667,447
Properties held for sale		**18,288,790**	21,316,121
Other inventories		**83,190**	81,391
Contract costs		**292,717**	390,816
Trade and other receivables	*8*	**6,670,498**	5,741,095
Amounts due from associates		**1,265,300**	2,516,118
Amounts due from joint ventures		**4,961,949**	5,080,256
Amounts due from non-controlling shareholders of subsidiaries		**516,600**	605,146
Taxation recoverable		**2,626,086**	2,040,047
Pledged bank deposits		**471,052**	433,580
Bank balances, deposits and cash		**32,276,200**	27,480,746
Total current assets		**142,127,456**	131,352,763

	Notes	**30 June 2020** *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Current liabilities			
Trade and other payables	*9*	**19,169,479**	20,583,403
Contract liabilities		**28,208,716**	27,185,777
Property rental deposits		**124,374**	130,162
Amount due to an associate		**113,791**	81,722
Amounts due to joint ventures		**1,871,586**	1,688,741
Amount due to the ultimate holding company		**20,778**	20,925
Amount due to an intermediate holding company		**3,068**	3,102
Amounts due to fellow subsidiaries		**533**	539
Amounts due to non-controlling shareholders of subsidiaries		**2,577,599**	2,491,584
Taxation payable		**5,746,903**	5,243,142
Notes payable — due within one year		**3,900,000**	—
Bank and other borrowings — due within one year		**14,104,210**	15,349,243
Total current liabilities		**75,841,037**	72,778,340
Net current assets		**66,286,419**	58,574,423
Total assets less current liabilities		**94,280,218**	86,505,297
Capital and reserves attributable to owners of the Company			
Share capital	*10*	**17,685,677**	17,685,677
Reserves		**14,630,796**	14,866,483
Equity attributable to owners of the Company		**32,316,473**	32,552,160
Non-controlling interests		**3,491,309**	2,364,979
Total equity		**35,807,782**	34,917,139

	Notes	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
Non-current liabilities			
Bank and other borrowings — due after one year		**55,267,765**	44,190,170
Notes payable — due after one year		**769,231**	4,677,778
Lease liabilities		**528**	1,579
Loan from a fellow subsidiary		**197,802**	200,000
Deferred tax liabilities		**2,237,110**	2,518,631
Total non-current liabilities		**58,472,436**	51,588,158
		94,280,218	86,505,297

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 2019, except for the changes in accounting policy made when the Group initially applies financial reporting standards newly applicable to the annual accounting period beginning on 1 January 2020.

The preparation of 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 2019. 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 2019 that is included in this announcement of the interim results for the six months ended 30 June 2020 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 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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:

HKFRS 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Conceptual Framework for Financial Reporting (Revised)	

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 impact of the adoption of this standard and the new accounting policy 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 2023

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. 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 six months ended 30 June 2020

	Property development business *HK$'000*	Property investment and management *HK$'000*	Hotel operations *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
REVENUE						
Revenue from contracts with customers:						
— Recognised at point in time	12,191,973	—	—	28,955	—	12,220,928
— Recognised overtime	—	438,956	74,169	—	—	513,125
Revenue from other sources:						
— Rental income	—	255,242	—	—	—	255,242
External revenue	12,191,973	694,198	74,169	28,955	—	12,989,295
Inter-segment revenue*	—	38,488	—	—	(38,488)	—
Total revenue	12,191,973	732,686	74,169	28,955	(38,488)	12,989,295
SEGMENT RESULTS	4,154,950	(28,639)	(91,395)	38,687	—	4,073,603
Unallocated income						139,747
Unallocated expenses						(109,261)
Gain on step-up acquisition of a subsidiary	2,175	—	—	—	—	2,175
Loss on disposal of subsidiaries	(265,078)	—	—	—	—	(265,078)
Finance costs						(782,362)
Share of results of associates	(26,589)	—	—	(86)	—	(26,675)
Share of results of joint ventures	27,542	—	—	(29)	—	27,513
Profit before income tax expense						3,059,662
Income tax expense						(1,905,370)
Profit for the period						1,154,292

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

At 30 June 2020

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	**112,094,181**	**11,343,331**	**2,638,574**	**705,218**	**126,781,304**
Interests in associates	**238,714**	—	—	**1,995**	**240,709**
Interests in joint ventures	**7,414,190**	—	—	**1,455**	**7,415,645**
Unallocated corporate assets					**35,683,597**
Total assets					**170,121,255**
Liabilities					
Segment liabilities	**50,801,642**	**1,243,898**	**152,480**	**21,681**	**52,219,701**
Unallocated corporate liabilities					**82,093,772**
Total liabilities					**134,313,473**

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						
Revenue from contracts with customers:						
— Recognised at point in time	16,473,205	—	—	32,382	—	16,505,587
— Recognised overtime	—	474,211	160,360	—	—	634,571
Revenue from other sources:						
— Rental income	—	353,796	—	—	—	353,796
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 31 December 2019
Assets and liabilities

	Property development business	Property investment and management	Hotel operations	Other operations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Segment assets	104,750,412	12,544,281	3,265,821	739,645	121,300,159
Interests in associates	289,820	—	—	2,080	291,900
Interests in joint ventures	7,427,532	—	—	2,127	7,429,659
Unallocated corporate assets					30,261,919
Total assets					159,283,637
Liabilities					
Segment liabilities	50,790,262	1,310,839	184,355	23,162	52,308,618
Unallocated corporate liabilities					72,057,880
Total liabilities					124,366,498

3. PROFIT BEFORE INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Profit before income tax expense is arrived at after charging/ (crediting):		
Depreciation of property, plant and equipment	**98,664**	102,381
Depreciation of right-of-use assets	**8,324**	8,524
Share of tax of joint ventures (included in share of results of joint ventures)	**69,325**	186,566
Loss/(gain) on disposal of investment properties	**38,592**	(425)

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax	**3,652**	522,266
PRC Enterprise Income Tax	**602,710**	464,474
Land Appreciation Tax ("LAT")	**1,381,165**	825,778
	1,987,527	1,812,518
Deferred taxation	**(82,157)**	(25,658)
	1,905,370	1,786,860

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2019: 16.5%) of the estimated assessable profit for the period ended 30 June 2020.

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 resolved not to declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: HK$Nil).

The Company paid final dividend, in respect of the previous financial year, of HK$0.209 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 2020 is based on the following data:

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Earnings:		
Profit for the period attributable to owners of the Company	**828,398**	3,737,636

	Six months ended 30 June	
	2020	2019
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	**10,502,429**	15,595,799
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**3,672,039,475**	3,677,132,845

The diluted earnings per share for the six months period ended 30 June 2020 and 2019 are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's potentially dilutive ordinary shares comprised of share options.

7. TRANSFER TO AND FROM RESERVES

During the six months ended 30 June 2020, 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 2019: HK$Nil), and the Group's subsidiaries in the PRC release HK$66,213,000 and HK$108,528,000 net of non-controlling interests' share out of the PRC statutory reserves and hotel properties revaluation reserve to accumulated profits respectively (six months ended 30 June 2019: HK$Nil).

8. TRADE AND OTHER RECEIVABLES

The credit terms in connection with sales of properties granted to the customers are set out in the sale and purchase agreements and vary from agreements. There is no concentration of credit risk with respect to trade receivables 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 2020	31 December 2019
	HK$'000	*HK$'000*
0 to 30 days	**56,288**	67,235
31 to 90 days	**40,894**	24,502
More than 90 days	**55,770**	53,373
Total trade receivables	**152,952**	145,110
Other receivables	**6,517,546**	5,595,985
	6,670,498	5,741,095

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 2020	31 December 2019
	HK$'000	*HK$'000*
0 to 30 days	**3,381,507**	5,229,598
31 to 90 days	**345,940**	434,500
More than 90 days	**6,114,850**	5,585,278
Total trade payables	**9,842,297**	11,249,376
Bills payables	**—**	52,635
Other payables	**9,327,182**	9,281,392
	19,169,479	20,583,403

10. SHARE CAPITAL

	Number of ordinary shares	**Amount**
		HK$'000
Ordinary shares, issued and fully paid:		
At 1 January 2020 and 30 June 2020	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$29,812,574,000 as at 30 June 2020 (31 December 2019: HK$29,978,261,000). 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 2020, the Group had given guarantees to certain banks in respect of credit facilities granted to certain joint ventures of the Group amounting to HK$5,762,906,000 (31 December 2019: HK$3,062,527,000), of which HK$3,577,874,000 (31 December 2019: HK$3,032,841,000) 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 and acquisition of land use rights amounted to HK$38,636,019,000 and HK$Nil as at 30 June 2020 (31 December 2019: HK$23,992,373,000 and HK$436,111,000, respectively).

The Group did not have any capital expenditure authorised but not contracted for as at 30 June 2020 (31 December 2019: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the first half of 2020, Poly Property Group Co., Limited (the "Company") and its subsidiaries (the "Group") recorded a revenue of HK$12,989 million (corresponding period of 2019: HK$17,494 million), representing a decrease of HK$4,505 million or 25.8% when comparing with the corresponding period of last year. Profit attributable to shareholders amounted to HK$828 million (corresponding period of 2019: HK$3,738 million), indicating a decrease of HK$2,910 million or 77.8% from the corresponding period of last year. Basic and diluted earnings per share stood at HK22.62 cents and HK22.56 cents, respectively (corresponding period of 2019: HK102.08 cents and HK101.65 cents).

As at 30 June 2020, shareholders' equity amounted to HK$32.316 billion (31 December 2019: HK$32.552 billion), indicating a 0.7% decrease from last year end. Net asset value per share amounted to HK$8.83 (31 December 2019: HK$8.89), representing an decrease of 0.7% when comparing with last year end.

BUSINESS REVIEW

In the first half of 2020, the COVID-19 pandemic and the recession of the global economy greatly affected the economy of China. With its decisive and effective measures, the Central Government has contained the pandemic in the first place and increased domestic demand. As these measures enabled the resumption of work and production, China has become the first major economy in the world to turn the GDP around. The Central Government adhered to the policy of "no speculation of residential properties" (房住不炒) and continued to impose strict regulatory measures on the financing of the real estate industry in an effort to maintain its healthy and stable development. In order to mitigate the negative impact of the pandemic on the economy, local governments took a more flexible approach in implementing their policies in response to the actual situations in their respective cities. The real estate industry played a stabilising role in the economy.

During the Chinese Lunar New Year of 2020, in response to the disruption of the traditional sales practices due to the pandemic, each property developer endeavoured to carry on business by adopting various marketing methods, including online property sales office and discounts. Following the easing of the pandemic and the continuous release of the backlog of housing demand, the property market recovered progressively. During the period, the Group, together with its joint ventures and associated companies ("Poly Property Group") recorded contracted sales of approximately RMB19.6 billion, representing a slight year-on-year decrease of 2%. The average selling prices of contracted sales of Chinese mainland market remained at the same level as compared to the corresponding period of last year, ensuring the balance between business growth and profit.

Property market sentiments, though varied in different cities, remained strong in some cities of greater development potential. Local governments implemented a number of favourable policies on supply-side and increased land supply, which encouraged land acquisition of property developers. The Group strictly controlled its land cost while carrying out various expansion plans such as redevelopment, land acquisition through application, joint venture, acquisition and mergers and primary and secondary co-development. During the period, the Group acquired six development projects, which are located in Jinan, Shanghai, Guangzhou, Weihai, Harbin and Liuzhou. These projects are mainly residential products with higher turnover rate and are expected to generate satisfactory return.

During the first half of the year, the Group seized the opportunity of counter-cyclical monetary policy to refinance its debts and expand its financing channels. Average borrowing costs decreased by 0.51 percentage points to 4.95%, which provided sufficient and low cost financial support to its long-term business development. On the other hand, the Group accelerated sales and cash collections and properly adjusted the pace of development, resulting in higher efficiency of cash flow.

Since early 2019, the Group has improved each development mechanism and procedure for its projects and further enhanced its management and operation ability to keep pace with outstanding property developers. The Group has started the construction of 13 out of the 15 projects acquired in the previous year. The other two projects are located in Wuhan. More products are expected to be available for sale in the second half of the year. During the year, the Group will further improve the standard development schedule and strive to fully commence the construction of the projects acquired in the first half of the year.

Looking ahead to the second half of 2020, despite the fact that the economy of China will be hindered by the precautionary measures against the pandemic and the deep contraction of the global economy, the government will continue its pursuit of stable economic development. In line with the six objectives and six policies for supporting and stabilising the economy, the government will maintain economic growth and focus on high-quality development. The practicality and effectiveness of fiscal policies will be enhanced. Monetary policies will be made more flexible and accurate.

In order to meet the sales target for the year, the Group will study the policies and market more carefully, strive its best in providing products and services and overcome the adverse effects. Meanwhile, the Group will also seize the opportunity to replenish land reserves and improve asset turnover rate and return on equity, laying a solid foundation for the long-term development of the Company.

PROPERTY SALES

In the first half of 2020, Poly Property Group recorded contracted area sold of approximately 1,042,000 square metres, or approximately RMB19.6 billion in value, achieving 38% of its annual sales target of RMB52.0 billion.

During the period, Poly Property Group had 90 major projects for sale, with six of them being debut projects, including Suzhou Poly Yue Ying Ting, Suzhou Poly Tian Yue Mansion, Suzhou Urban Ideal Habitat, Shanghai Jiading Affordable Housing, Kunming Poly City and Tai'an Poly Lukun Yuelu Manor. Projects with contracted sales of over RMB1 billion included Suzhou Poly Yue Ying Ting, Nanning Poly Town Phase II, Hong Kong Kai Tak Vibe Centro, Nanning Poly Town and Guangzhou Nansha Poly City.

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 2020** *(RMB million)*	**Percentage** *(%)*
Yangtze River Delta Region	**5,935**	**31%**
Shanghai	704	
Suzhou	4,027	
Ningbo	744	
Deqing	308	
Yuyao	153	
Pearl River Delta Region	**2,958**	**15%**
Guangzhou	1,454	
Foshan	628	
Shenzhen	5	
Huizhou	845	
Wanning	27	
Southwestern Region	**5,527**	**28%**
Guiyang	894	
Zunyi	239	
Nanning	3,518	
Liuzhou	19	
Kunming	858	
Other Regions	**3,323**	**17%**
Wuhan	318	
Harbin	285	
Mudanjiang	208	
Jinan	1,260	
Yantai	285	
Weihai	329	
Weifang	210	
Zibo	276	
Tai'an	152	
Hong Kong and Overseas	**1,824**	**9%**
Hong Kong	1,824	
Total	**19,568**	**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 2020, Poly Property Group plans to launch 14 new projects which include Ningbo Poly Lake Imprint, Jinan Hai Zi Wa Project, Huizhou Shui Kou Project, Shenzhen Long Gang Project, Foshan Lun Jiao Project, Guangzhou Pingbu Avenue Project and Suzhou Hu Shu Guan Project, depending on construction progress and market conditions.

NEWLY COMMENCED CONSTRUCTION

In the first half of 2020, Poly Property Group commenced construction on a total of 17 new projects with a gross floor area of approximately 2,476,000 square metres. Among which, 10 projects commenced construction for the first time, namely, Suzhou Hu Shu Guan Project, Ningbo Poly Lake Imprint, Guangzhou Shangye Avenue Project, Foshan Shun De Project, Foshan Lun Jiao Project, Foshan Jiao Yu Lu Project, Huizhou Shui Kou Project, Jinan Wuli Paifang Project Phase I, Tai'an Poly Lukun Yuelu Manor and Hong Kong Kai Tak 6553 Project.

Project	**Gross Floor Area of Newly Commenced Construction** *('000 square metres)*	**Interests Attributable to the Group** *(%)*
Suzhou Hu Shu Guan Project	125	45%
Suzhou Urban Ideal Habitat	81	20.4%
Ningbo Poly Lake Imprint	189	100%
Guangzhou Pingbu Avenue Project	73	37.5%
Guangzhou Shangye Avenue Project	145	100%
Foshan Shun De Project	81	100%
Foshan Lun Jiao Project	256	100%
Foshan Jiao Yu Lu Project	124	100%
Huizhou Shui Kou Project	230	100%
Nanning Poly Town	87	83.5%
Nanning Poly Town Phase II	528	100%
Wuhan Poly Up Town	75	100%
Harbin Poly City	30	100%
Jinan Wuli Paifang Project Phase I	146	70%
Weifang Zoina Poly Mansion	107	30%
Tai'an Poly Lukun Yuelu Manor	106	60%
Hong Kong Kai Tak 6553 Project	93	35%
Total	2,476	

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 2020, the Group recognised a total sales value of approximately RMB11.043 billion and a total GFA of approximately 854,000 square metres. Details of recognised property sales are as follows:

Region and Project	**Sales Recognised in the First Half of 2020** *(RMB million)*	**Percentage** *(%)*
Yangtsz River Delta Region	**999**	**9%**
1. Shanghai Jiading Project	38	
2. Shanghai Poly Deluxe Mansion	367	
3. Suzhou Poly Lake Mansion	299	
4. Yuyao Poly Jordan International	245	
5. Deqing Poly Prime Regency	27	
6. Others	24	
Pearl River Delta Region	**1,998**	**18%**
7. Guangzhou Poly City	24	
8. Guangzhou Poly Zephyr City	24	
9. Guangzhou Nansha Poly City	1,197	
10. Guangzhou Poly Gratified West Bay	277	
11. Guangzhou Poly Jade Hills	34	
12. Foshan Poly Cullinan Garden	28	
13. Foshan Poly Central Park	295	
14. Huizhou Poly Deutch Kultur	18	
15. Huizhou Poly Sunshine Town	77	
16. Others	24	

Region and Project	Sales Recognised in the First Half of 2020 *(RMB million)*	Percentage *(%)*
Southwestern Regions	**4,180**	**38%**
17. Nanning Poly City	14	
18. Nanning Poly Hearty	14	
19. Nanning Poly Crescendo	329	
20. Nanning Poly Town	425	
21. Liuzhou Poly Merization World	25	
22. Guiyang Poly Spring Street	23	
23. Guiyang Poly Park 2010	1,342	
24. Guiyang Poly Phoenix Bay	95	
25. Guiyang Poly The Place of A Lake	264	
26. Zunyi Poly Metropolis of Future	872	
27. Kunming Poly One Family One World	694	
28. Kunming Poly Sky and Earth	59	
29. Others	24	
Other Regions	**3,708**	**34%**
30. Wuhan Poly Blue Ocean District	36	
31. Wuhan Poly Up Town	60	
32. Wuhan Poly City	454	
33. Harbin Poly The Water's Fragrant Dike	1,242	
34. Harbin Poly City	1,361	
35. Jinan Poly Hyde Mansion	16	
36. Jinan Poly Center	69	
37. Jinan Poly Elegant Garden	11	
38. Yantai Poly Blossom Garden	48	
39. Yantai Poly Ocean Luxe	379	
40. Weihai Poly Triumph Mansion	14	
41. Others	20	
Hong Kong	**157**	**1%**
42. Hong Kong Kai Tak Vibe Centro	157	
Grand total	**11,043**	**100%**

Note:

Since figures were rounded up, their total may not equal to the actual sum or the sum in each group.

NEW LAND RESERVES

In the first half of 2020, Poly Property Group acquired six projects, which are located in Jinan, Shanghai, Guangzhou, Weihai, Harbin and Liuzhou, respectively. The planned total gross floor area of the new projects amounted to approximately 839,000 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 metres)*	Interests Attributable to the Group *(%)*
Jinan Wuli Paifang Project Phase I	Commercial and Residential	44	224	70%
Shanghai Feng Xian Project	Residential	31	96	100%
Guangzhou Nan Sha Project	Residential	16	49	100%
Weihai Lin Gang Project	Commercial and Residential	58	121	40%
Harbin Ping Fang Project	Commercial and Residential	123	233	100%
Liuzhou He Dong Project	Commercial and Residential	55	116	100%
Total		**327**	**839**	

Jinan Wuli Paifang Project Phase I

The project is located in the western old city centre of Huaiyin District, Jinan, Shandong Province, which is the core of Hexie Shopping Mall area. With well-developed road network and convenient transportation, the project features comprehensive facilities and thriving commercial activities. It is also close to healthcare facilities such as Shandong Provincial Hospital and Qilu Children's Hospital. The project, with a planned total gross floor area of approximately 224,000 square metres, is intended to be developed into high-rise residential buildings.

Shanghai Feng Xian Project

The project is located on the east side of Shanghai Fengxian High School, Nanqiao New Town, Fengxian District, Shanghai. In close proximity to the city centre, the region is well surrounded by commercial, educational and medical facilities and enjoys convenient transportation and pleasant ecological environment. The site is approximately 400 meters from the waterscape of "Shanghai Fish" and approximately 1.1 kilometres from Metro Line No. 5. The project, with a planned total gross floor area of approximately 96,000 square metres, is intended to be developed into high-rise residential buildings.

Guangzhou Nan Sha Project

The project is located in Huangge Town, Nansha District, Guangzhou, which is next to the Nansha Poly City project of the Group. The site is 1 kilometre from Huangge Auto Town Station, Metro Line No. 3. With well-developed road network nearby, the project is surrounded by basic educational, commercial and medical facilities. This site can be developed together with the Nansha Poly City project to increase supply. The project, with a planned total gross floor area of approximately 49,000 square metres, is intended to be developed into high-rise residential buildings.

Weihai Lin Gang Project

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

Harbin Ping Fang Project

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

Liuzhou He Dong Project

The project is located in Hedong District of the central business district of Liuzhou and adjacent to the Lianhua Mountain Scenic Area in the north. Situated in a prime location, it features pleasant scenery. The site is planned to have direct access by light rail in the future and enjoys convenient transportation, and well-developed commerce, education, healthcare and municipal and recreational facilities in the vicinity. The project, with a planned total gross floor area of approximately 116,000 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 794,000 square metres and asset value of approximately HK$10.9 billion. In the first half of 2020, the Group's hotel operation was adversely affected by the COVID-19 pandemic, while the occupancy rates for the Group's office buildings and shopping malls remained steady and recorded a slight year-on-year decrease.

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
Hotels				
Beijing	Beijing Poly Plaza Hotel	63	75%	Hotel
Shanghai	Hyatt Regency Shanghai Jiading	69	100%	Hotel
Wuhan	Wuhan Poly Hotel	28	100%	Hotel

PROPERTY MANAGEMENT

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

In the first half of 2020, the Group's property management companies recorded revenue of RMB397 million in aggregate. The companies managed a total of 199 property projects with a gross floor area under management of approximately 35,270,000 square metres.

FINANCIAL REVIEW

Liquidity and Capital Structure

As at 30 June 2020, the shareholders' equity of the Group amounted to HK$32,316,473,000 (31 December 2019: HK$32,552,160,000), while the net asset value per share was HK$8.83 (31 December 2019: HK$8.89). As at 30 June 2020, the Group's gearing ratio (on the basis of the amount of total liabilities divided by total assets) was 79.0% (31 December 2019: 78.1%).

As at 30 June 2020, the Group had outstanding bank and other borrowings (including the notes payable) of HK$74,041,206,000. In terms of maturity, the outstanding bank and other borrowings (including the notes payable) can be divided into HK$18,004,210,000 (24.3%) to be repaid within one year, HK$17,842,159,000 (24.1%) to be repaid after one year but within two years, HK$29,166,113,000 (39.4%) to be repaid after two years but within five years and HK$9,028,724,000 (12.2%) 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$62,016,121,000 (83.8%) in Renminbi, HK$3,900,000,000 (5.3%) in United States dollars and HK$8,125,085,000 (10.9%) 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 2020, the Group had net current assets of HK$66,286,419,000 and total bank balances of HK$32,747,252,000 (31 December 2019: HK$58,574,423,000 and HK$27,914,326,000, respectively). With the available banking facilities and cash revenue from business operations, it is believed that the Group has sufficient resources to meet the foreseeable working capital demands and capital expenditure.

The monetary assets and liabilities and business transactions of the Group are mainly carried 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 2020, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	30 June 2020 *HK$'000*	31 December 2019 *HK$'000*
Investment properties	**5,778,957**	6,770,988
Hotel properties	**1,381,319**	1,465,556
Right-of-use assets	**93,945**	96,370
Properties under development	**30,865,283**	27,623,760
Properties held for sale	**1,052,091**	728,349
Bank deposits	**471,052**	433,580
	39,642,647	37,118,603

In addition to above pledge of assets, as at 30 June 2020, 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 2020 *HK$'000*	31 December 2019 *HK$'000*
Total assets	**17,234,680**	14,040,422
Total liabilities	**(15,829,566)**	(13,221,788)
	1,405,114	818,634

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

Contingent Liabilities

The Group arranged mortgage loan facilities with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayment. The maximum guarantees given to banks amounted to HK$29,812,574,000 as at 30 June 2020 (31 December 2019: HK$29,978,261,000). 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 2020, the Group had given guarantees to certain banks in respect of credit facilities granted to certain joint ventures of the Group amounting to HK$5,762,906,000 (31 December 2019: HK$3,062,527,000), of which HK$3,577,874,000 (31 December 2019: HK$3,032,841,000) had been utilised by these joint ventures.

EMPLOYEES

As at 30 June 2020, the Group employed 10,761 (30 June 2019: 11,448) employees with remuneration for the period amounted to approximately HK$470,235,000. 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. 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 on 10 January 2019. During the six months ended 30 June 2020, no option is granted under the Share Option Scheme and 5,650,000 share options are cancelled. As at 30 June 2020, 98,460,000 share options are outstanding under the Share Option Scheme.

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

During the six months period ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

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

The chairman of the Board (the "Chairman") should attend the annual general meeting. Mr. Zhang Bingnan, the Chairman, was not able to attend the annual general meeting of the Company held on 26 May 2020 due to precautionary measures against the COVID-19 pandemic adopted in China and Hong Kong.

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 2020.

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 2020. The Audit Committee has approved the unaudited interim financial statements.

EVENTS AFTER THE REPORTING PERIOD

From 30 June 2020 to the date of this announcement, there were no important events after the reporting period which have material effect on the Group.

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 2020 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 2020.

On behalf of the Board
Poly Property Group Co., Limited
ZHANG Bingnan
Chairman

Hong Kong, 28 August 2020

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 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.