



POLY PROPERTY

Poly Property Group Co., Limited

保利置業集團有限公司

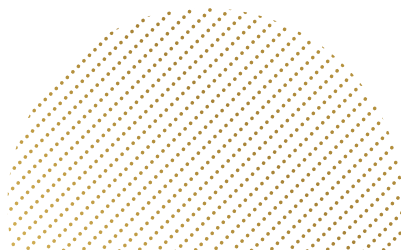
Stock Code: 00119

2018  
INTERIM REPORT



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

XUE Ming (*Chairman*)

HAN Qingtao (*Managing Director*)

WANG Xu

YE Liwen

ZHU Weirong

#### Non-executive Director

IP Chun Chung, Robert

#### Independent Non-executive

##### Directors

CHOY Shu Kwan

LEUNG Sau Fan, Sylvia

WONG Ka Lun

### AUDIT COMMITTEE

LEUNG Sau Fan, Sylvia (*Chairlady*)

IP Chun Chung, Robert

CHOY Shu Kwan

WONG Ka Lun

### REMUNERATION COMMITTEE

WONG Ka Lun (*Chairman*)

CHOY Shu Kwan

LEUNG Sau Fan, Sylvia

HAN Qingtao

### RISK MANAGEMENT COMMITTEE

CHOY Shu Kwan (*Chairman*)

IP Chun Chung, Robert

LEUNG Sau Fan, Sylvia

WONG Ka Lun

HAN Qingtao

YE Liwen

### COMPANY SECRETARY AND AUTHORIZED REPRESENTATIVE

POON Man Man

### LEGAL ADVISER

Morrison & Foerster

### AUDITOR

BDO Limited

### PRINCIPAL BANKERS

Agricultural Bank of China Limited

Bank of China Limited

China CITIC Bank International Limited

China Construction Bank Corporation

China Construction Bank (Asia)

Corporation Limited

China Everbright Bank Co., Ltd.

Hang Seng Bank Limited

Industrial Bank Co., Ltd.

Industrial and Commercial

Bank of China Limited

Industrial and Commercial

Bank of China (Asia) Limited

Industrial and Commercial

Bank of China (Macau) Limited

The Bank of East Asia Limited

Wing Lung Bank

### INVESTOR RELATIONS CONSULTANT

DLK Advisory Limited

### SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong

Investor Services Limited

Shops 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East, Hong Kong

### REGISTERED OFFICE

Room 2503, Admiralty Centre, Tower 1

18 Harcourt Road, Hong Kong

### COMPANY WEBSITE

[www.polyhongkong.com](http://www.polyhongkong.com)

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

### BUSINESS REVIEW

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

At the beginning of 2018, the Group focused on accelerating sales and cash collection in response to the tightening financing environment of property developers. During the period, the Group, together with its joint ventures and associated companies (“Poly Property Group”) recorded contracted area sold of approximately 1,326,000 square metres, contracted sales of approximately RMB24.1 billion and sales collection of RMB24.4 billion. During the second quarter, the Group completed the issuance of the US\$500 million 5.20% guaranteed notes due 2021, and the coupon rate was remarkably lower than those of other Chinese property developers issued during the same period. In addition, the Group also got well prepared for various new financing models, including commercial mortgage backed notes (“CMBN”), asset-backed securities (“ABS”) for final payments of house purchasing and private issuance of property rental corporate bonds. During the second half of 2018, the Group will continue to control its net gearing ratio and funding costs at a reasonable level by strengthening sales collection and effective debt replacement.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

### PROPERTY SALES

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Notes:

- Contracted sales include car parking sales;
- Since figures were rounded up, their grand total or sub-total may not equal to the actual sum.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### NEWLY COMMENCED CONSTRUCTION

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### RECOGNISED PROPERTY SALES

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

Region and Project	Sales Recognised in the First Half of 2018 (RMB million)	Percentage (%)
<b>Yangtze River Delta Region</b>	<b>860</b>	17%
1. Shanghai Poly Lakeside Garden	16	
2. Shanghai Poly Star Island	134	
3. Shanghai Poly Elegant Mansion	80	
4. Shanghai Poly Deluxe Mansion	203	
5. Suzhou Poly West Bank Villa	91	
6. Suzhou Poly Lake Mansion	45	
7. Ningbo Poly Wonderland	83	
8. Yuyao Poly Jordan International	183	
9. Deqing Poly Origin	19	
10. Others	6	
<b>Pearl River Delta Region</b>	<b>1,583</b>	31%
11. Guangzhou Poly Golf Shire	99	
12. Guangzhou Poly Zephyr City	23	
13. Guangzhou Poly Up House	33	
14. Guangzhou Poly Gratified West Bay	194	
15. Guangzhou Nansha Poly City	69	
16. Guangzhou Poly Jade Hills	844	
17. Foshan Poly Prestige City	21	
18. Foshan Poly Central Park	243	
19. Huizhou Poly Deutch Kultur	26	
20. Others	30	

## MANAGEMENT DISCUSSION AND ANALYSIS

Region and Project	Sales Recognised in the First Half of 2018 (RMB million)	Percentage (%)
<b>Southwestern Regions</b>	<b>1,126</b>	22%
21. Nanning Poly Aegean Sea	17	
22. Nanning Poly Crescendo	127	
23. Liuzhou Poly Merization World	58	
24. Guiyang Poly Spring Street	17	
25. Guiyang Poly Park 2010	104	
26. Guiyang Poly Phoenix Bay	52	
27. Guiyang Poly The Place of A Lake	542	
28. Zunyi Poly Metropolis of Future	56	
29. Kunming Poly Sky and Earth	36	
30. Kunming Poly One Family One World	89	
31. Others	26	
<b>Other Regions</b>	<b>1,494</b>	30%
32. Wuhan Poly Blue Ocean District	11	
33. Wuhan Poly City	701	
34. Harbin The Tsinghua Summer Palace of Poly	11	
35. Harbin Poly City	25	
36. Jinan Poly Hyde Mansion	428	
37. Jinan Poly Center	128	
38. Jinan Poly Elegant Garden	85	
39. Weihai Poly Triumph Mansion	25	
40. Hainan Poly Peninsula No.1	52	
41. Others	28	
<b>Grand total:</b>	<b>5,064</b>	100%

Note:

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### NEW LAND RESERVES

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

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

Note:

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

#### Macau Coloane Project

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

#### Jinan Huai Yin Project

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Weifang Zoina Poly Mansion**

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

### **Zibo Da Cheng Project**

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

### **Mudanjiang Dong Si Qiao Project**

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

### **Ningbo Bei Lun Project**

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

### **Foshan Shun De Project**

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Shanghai Jiading Affordable Housing Project

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

### INVESTMENT PROPERTIES

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

Location	Major Investment Properties and Hotels	GFA held ('000 square metres)	Interests Attributable to the Group (%)	Property Type
<b>Investment Properties</b>				
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
<b>Hotels</b>				
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

## MANAGEMENT DISCUSSION AND ANALYSIS

### PROPERTY MANAGEMENT

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

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

### FINANCIAL REVIEW

#### Liquidity and Capital Structure

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

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

34.2% of the bank and other borrowings (including the notes payable) of the Group are subject to fixed interest rates and the remaining 65.8% are subject to floating interest rates. Therefore, under circumstances of uncertainty or fluctuations of interest rates or otherwise as appropriate, the Group will consider the use of hedging instruments (including interest rates swaps), in order to manage interest rate risks.

As at 30th June, 2018, the Group had net current assets of HK\$42,212,723,000 and total bank balances of HK\$20,998,208,000 (31st December, 2017: HK\$39,624,720,000 and HK\$21,250,887,000, respectively). With the available banking facilities and cash revenue from business operations, it is believed that the Group has sufficient resources to meet the foreseeable working capital demands and capital expenditure.

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, United States dollars and Renminbi. The Group maintains a prudent strategy in its foreign exchange risk management, where foreign exchange risks are minimised by balancing the monetary assets versus monetary liabilities, and foreign exchange revenue versus foreign exchange expenditures. The management believes that the foreign exchange rate between Hong Kong dollars and United States dollars is relatively stable. On the other hand, due to recent fluctuation of Renminbi exchange rate against Hong Kong dollars, the Group would closely monitor the fluctuation and adopt policy to minimise exchange rate risks, if necessary.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Pledge of Assets

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

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Contingent Liabilities

The Group arranged mortgage loan facilities with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayment. The maximum guarantees given to banks amounted to HK\$28,427,774,000 as at 30th June, 2018 (31st December, 2017: HK\$28,685,243,000). Such guarantees will terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgage loans by the buyers of the properties. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loan guaranteed by the Group in the event the purchasers default payments to the banks.

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

### EVENTS AFTER REPORTING PERIOD

There are no significant events subsequent to 30th June, 2018 which would materially affect the Group's operating and financial performance as at the date of this report.

### EMPLOYEES

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

## INTERIM RESULTS

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

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30th June,	
		2018	2017
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	6,992,149	14,717,816
Cost of sales		(4,503,665)	(12,246,388)
Gross profit		2,488,484	2,471,428
Increase in fair value of investment properties		32,000	—
Decrease in fair value of financial assets		(1,961)	—
Other gains, net		340,130	440,189
Selling expenses		(296,898)	(469,135)
Administrative expenses		(576,858)	(598,953)
Other operating expenses		(131,773)	(165,649)
Finance costs		(549,232)	(518,318)
Share of results of associates		(5,870)	(3,826)
Share of results of joint ventures		70,767	41,656
Profit before income tax expense	4	1,368,789	1,197,392
Income tax expense	5	(691,860)	(487,199)
Profit for the period		676,929	710,193
Attributable to:			
Owners of the Company		620,804	628,845
Non-controlling interests		56,125	81,348
		676,929	710,193
Earnings per share (expressed in HK cents)	7		
— Basic		16.95	17.17
— Diluted		16.95	17.17

## INTERIM RESULTS

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

## INTERIM RESULTS

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30th June, 2018 HK\$'000 (Unaudited)	31st December, 2017 HK\$'000 (Audited)
<b>Non-current assets</b>			
Investment properties	9	10,928,939	10,904,879
Property, plant and equipment	9	1,857,269	1,890,842
Prepaid lease payments — non-current portion		320,124	325,385
Interests in associates		320,143	298,155
Interests in joint ventures		7,736,986	3,956,952
Financial assets at fair value through profit or loss		424,261	—
Available-for-sale investments		—	325,839
Loan receivables		207,392	112,583
Deposits paid for acquisition of land use rights		2,526,952	1,643,905
Deposits paid for acquisition of subsidiaries		—	238,095
Deferred tax assets		330,224	319,150
<b>Total non-current assets</b>		<b>24,652,290</b>	<b>20,015,785</b>
<b>Current assets</b>			
Properties under development		58,559,294	53,631,353
Properties held for sale		23,157,757	21,608,481
Contract costs		388,987	—
Other inventories		54,423	54,057
Trade and other receivables	10	3,824,390	4,776,797
Prepaid lease payments — current portion		10,175	10,175
Amounts due from associates	11	1,667,800	757,418
Amounts due from joint ventures	12	3,553,473	4,141,267
Amounts due from non-controlling shareholders of subsidiaries		950,324	939,600
Taxation recoverable		2,230,426	1,592,664
Pledged bank deposits		357,762	329,237
Bank balances, deposits and cash		20,640,446	20,921,650
<b>Total current assets</b>		<b>115,395,257</b>	<b>108,762,699</b>

## INTERIM RESULTS

	Notes	30th June, 2018 HK\$'000 (Unaudited)	31st December, 2017 HK\$'000 (Audited)
<b>Current liabilities</b>			
Trade and other payables	13	14,323,575	15,552,504
Contract liabilities		36,563,636	—
Pre-sale deposits		—	25,906,757
Property rental deposits		134,081	126,151
Amounts due to joint ventures	12	4,037,284	2,258,285
Amount due to the ultimate holding company	14	54,449	411,592
Amount due to an intermediate holding company	15	3,323	21,034
Amounts due to fellow subsidiaries	16	215,712	587,869
Amounts due to non-controlling shareholders of subsidiaries		2,428,587	2,529,004
Taxation payable		1,457,264	2,009,346
Notes payable	19	—	3,900,000
Bank and other borrowings — due within one year	17	13,964,623	15,835,437
<b>Total current liabilities</b>		<b>73,182,534</b>	<b>69,137,979</b>
<b>Net current assets</b>		<b>42,212,723</b>	<b>39,624,720</b>
<b>Total assets less current liabilities</b>		<b>66,865,013</b>	<b>59,640,505</b>
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	18	17,685,677	17,685,677
Reserves		11,084,894	10,610,687
<b>Equity attributable to owners of the Company</b>		<b>28,770,571</b>	<b>28,296,364</b>
<b>Non-controlling interests</b>		<b>2,599,676</b>	<b>2,520,217</b>
<b>Total equity</b>		<b>31,370,247</b>	<b>30,816,581</b>

## INTERIM RESULTS

		30th June, 2018 HK\$'000 (Unaudited)	31st December, 2017 HK\$'000 (Audited)
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Bank and other borrowings			
— due after one year	17	29,770,906	27,089,799
Notes payable	19	3,900,000	—
Loan from a fellow subsidiary		214,286	214,286
Deferred tax liabilities		1,609,574	1,519,839
<b>Total non-current liabilities</b>		<b>35,494,766</b>	<b>28,823,924</b>
		<b>66,865,013</b>	<b>59,640,505</b>

## INTERIM RESULTS

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2018

	Attributable to owners of the Company											
	Share capital	Hotel properties revaluation reserve	Translation reserve	PRC statutory reserves	Investment revaluation reserve	Other capital reserve	Asset revaluation reserve	Other reserve	Accumulated profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st December, 2017	17,685,677	127,885	691,467	1,393,345	(28,754)	306,899	22,054	(216,081)	8,313,872	28,296,364	2,520,217	30,816,581
Effect of adoption of HKFRS 9 (note 2a)	—	—	—	—	28,754	—	—	—	68,697	97,451	—	97,451
Effect of adoption of HKFRS 15 (note 2a)	—	—	—	—	—	—	—	—	238,045	238,045	16,482	254,527
At 1st January, 2018	17,685,677	127,885	691,467	1,393,345	—	306,899	22,054	(216,081)	8,620,614	28,631,860	2,536,699	31,168,559
Total comprehensive income for the period	—	12,179	36	—	—	—	—	—	620,804	633,019	60,819	693,838
Dividends paid	—	—	—	—	—	—	—	—	(494,308)	(494,308)	—	(494,308)
Capital contribution by non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	4,167	4,167
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	3,571	3,571
Release upon dissolution of subsidiaries	—	—	—	(20,529)	—	(6,275)	—	—	26,804	—	(5,580)	(5,580)
At 30th June, 2018	17,685,677	140,064	691,503	1,372,816	—	300,624	22,054	(216,081)	8,773,914	28,770,571	2,599,676	31,370,247

For the six months ended 30th June, 2017

	Attributable to owners of the Company											
		Hotel properties			Investment	Other	Asset		Accumulated		Non-	
	Share capital	revaluation reserve	Translation reserve	PRC statutory reserves	revaluation reserve	capital reserve	revaluation reserve	Other reserve	profits	Total	controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2017	17,685,677	103,805	(338,032)	1,337,669	(43,649)	306,899	22,054	(285,195)	5,907,487	24,696,715	2,285,344	26,982,059
Total comprehensive income for the period	—	11,625	370,744	—	(2,535)	—	—	—	628,845	1,008,679	209,427	1,218,106
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(29,074)	(29,074)
Acquisition of additional interest in a subsidiary (note 24)	—	—	—	—	—	—	—	66,558	—	66,558	(182,482)	(115,924)
At 30th June, 2017	17,685,677	115,430	32,712	1,337,669	(46,184)	306,899	22,054	(218,637)	6,536,332	25,771,952	2,283,215	28,055,167

## INTERIM RESULTS

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30th June,	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>Operating activities</b>		
Cash generated from operations	5,674,386	6,029,187
Tax paid	(1,870,929)	(1,107,441)
Interest paid	(1,367,207)	(1,471,891)
<b>Net cash generated from operating activities</b>	<b>2,436,250</b>	<b>3,449,855</b>
<b>Investing activities</b>		
Acquisition of subsidiaries	(3,749,739)	(1,387,090)
Acquisition of additional interest in a subsidiary	—	(115,924)
Other cash flows arising from investing activities	(187,012)	(269,534)
<b>Net cash used in investing activities</b>	<b>(3,936,751)</b>	<b>(1,772,548)</b>
<b>Financing activities</b>		
Dividends paid to equity shareholders of the Company	(494,308)	—
Borrowings raised	9,256,580	9,317,134
Repayments of borrowings	(8,446,287)	(10,970,423)
Other cash flows arising from financing activities	903,312	(180,348)
<b>Net cash generated from (used in) financing activities</b>	<b>1,219,297</b>	<b>(1,833,637)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(281,204)</b>	<b>(156,330)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>20,921,650</b>	<b>17,581,484</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>—</b>	<b>337,367</b>
<b>Cash and cash equivalents at end of the period</b>	<b>20,640,446</b>	<b>17,762,521</b>
Analysis of the balance of cash and cash equivalents, represented by		
— bank balances, deposits and cash	20,640,446	17,762,521

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

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

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the most recent consolidated financial statements for the year ended 31st December, 2017, except for the changes in accounting policy made when the Group initially applies financial reporting standards newly applicable to the annual accounting period beginning on 1st January, 2018.

The preparation of condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

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

The financial information relating to the financial year ended 31st December, 2017 that is included in this interim report of the interim results for the six months ended 30th June, 2018 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31st December, 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

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

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

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

The impact of the adoption of these standards and the new accounting policies are disclosed in note 2. The other standards, amendments and interpretation did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

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

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2019

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2021

<sup>3</sup> 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. CHANGES IN ACCOUNTING POLICIES

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

### (a) Impact on the financial statements

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**(b) HKFRS 9 Financial Instruments — Impact of adoption****(i) Classification and measurement**

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

The adoption of HKFRS 9 Financial Instruments from 1st January, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2(c) below. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

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

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

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

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

**As at 30th June, 2018**

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Six months ended 30th June, 2018

	Amounts without the adoption of HKFRS 9 HK\$'000	Effects of the adoption of HKFRS 9 HK\$'000	Amounts as reported HK\$'000
<b>Condensed consolidated statement of profit or loss (extract)</b>			
Changes in fair value of financial assets	—	(1,961)	(1,961)
Profit attributable to owners of the Company	622,765	(1,961)	620,804

(ii) **Impairment of financial assets**

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

(c) **HKFRS 9 Financial Instruments — Accounting policies applied from 1st January, 2018****Investments and other financial assets****Classification**

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

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### **Measurement**

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

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

### **Debt instruments**

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss as a reclassification adjustment. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**Equity instruments**

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

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

**Impairment**

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

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

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

	As at 30th June, 2018		
	Amounts without the adoption of HKFRS 15 HK\$'000	Effects of the adoption of HKFRS 15 HK\$'000	Amounts as reported HK\$'000
<b>Condensed consolidated statement of financial position (extract)</b>			
Contract costs	—	388,987	388,987
Contract liabilities	—	36,563,636	36,563,636
Pre-sale deposits	36,563,636	(36,563,636)	—
Deferred tax liabilities	1,534,892	74,682	1,609,574
Reserves	10,789,445	295,449	11,084,894
Non-controlling interests	2,580,820	18,856	2,599,676

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Six months ended 30th June, 2018

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

(i) **Accounting for costs to obtain a contract**

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

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**(e) HKFRS 15 Revenue from Contracts with Customers — Accounting policies****Accounting for property development activities**

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

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

- Provides all the benefits received and consumed simultaneously by the customer; or
- Creates and enhances an asset that the customer controls as the Group performs; or
- Do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

**Accounting for significant financing component**

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

**Accounting for property management**

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**3. REVENUE AND SEGMENT INFORMATION**

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

Principal activities are as follows:

Property development business — property development

Property investment and management — property investment and management

Hotel operations — hotel and restaurant business and its related services

Other operations — manufacturing and sales of digital discs and others

Information about these segments is presented below:

**For the six months ended 30th June, 2018**

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**At 30th June, 2018***Assets and liabilities*

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

For the six months ended 30th June, 2017

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Total HK\$'000
REVENUE						
External revenue	13,939,910	650,710	90,741	36,455	—	14,717,816
Inter-segment revenue*	—	64,891	—	—	(64,891)	—
Total revenue	13,939,910	715,601	90,741	36,455	(64,891)	14,717,816
SEGMENT RESULTS	1,343,501	157,925	(16,737)	5,430	—	1,490,119
Unallocated income						234,880
Unallocated expenses						(47,119)
Finance costs						(518,318)
Share of results of associates	(3,826)					(3,826)
Share of results of joint ventures	41,353			303		41,656
Profit before income tax expense						1,197,392
Income tax expense						(487,199)
Profit for the period						710,193

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31st December, 2017  
*Assets and liabilities*

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Total HK\$'000
Assets					
Segment assets	87,949,525	11,511,551	1,336,220	511,842	101,309,138
Interests in associates	298,155	—	—	—	298,155
Interests in joint ventures	3,954,970	—	—	1,982	3,956,952
Unallocated corporate assets					23,214,239
Total assets					128,778,484
Liabilities					
Segment liabilities	45,760,760	1,541,377	207,151	46,376	47,555,664
Unallocated corporate liabilities					50,406,239
Total liabilities					97,961,903

## 4. PROFIT BEFORE INCOME TAX EXPENSE

Six months ended 30th June,

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 5. INCOME TAX EXPENSE

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

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

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

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

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

## 6. DIVIDENDS

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**7. EARNINGS PER SHARE**

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

	<b>Six months ended 30th June,</b>	
	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
<b>Earnings:</b>		
Profit for the period attributable to owners of the Company	<b>620,804</b>	628,845
	<b>Six months ended 30th June,</b>	
	<b>2018</b>	2017
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>3,661,537,046</b>	3,661,537,046
Effect of dilutive potential ordinary shares on share options	—	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>3,661,537,046</b>	3,661,537,046

**8. TRANSFER TO AND FROM RESERVES**

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 9. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period ended 30th June, 2018, the net increase to the Group's investment properties amounted to approximately HK\$24 million (30th June, 2017: HK\$111 million).

The increase in fair value of investment properties of HK\$32 million was noted as at 30th June, 2018 (30th June, 2017: HK\$Nil). The increase was offset by disposal of investment properties of HK\$8 million during the current period (30th June, 2017: HK\$1.6 million).

During the period ended 30th June, 2017, Renminbi appreciated against Hong Kong dollars generated HK\$235 million increase in investment properties. The increase was offset by certain units of properties transferred to properties held for sale and property, plant and equipment amounted to HK\$62 million and HK\$60 million respectively.

During the period, the net decrease to the Group's property, plant and equipment amounted approximately HK\$34 million (30th June, 2017: net increase HK\$69 million).

The surplus arising on revaluation of hotel properties of HK\$22 million was noted as at 30th June, 2018 (30th June, 2017: HK\$22 million). Additions of capital expenditure paid for construction in progress and additions of motor vehicles and furniture and fixture amounted to HK\$6.6 million (30th June, 2017: HK\$13 million). The increase was offset by the depreciation charge of HK\$62 million during the current period (30th June, 2017: HK\$63 million).

During the period ended 30th June, 2017, Renminbi appreciated against Hong Kong dollars generated HK\$43 million increase in property, plant and equipment. Also, certain units of properties transferred from investment properties amounted to HK\$60 million. The increase was offset by disposal of property, plant and equipment of HK\$6 million.

The Group's investment properties and hotel properties at 30th June, 2018 were fair valued by AA Property Services Limited, an independent professional surveyor and property valuer not connected with the Group. AA Property Services Limited is a member of the Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at using the same valuation techniques as were used by this valuer when carrying out the valuations at 31st December, 2017.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 10. TRADE AND OTHER RECEIVABLES

The credit terms in connection with sales of properties granted to the customers are set out in the sale and purchase agreements and vary from agreements. There is no concentration of credit risk with respect to trade receivables arise from sales of properties as the Group has numerous customers. In respect of sales of goods granted to trade customers, the Group allows an average credit periods ranging from 30 days to 90 days. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the end of the reporting period:

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

## 11. AMOUNTS DUE FROM ASSOCIATES

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
— Interest-free	357,950	547,214
— Fixed rate of 6%	732,262	—
— Fixed rate of 8%	132,143	92,857
— Fixed rate of 9%	92,990	117,347
— Fixed rate of 10%	352,455	—
	<b>1,667,800</b>	<b>757,418</b>

The amounts are unsecured and repayable on demand or within one year.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 12. AMOUNTS DUE FROM/(TO) JOINT VENTURES

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
Amounts due from joint ventures		
— Interest-free	805,853	738,342
— Fixed rate of 5%	521,982	—
— Fixed rate of 5.7%	—	90,357
— Fixed rate of 5.8%	—	476,191
— Fixed rate of 7%	373,512	373,512
— Fixed rate of 8%	593,845	1,206,940
— Fixed rate of 10%	521,926	519,570
— 110% of benchmark rate in the PRC	736,355	736,355
	<b>3,553,473</b>	<b>4,141,267</b>
Amounts due to joint ventures		
— Interest-free	1,724,189	1,495,189
— Fixed rate of 4.35%	1,479,762	611,905
— Fixed rate of 5.34%	833,333	151,191
	<b>4,037,284</b>	<b>2,258,285</b>

The amounts are unsecured and repayable on demand.

## 13. TRADE AND OTHER PAYABLES

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**14. AMOUNT DUE TO THE ULTIMATE HOLDING COMPANY**

	<b>30th June, 2018 HK\$'000</b>	<b>31st December, 2017 HK\$'000</b>
Interest-free	<b>22,420</b>	22,420
92% of benchmark rate in the PRC	<b>32,029</b>	32,029
Benchmark rate in the PRC	<b>—</b>	357,143
	<b>54,449</b>	411,592

The amounts are unsecured and repayable on demand or within one year.

**15. AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY**

	<b>30th June, 2018 HK\$'000</b>	<b>31st December, 2017 HK\$'000</b>
Interest-free	<b>3,323</b>	21,034

The amounts are unsecured and repayable on demand.

**16. AMOUNTS DUE TO FELLOW SUBSIDIARIES**

	<b>30th June, 2018 HK\$'000</b>	<b>31st December, 2017 HK\$'000</b>
— Interest-free	<b>1,426</b>	373,583
— Movement of the benchmark rates in the PRC plus 7.27%	<b>214,286</b>	214,286
	<b>215,712</b>	587,869

The amounts are unsecured and repayable on demand.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**17. BANK AND OTHER BORROWINGS**

During the period, the Group obtained new bank and other borrowings in the amounts of HK\$9,257 million (30th June, 2017: HK\$9,317 million), which bear interest at market rates. The Group also repaid approximately HK\$8,446 million (30th June, 2017: HK\$10,970 million) during the period.

Renminbi appreciated against Hong Kong dollars during the period ended 30th June, 2017 generated HK\$835 million increase in bank and other borrowings.

**18. SHARE CAPITAL**

Ordinary shares, issued and fully paid:

At 1st January, 2018 and 30th June, 2018

	<b>Number of ordinary shares</b>	<b>Amount HK\$'000</b>
	3,661,537,046	17,685,677

**19. NOTES PAYABLE**

During the period, the Group issued the 5.2% notes due 2021 in the aggregate principal amount of US\$500,000,000 (equivalent to HK\$3,900,000,000). The notes bear interest at the rate of 5.2% per annum, which are payable semi-annually in arrears on the interest payment dates falling 10th April and 10th October in each year. The Group also repaid the 4.75% notes amounted to US\$500,000,000 (equivalent to HK\$3,900,000,000), which was due in May 2018.

**20. CONTINGENT LIABILITIES**

The Group arranged mortgage loan facilities with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayment. The maximum guarantees given to banks amounted to HK\$28,427,774,000 as at 30th June, 2018 (31st December, 2017: HK\$28,685,243,000). Such guarantees will terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgage loans by the buyers of the properties. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loan guaranteed by the Group in the event the purchasers default payments to the banks.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**21. CAPITAL COMMITMENTS**

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

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

**22. MATERIAL RELATED PARTY TRANSACTIONS**

During the current period, the Group entered into the following material related party transactions:

**(I) Related parties**

	<b>Six months ended 30th June,</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Property rental income ( <i>note a</i> )	<b>7,216</b>	6,630
Construction fee paid ( <i>note b</i> )	<b>47,193</b>	94,023
Interest expenses ( <i>note c</i> )	<b>98,518</b>	53,403
Interest income ( <i>note d</i> )	<b>125,433</b>	75,761
Guarantee charges ( <i>note e</i> )	<b>—</b>	6,583
Guarantee income ( <i>note f</i> )	<b>15,362</b>	—
Management fee income	<b>662</b>	632
Rental expenses paid	<b>1,228</b>	1,223
Dividend income	<b>—</b>	6,323

*Notes:*

- (a) The property rental income received from subsidiaries of the ultimate holding company, which were charged in accordance with the relevant tenancy agreement.
- (b) The construction fee paid to a subsidiary of the ultimate holding company was charged at market rate, which was disposed to an independent third party and no longer being a fellow subsidiary to the Group with effect from May 2018.
- (c) The interest expenses derived from loans advanced from the ultimate holding company, an intermediate holding company, fellow subsidiaries and joint ventures which carried interest at a fixed rate of 4.35% to 6%, 92% of benchmark rate in the PRC to 105% of benchmark rate in the PRC and 7.27% plus the movement of the benchmark rate in the PRC.
- (d) The interest income derived from loans advanced to associates and joint ventures, which carried interest at a fixed rate of 5% to 10% and 110% of benchmark rate in the PRC.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- (e) The guarantee charges were paid to the ultimate holding company for acting as a guarantor of bank loans borrowed by subsidiaries of the Group and it was charged at 1% on the guarantee amount.
- (f) The guarantee income was received from a joint venture for acting as a guarantor of bank loans borrowed by the joint venture and it was charged at 1% on the guarantee amount.

**(II) Compensation to key management personnel**

	<b>Six months ended 30th June,</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Short-term benefits	<b>12,754</b>	12,774
Post-employment benefits	<b>387</b>	348
	<b>13,141</b>	13,122

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

**23. ACQUISITION OF A SUBSIDIARY**

In January 2018, the Group entered into a sale and purchase agreement with a third party to acquire 100% equity interest in Active Success Consultants Limited at a consideration of HK\$3,749,739,000.

Details of the net assets acquired are summarised below:

	HK\$'000
Net assets acquired:	
Interest in a joint venture	3,708,967
Amount due from a joint venture	40,772
Amount due to a shareholder	(169,079)
Net assets acquired	3,580,660
Total consideration satisfied by:	
Cash	3,749,739
Amount due to immediate holding company	(169,079)
	3,580,660
Net cash outflow arising on acquisition:	
Cash paid	3,749,739

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**24. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY**

In March 2017, the Group entered into a share purchase agreement for the acquisition of 10% of the issued share capital (the "Acquisition") of 上海保利廣場資產管理有限公司 ("上海保利廣場"). The vendor of the Acquisition was 上海申宇房地產開發有限公司 ("上海申宇房地產") which was the legal and beneficial owner of 10% of the issued share capital of 上海保利廣場. The consideration of the Acquisition was RMB100,854,000 (equivalent to HK\$115,924,000). The carrying amount of the net assets in 上海保利廣場 acquired of attributable to 上海申宇房地產 at the acquisition date was RMB158,759,000 (equivalent to HK\$182,482,000). The Group originally owned 90% of the issued share capital of 上海保利廣場. Upon completion of the Acquisition, the Group holds 100% of the equity interest in 上海保利廣場.

The effect of the Acquisition on the equity attributable to the owners of the Company is as follows:

	HK'000
Share of net assets in 上海保利廣場 acquired	182,482
Consideration	(115,924)
Gain on acquisition recognised directly in equity	66,558

**25 FAIR VALUE MEASUREMENTS****(i) Financial instruments carried at fair value**

The fair value of financial assets are determined with reference to quoted market prices or using valuation techniques in which any significant input is not based on observable market data.

The following table presents financial instruments measured at fair value in the condensed consolidated statement of financial position on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30th June, 2018, the Group had following financial instruments carried at fair value all of which are based on the level 1 or level 3 of the fair value hierarchy:

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
<b>Assets</b>		
Available-for-sale investments		
— Listed	—	44,367
Financial assets at fair value through profit or loss		
— Listed	23,451	—
— Unlisted	400,810	—
	<b>424,261</b>	<b>44,367</b>

There were no significant transfers between financial instruments in level 1 and level 3 in the reporting period.

(ii) **Fair values of financial instruments carried at other than fair value**

The carrying amounts of the Group's financial instruments carried at cost or amortised cost in the condensed consolidated financial statements approximate to their fair value.

(iii) **The fair values of financial assets and financial liabilities are determined as follows:**

The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted active bid prices and ask prices respectively; and the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

## OTHER INFORMATION

### INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30th June, 2018 (corresponding period in 2017: HK\$Nil).

### SHARE OPTION SCHEME

In order to provide incentives or rewards to the directors and certain employees of the Company and certain eligible persons (the "Eligible Participants") to contribute to the long term success of the business of the Group, the board of directors of the Company considers that it is in the best interest of the Company to adopt a share option scheme.

At the annual general meeting of the Company held on 28th May, 2014, the shareholders of the Company adopted a share option scheme (the "Share Option Scheme"), pursuant to which the Eligible Participants may be granted a maximum of 364,463,704 options to subscribe for shares of the Company upon and subject to the terms and conditions of the rules of the Share Option Scheme. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date of 28th May, 2014 and expiring on 27th May, 2024.

According to the Share Option Scheme, the board of directors of the Company may grant options to (i) any director and employee of the Company or subsidiaries, or an entity in which the Group holds an interest ("Affiliate"); (ii) any customer, supplier, agent, partner, consultant, adviser or shareholder of or contractor to the Group or an Affiliate; (iii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, customer, supplier, agent, partner, consultant, adviser or shareholder of or contractor to the Group or an Affiliate; or (iv) a company beneficially owned by any director, employee, consultant, customer, supplier, agent, partner, shareholder, adviser of or contractor to the Group or an Affiliate to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted.

Share option granted should be accepted within 28 days from the date of grant. The board of directors may at its absolute discretion determine the period during which a share option may be exercised; such period should expire no later than 10 years from the date of grant of the relevant option. The board of directors may also provide restrictions on the exercise of a share option during the period a share option may be exercised.

The exercise price is determined by the board of directors of the Company, and shall not be less than the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 30% of the total number of shares in issue.

## OTHER INFORMATION

The total number of shares issued and to be issued upon exercise of the options granted to each individual under the Share Option Scheme and any other share option schemes of the Company (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue of the Company.

As at 30th June, 2018, no option was granted under the Share Option Scheme. The total number of options available for grant is 364,463,704 (30th June, 2017: 364,463,704), representing approximately 9.95% (30th June, 2017: 9.95%) of the issued shares of the Company.

### DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2018, according to the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules, the interests of the Directors in the shares and underlying shares of the Company were as follows:

#### Long position

##### Ordinary shares of the Company

Mr. Xue Ming is holding 1,020,000 shares (0.03%) of the Company.

Mr. Choy Shu Kwan is holding 300,000 shares (0.01%) of the Company.

Miss Leung Sau Fan, Sylvia is holding 33,000 shares (0%) of the Company.

Save as disclosed above, as at 30th June, 2018, none of the Directors, chief executives or their associates had any personal, family, corporate or other interests and short positions in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which is required to be recorded in the register maintained under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2018, according to the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, the following shareholders had notified the Company of relevant interests in the issued shares of the Company:

#### Ordinary shares of the Company

Name of shareholder	Number of shares		Total number of shares	Approximate percentage of the issued share capital of the Company
	Beneficial owner	Held by controlled corporation(s)		
<b>Long position</b>				
Congratulations Company Ltd.	1,037,975,080	—	1,037,975,080	28.35%
Source Holdings Limited	228,398,760	100,086,800	328,485,560 (Note 1)	8.97%
Ting Shing Holdings Limited	—	1,366,460,640 (Note 2)	1,366,460,640	37.32%
Poly (Hong Kong) Holdings Limited	112,410,476	1,366,460,640	1,478,871,116 (Note 3)	40.39%
Poly Southern Group Co., Ltd.	253,788,246	—	253,788,246	6.93%
China Poly Group Corporation Limited	—	1,732,659,362 (Note 4)	1,732,659,362	47.32%
Poly Real Estate Group Co., Ltd	—	1,478,871,116 (Note 5)	1,478,871,116	40.39%

#### Notes:

- Source Holdings Limited is deemed by the SFO to be interested in 328,485,560 shares of the Company as a result of its direct holding of 228,398,760 shares and indirect holding of 100,086,800 shares through its wholly-owned subsidiaries, Musical Insight Holdings Limited and Wincall Holding Limited, of 44,658,800 shares and 55,428,000 shares, respectively.
- Ting Shing Holdings Limited is deemed by the SFO to be interested in 1,366,460,640 shares of the Company as a result of its indirect holding of 1,366,460,640 shares through its subsidiaries, Source Holdings Limited and Congratulations Company Ltd., of 328,485,560 shares and 1,037,975,080 shares, respectively.

## OTHER INFORMATION

3. Poly (Hong Kong) Holdings Limited is deemed by the SFO to be interested in 1,478,871,116 shares of the Company as a result of its direct holding of 112,410,476 shares and indirect holding of 1,366,460,640 shares through its wholly-owned subsidiary, Ting Shing Holdings Limited.
4. China Poly Group Corporation Limited owns 50% and 100% of the issued share capital of Poly (Hong Kong) Holdings Limited and Poly Southern Group Co., Ltd. respectively, and is accordingly deemed by the SFO to be interested in the shares directly and indirectly owned by Poly (Hong Kong) Holdings Limited and Poly Southern Group Co., Ltd..
5. Poly Real Estate Group Co., Ltd owns 50% of the issued share capital of Poly (Hong Kong) Holdings Limited and is accordingly deemed by the SFO to be interested in the shares directly and indirectly owned by Poly (Hong Kong) Holdings Limited.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued shares of the Company as at 30th June, 2018.

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

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

## SPECIAL PERFORMANCE OBLIGATIONS OF CONTROLLING SHAREHOLDERS

### Disclosures pursuant to Rule 13.21 of the Listing Rules

On 2nd September, 2016, a wholly-owned subsidiary of the Company, as borrower, and the Company, as guarantor, entered into a facility agreement with certain banks for a total term loan facility of HK\$1,900,000,000. The final maturity date of the facility will be the earlier of (a) the date falling 48 months after the date of the facility agreement and (b) the date falling 9 months after a certificate of compliance is issued by the Director of Buildings and Lands in respect of the development of Tuen Mun Town Lot No. 542, Castle Peak Road, Castle Peak Bay, Area 48, Tuen Mun, New Territories, Hong Kong.

On 23rd May, 2017, the Company (as the borrower) entered into a facility agreement with China CITIC Bank International Limited as facility agent (the "Facility Agent") and certain other banks for a 36-month term loan facility of HK\$3,900,000,000.

Pursuant to the above facility agreements, the Company undertakes with the banks that, if, among other things, China Poly Group Corporation Limited ("China Poly Group") (a) ceases to be the single largest shareholder of the Company or ceases to hold, directly or indirectly through its controlled corporations (as defined under Part XV of the Securities and Futures Ordinance), at least 40% of the issued share capital of the Company; (b) ceases to maintain management control of the Company; or (c) ceases to be under the control and supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China, the Facility Agent may declare that all or part of the loan together with interest and any other amounts accrued thereunder be immediately due and payable.

On 7th February, 2018, a wholly-owned subsidiary of the Company, as borrower, entered into a facility agreement with Industrial and Commercial Bank of China (Macau) Limited as facility agent and security agent (the "Agent") for a 24-month term loan facility of HK\$4,000,000,000.

## OTHER INFORMATION

Pursuant to the above facility agreement, if, among other things, China Poly Group ceases to be the single largest shareholder of the Company or no longer maintains (directly or indirectly) beneficially not less than 30% of the issued share capital of the Company, the Agent may declare that all or part of the loan together with accrued interest and all other amounts accrued thereunder be immediately due and payable.

On 6th April 2018, a wholly-owned subsidiary of the Company (as the issuer), the Company (the guarantor) and China Poly Group entered into a keepwell deed (the "Keepwell Deed") in relation to the US\$500,000,000 5.2% notes due 2021 (the "Notes").

Pursuant to the Keepwell Deed and the terms and conditions of the Notes, if China Poly Group (a) ceases to be the single largest shareholder of the Company or ceases to hold, directly or indirectly through its controlled corporations (as defined under Part XV of the Securities and Futures Ordinance (Cap.571) of Hong Kong) at least 40% of the issued share capital of the Company or (b) ceases to maintain management control of the Company, this will constitute an event of default under the Notes.

On 6th September 2018, the Company, as borrower, entered into a facility agreement with a bank for a 24-month revolving loan facility of HK\$2,000,000,000.

Pursuant to the above facility agreement, if, among other things, China Poly Group (a) ceases to be the single largest shareholder of the Company or ceases to hold, directly or indirectly, through its controlled corporations (as defined under Part XV of the Securities and Futures Ordinance), at least 40% of the issued share capital of the Company, (b) ceases to maintain management control of the Company, or (c) ceases to be under the control and supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China, all or any part of the loan together with interest and any other amounts accrued thereunder be immediately due and payable.

## 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.

## OTHER INFORMATION

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

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

The Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code.

### **COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES**

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”). Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Model Code and the code of conduct regarding directors’ securities transactions adopted by the Company for the six months ended 30th June, 2018.

### **AUDIT COMMITTEE**

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

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