



Poly Property Group Co., Limited
保利置業集團有限公司

Stock Code: 00119



2019
INTERIM
REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

ZHANG Bingnan (*Chairman*)
HAN Qingtao (*Vice-Chairman*)
XUE Ming
WANG Xu
WANG Jian (*Managing Director*)
YE Liwen
ZHU Weirong

Independent Non-executive Directors

IP Chun Chung, Robert
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*)
IP Chun Chung, Robert
CHOY Shu Kwan
LEUNG Sau Fan, Sylvia

RISK MANAGEMENT COMMITTEE

CHOY Shu Kwan (*Chairman*)
IP Chun Chung, Robert
LEUNG Sau Fan, Sylvia
WONG Ka Lun
WANG Jian
YE Liwen

COMPANY SECRETARY AND AUTHORIZED REPRESENTATIVE

WONG Cheuk Him

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.
Chong Hing Bank Limited
CMB Wing Lung Bank Limited
Hang Seng Bank Limited
Industrial Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
Industrial and Commercial Bank of China (Asia) Limited
The Bank of East Asia, Limited

INVESTOR RELATIONS CONSULTANT

Wonderful Sky Financial Group

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

BUSINESS REVIEW

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

PROPERTY SALES

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

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

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 2019 (RMB million)	Percentage (%)
Yangtze River Delta Region	7,763	39%
Shanghai	3,403	
Suzhou	943	
Ningbo	2,847	
Deqing	27	
Yuyao	542	
Pearl River Delta Region	2,280	12%
Guangzhou	1,306	
Foshan	683	
Shenzhen	42	
Huizhou	249	
Southwestern Region	2,856	14%
Guiyang	886	
Zunyi	342	
Nanning	1,538	
Liuzhou	13	
Kunming	77	
Other Regions	6,547	33%
Wuhan	2,686	
Harbin	776	
Mudanjiang	485	
Jinan	1,075	
Yantai	20	
Weihai	634	
Zibo	485	
Weifang	374	
Wanning	12	
Hong Kong, Macau and Overseas	428	2%
Hong Kong	428	
Total	19,874	100%

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

In the second half of 2019, Poly Property Group plans to launch eight new projects which include Deqing Fu Xi Project, Foshan Chan Cheng Project, Harbin Qun Li 034 Project, Jinan Huai Yin Project, Jinan Hai Zi Wa Project, Suzhou Shi Shan Project, Shanghai Jiading Affordable Housing Project and Shanghai Shan Jin Poly Plaza, depending on construction progress and market conditions.

NEWLY COMMENCED CONSTRUCTION

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

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

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

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

RECOGNISED PROPERTY SALES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Note:

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

NEW LAND RESERVES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Shenzhen Long Gang Project

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

Suzhou Mu Du Project

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

Hong Kong Kai Tak 6553 Project

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

Foshan Lun Jiao Project

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

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT PROPERTIES

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

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

PROPERTY MANAGEMENT

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

In the first half of 2019, the Group's property management companies recorded revenue of RMB417 million in aggregate, representing an increase of 14.9% when comparing with the corresponding period of last year. The companies managed a total of 209 property projects with an aggregate gross floor area of approximately 35,510,000 square metres, representing an increase of 11.1% when comparing with the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Liquidity and Capital Structure

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

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

36.4% of the bank and other borrowings (including the notes payable) of the Group are subject to fixed interest rates and the remaining 63.6% are subject to floating interest rates. Therefore, under circumstances of uncertainty or fluctuations of interest rates or otherwise as appropriate, the Group will consider the use of hedging instruments (including interest rates swaps), in order to manage interest rate risks.

As at 30 June 2019, the Group had net current assets of HK\$46,258,347,000 and total bank balances of HK\$31,438,448,000 (31 December 2018: HK\$47,889,262,000 and HK\$27,354,481,000, respectively). With the available banking facilities and cash revenue from business operations, it is believed that the Group has sufficient resources to meet the foreseeable working capital demands and capital expenditure.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of Assets

As at 30 June 2019, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

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

In addition to above pledge of assets, as at 30 June 2019, the Group's interests in certain subsidiaries were pledged to secure credit facilities granted to the Group. The details of net asset value of subsidiaries are as follows:

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

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

As at 30 June 2019, the Group's interests in joint ventures were pledged to secure the credit facilities granted to a subsidiary and a joint venture. The pledged interests were amounting to HK\$3,707,213,000 (31 December 2018: HK\$3,713,975,000).

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\$25,120,107,000 as at 30 June 2019 (31 December 2018: HK\$24,775,663,000). Such guarantees will terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgage loans by the buyers of the properties. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loan guaranteed by the Group in the event the purchasers default payments to the banks.

At 30 June 2019, the Group had given guarantees to certain banks in respect of credit facilities granted to certain joint ventures of the Group amounting to HK\$1,387,499,000 (31 December 2018: HK\$3,923,226,000), of which HK\$1,373,383,000 (31 December 2018: HK\$3,909,068,000) had been utilised by these joint ventures.

EVENTS AFTER REPORTING PERIOD

There are no significant events subsequent to 30 June 2019 which would materially affect the Group's operation and financial performance as at the date of this report.

EMPLOYEES

As at 30 June 2019, the Group employed 11,448 (30 June 2018: 12,894) employees with remuneration for the period amounted to approximately HK\$692 million. The Group provides its employees with various benefits including year-ended double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. On-the-job training is also provided as and when required.

INTERIM RESULTS

The directors (the "Directors/Board") of Poly Property Group Co., Limited (the "Company") hereby announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019 with comparative figures for the six months ended 30 June 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
Notes		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	3	17,493,954	6,992,149
Cost of sales		(10,073,465)	(4,503,665)
Gross profit		7,420,489	2,488,484
Increase in fair value of investment properties		34,091	32,000
Increase/(decrease) in fair value of financial assets		28,418	(1,961)
Other gains, net		98,192	340,130
Selling expenses		(539,080)	(296,898)
Administrative expenses		(642,099)	(576,858)
Other operating expenses		(144,778)	(131,773)
Gain on step-up acquisition of a subsidiary	24	53,330	—
Finance costs		(741,528)	(549,232)
Share of results of associates		(23,937)	(5,870)
Share of results of joint ventures		259,083	70,767
Profit before income tax expense	4	5,802,181	1,368,789
Income tax expense	5	(1,786,860)	(691,860)
Profit for the period		4,015,321	676,929
Attributable to:			
Owners of the Company		3,737,636	620,804
Non-controlling interests		277,685	56,125
		4,015,321	676,929
Earnings per share (expressed in HK cents)	7		
— Basic		102.08	16.95
— Diluted		101.65	16.95

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
	<i>Notes</i>		
Non-current assets			
Investment properties	9	12,465,016	12,571,809
Property, plant and equipment	9	3,817,079	3,878,612
Right-of-use assets	2(a)	7,967	—
Prepaid lease payments — non-current portion	10	361,257	372,363
Interests in associates		251,304	264,576
Interests in joint ventures		7,627,723	7,773,395
Financial assets at fair value through profit or loss	26	450,679	426,941
Loan receivables		219,422	216,021
Deposits paid for acquisition of land use rights		3,850,958	1,921,839
Deferred tax assets		329,184	327,848
Total non-current assets		29,380,589	27,753,404
Current assets			
Properties under development		55,993,297	52,885,536
Properties held for sale		22,021,309	28,197,992
Other inventories		61,857	46,478
Contract costs		194,341	465,069
Trade and other receivables	11	5,767,488	5,151,482
Prepaid lease payments-current portion	10	12,618	11,995
Amounts due from associates	12	780,574	1,228,259
Amounts due from joint ventures	13	2,490,542	3,015,072
Amounts due from non-controlling shareholders of subsidiaries		858,423	862,587
Taxation recoverable		2,370,309	1,691,067
Pledged bank deposits		3,934,743	4,201,597
Bank balances, deposits and cash		27,503,705	23,152,884
Total current assets		121,989,206	120,910,018

INTERIM RESULTS

		30 June 2019	31 December 2018
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Current liabilities			
Trade and other payables	14	18,087,256	19,694,131
Contract liabilities		29,400,586	31,110,373
Property rental deposits		121,542	122,336
Amount due to an associate	12	30,795	—
Amounts due to joint ventures	13	2,228,525	3,518,574
Amount due to the ultimate holding company	15	51,974	52,571
Amount due to an intermediate holding company	16	3,172	3,209
Amounts due to fellow subsidiaries	17	1,361	1,377
Amounts due to non-controlling shareholders of subsidiaries		2,293,113	2,395,404
Taxation payable		3,256,551	2,282,487
Bank and other borrowings — due within one year	18	20,255,984	13,840,294
Total current liabilities		75,730,859	73,020,756
Net current assets		46,258,347	47,889,262
Total assets less current liabilities		75,638,936	75,642,666
Capital and reserves attributable to owners of the Company			
Share capital	19	17,685,677	17,685,677
Reserves		15,270,287	12,203,418
Equity attributable to owners of the Company		32,955,964	29,889,095
Non-controlling interests		2,908,918	2,670,318
Total equity		35,864,882	32,559,413

INTERIM RESULTS

		30 June 2019	31 December 2018
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current liabilities			
Bank and other borrowings			
— due after one year	<i>18</i>	33,028,198	36,460,925
Notes payable	<i>20</i>	4,695,455	4,704,598
Lease liabilities	<i>2(a)</i>	3,367	—
Loan from a fellow subsidiary		204,545	206,897
Deferred tax liabilities		1,842,489	1,710,833
Total non-current liabilities		39,774,054	43,083,253
		75,638,936	75,642,666

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company											
	Share capital	Share Option reserve	Hotel properties		PRC statutory reserves	Other capital reserve	Asset revaluation reserve	Other reserve	Accumulated profits	Total	Non-controlling interests	Total
			revaluation reserve	Translation reserve								
			HK\$'000	HK\$'000								
At 1 January 2019	17,685,677	—	530,060	(120,740)	1,628,079	300,840	22,054	(296,096)	10,139,221	29,889,095	2,670,318	32,559,413
Total comprehensive income for the period	—	—	48,035	(281,322)	—	—	—	—	3,737,636	3,504,349	255,611	3,759,960
Recognition of equity-settled share-based payment expense	—	12,889	—	—	—	—	—	—	—	12,889	—	12,889
Dividends paid	—	—	—	—	—	—	—	—	(450,369)	(450,369)	—	(450,369)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(17,011)	(17,011)
At 30 June 2019	17,685,677	12,889	578,095	(402,062)	1,628,079	300,840	22,054	(296,096)	13,426,488	32,955,964	2,908,918	35,864,882

For the six months ended 30 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
													At 31 December 2017	17,685,677	127,885	691,467	1,393,345	(28,754)	306,899	22,054	(216,081)	8,313,872
Effect of adoption of HKFRS 9	—	—	—	—	28,754	—	—	—	68,697	97,451	—	97,451										
Effect of adoption of HKFRS 15	—	—	—	—	—	—	—	—	238,045	238,045	16,482	254,527										
At 1 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 30 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										

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Operating activities		
Cash generated from operations	5,799,857	5,674,386
Tax paid	(1,523,463)	(1,870,929)
Interest paid	(1,287,136)	(1,367,207)
Net cash generated from operating activities	2,989,258	2,436,250
Investing activities		
Acquisition of a subsidiary	—	(3,749,739)
Step-up acquisition of a subsidiary	662,009	—
Decrease/(increase) in pledged bank deposits	266,854	(28,525)
Repayment from/(advance to) associates	433,745	(910,382)
Repayment from joint ventures	493,086	636,304
Other cash flows arising from investing activities	81,191	115,591
Net cash generated from/(used in) investing activities	1,936,885	(3,936,751)
Financing activities		
Dividends paid to equity shareholders of the Company	(450,369)	(494,308)
Borrowings raised	10,354,549	9,256,580
Repayments of borrowings	(8,957,403)	(8,446,287)
Payments of lease liabilities	(2,257)	—
(Repayment to)/advance from joint ventures	(1,250,066)	1,778,999
Other cash flows arising from financing activities	(123,183)	(875,687)
Net cash (used in)/generated from financing activities	(428,729)	1,219,297
Net increase/(decrease) in cash and cash equivalents	4,497,414	(281,204)
Cash and cash equivalents at beginning of the period	23,152,884	20,921,650
Effect of exchange rate changes on cash and cash equivalents	(146,593)	—
Cash and cash equivalents at end of the period	27,503,705	20,640,446
Analysis of the balance of cash and cash equivalents, represented by		
— bank balances, deposits and cash	27,503,705	20,640,446

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the most recent consolidated financial statements for the year ended 31 December 2018, except for the changes in accounting policy made when the Group initially applies financial reporting standards newly applicable to the annual accounting period beginning on 1 January 2019.

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

This interim report contains condensed consolidated financial statements and selected explanatory notes. The explanatory notes include an explanation of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the most recent consolidated financial statements for the year ended 31 December 2018. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 31 December 2018 that is included in this interim report of the interim results for the six months ended 30 June 2019 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

- HKFRS 16 Leases

The impact of the adoption of this standard and the new accounting policy are disclosed in note 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.

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

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

¹ Effective for annual periods beginning on or after 1 January 2021

² To be announced

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 2(b) below.

(a) Impact of adoption

HKFRS 16 affects the accounting for the Group's operating leases. The adoption of HKFRS 16 resulted in changes in accounting policies and adjustments to amounts recognised in the financial statements. The new accounting policies are set out in note 2(b) and the adjustments to the financial statements are set out below.

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

Upon adoption of HKFRS 16, the operating leases (except for short-term leases with lease terms of less than 12 months) are recognised in the condensed consolidated statement of financial position as right-of-use assets and lease liabilities (see note 2(b) below).

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(b) Accounting policies applied from 1 January 2019

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Information about these segments is presented below:

For the six months ended 30 June 2019

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

Assets and liabilities

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

For the six months ended 30 June 2018

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018
Assets and liabilities

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

4. PROFIT BEFORE INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Profit before income tax expense is arrived at after charging/(crediting):		
Amortisation of prepaid lease payments (included in administrative expenses)	6,116	5,261
Depreciation of property, plant and equipment	102,381	61,934
Depreciation of right-of-use assets	2,408	—
Interest on lease liabilities	219	—
Share of tax of joint ventures (included in share of results of joint ventures)	186,566	28,032
(Gain)/loss on disposal of investment properties	(425)	324

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. INCOME TAX EXPENSE

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

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

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

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

6. DIVIDENDS

The Directors have decided not to declare any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$Nil).

The Company paid final dividends, in respect of the previous financial year, of HK\$0.123 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 30 June 2019 is based on the following data:

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

	Six months ended 30 June	
	2019	2018
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,661,537,046	3,661,537,046
Effect of dilutive potential ordinary shares on share options	15,595,799	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,677,132,845	3,661,537,046

8. TRANSFER TO AND FROM RESERVES

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The Group's investment properties decreased HK\$107 million during the period ended 30 June 2019 (30 June 2018: net increase HK\$24 million).

During the period ended 30 June 2019, Renminbi depreciated against Hong Kong dollars incurred HK\$140 million decrease in investment properties (30 June 2018: HK\$Nil). The decrease was offset by increase in fair value of investment properties of HK\$34 million (30 June 2018: HK\$32 million).

During the period ended 30 June 2018, the increase was offset by disposal of investment properties of HK\$8 million.

The Group's property, plant and equipment decreased HK\$62 million during the period ended 30 June 2019 (30 June 2018: HK\$34 million).

During the period ended 30 June 2019, Renminbi depreciated against Hong Kong dollars incurred HK\$42 million decrease in property, plant and equipment (30 June 2018: HK\$Nil). The depreciation charge of HK\$102 million during the current period was noted (30 June 2018: HK\$62 million).

The surplus arising on revaluation of hotel properties of HK\$70 million was noted as at 30 June 2019 (30 June 2018: HK\$22 million). Additions of capital expenditure paid for construction in progress and additions of motor vehicles and furniture and fixture amounted to HK\$14 million (30 June 2018: HK\$6.6 million).

The Group's investment properties and hotel properties at 30 June 2019 were 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 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. PREPAID LEASE PAYMENTS

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
The Group's prepaid lease payments comprise: — medium-term land use rights in the PRC	373,875	384,358
The Group's prepaid lease payments comprise: — current asset	12,618	11,995
— non-current asset	361,257	372,363
	373,875	384,358

Upon the transition to HKFRS 16 on 1 January 2019, the prepaid lease payments were regarded as right-of-use assets.

11. TRADE AND OTHER RECEIVABLES

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. AMOUNTS DUE FROM/(TO) ASSOCIATES

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Amounts due from associates		
— Interest-free	43,442	63,245
— Fixed rate of 6%	392,159	725,402
— Fixed rate of 8%	211,363	213,793
— Fixed rate of 10%	133,610	225,819
	780,574	1,228,259
Amount due to an associate		
— Fixed rate of 9%	30,795	—

The amounts are unsecured and repayable on demand.

13. AMOUNTS DUE FROM/(TO) JOINT VENTURES

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Amounts due from joint ventures		
— Interest-free	1,593,794	867,988
— Fixed rate of 5%	—	308,580
— Fixed rate of 7%	356,534	360,632
— Fixed rate of 8%	178,239	435,437
— Fixed rate of 10%	—	503,885
— 110% of benchmark rate in the PRC	361,975	538,550
	2,490,542	3,015,072
Amounts due to joint ventures		
— Interest-free	1,026,058	741,562
— Fixed rate of 4.35%	—	1,154,023
— Fixed rate of 5.34%	—	243,678
— Fixed rate of 6.85%	1,202,467	1,379,311
	2,228,525	3,518,574

The amounts are unsecured and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE AND OTHER PAYABLES

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

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

15. AMOUNT DUE TO THE ULTIMATE HOLDING COMPANY

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Interest-free	21,401	21,647
92% of benchmark rate in the PRC	30,573	30,924
	51,974	52,571

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

16. AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Interest-free	3,172	3,209

The amounts are unsecured and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts are interest-free, unsecured and repayable on demand.

18. BANK AND OTHER BORROWINGS

During the period, the Group obtained new bank and other borrowings in the amounts of HK\$10,354 million (30 June 2018: HK\$9,257 million), which bear interest at market rates. Also, the acquisition of a subsidiary generated HK\$2,042 million increase in bank and other borrowings (30 June 2018: HK\$Nil).

The increase was offset by repayment of bank and other borrowings of approximately HK\$8,957 million (30 June 2018: HK\$8,446 million) during the period. Renminbi depreciated against Hong Kong dollars during the period ended 30 June 2019 incurred HK\$456 million decrease in bank and other borrowings (30 June 2018: HK\$Nil).

19. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares, issued and fully paid: At 1 January 2019 and 30 June 2019	3,661,537,046	17,685,677

20. NOTES PAYABLE

The Group has issued the following notes payable:

- (i) On 10 April 2018 and 7 May 2018, the Group issued the 5.2% notes due in 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 10 April and 10 October in each year.
- (ii) On 22 August 2018, the Group issued the 5.28% notes due in 2021 in the aggregate principal amount of RMB700,000,000 (equivalent to HK\$795,455,000). The note bears interest at the rate of 5.28% per annum. The notes are payable annually in arrears on the interest payment date falling 13 August in each year.
- (iii) On 16 May 2013, the Group issued the 4.75% notes due in May 2018 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 4.75% per annum, which are payable semi-annually in arrears on the interest payment dates falling 16 May and 16 November in each year. The notes were settled in May 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. CONTINGENT LIABILITIES

The Group arranged mortgage loan facilities with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayment. The maximum guarantees given to banks amounted to HK\$25,120,107,000 as at 30 June 2019 (31 December 2018: HK\$24,775,663,000). Such guarantees will terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgage loans by the buyers of the properties. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loan guaranteed by the Group in the event the purchasers default payments to the banks.

At 30 June 2019, the Group had given guarantees to certain banks in respect of credit facilities granted to certain joint ventures of the Group amounting to HK\$1,387,499,000 (31 December 2018: HK\$3,923,226,000), of which HK\$1,373,383,000 (31 December 2018: HK\$3,909,068,000) had been utilised by these joint ventures.

22. CAPITAL COMMITMENTS

Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of property development expenditures amounted to HK\$14,594,628,000 as at 30 June 2019 (31 December 2018: HK\$9,864,682,000).

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

23. MATERIAL RELATED PARTY TRANSACTIONS

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

(I) Related parties

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Property rental income (<i>note a</i>)	7,472	7,216
Construction fee paid (<i>note b</i>)	—	47,193
Interest expenses (<i>note c</i>)	77,907	98,518
Interest income (<i>note d</i>)	75,951	125,433
Guarantee income (<i>note e</i>)	—	15,362
Management fee income	632	662
Rental expenses paid	1,216	1,228
Dividend income	9,931	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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, fellow subsidiaries and joint ventures which carried interest at a fixed rate of 4.35% to 9%, 92% of benchmark rate in the PRC to 110% 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 6% to 10% and 110% of benchmark rate in the PRC.
- (e) 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

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Short-term benefits	17,484	12,754
Post-employment benefits	318	387
	17,802	13,141

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24. STEP-UP ACQUISITION OF A SUBSIDIARY

In January 2019, the Group acquired additional 35.7% equity interest of 武漢常陽潤力房地產開發有限公司 (“武漢常陽潤力”) at the consideration of RMB195,000,000 (approximately HK\$221,591,000). 武漢常陽潤力 was previously a joint venture of the Group.

The net assets acquired were as follows:

	HK\$'000	HK\$'000
Share of net assets acquired		633,050
Transferred from interests previously held and classified as joint venture		(358,129)
Gain on step-up acquisition of a subsidiary		
— Gain on remeasurement of joint venture to acquisition date fair value	(48,922)	
— Gain on bargain purchase	(4,408)	(53,330)
		<u>221,591</u>
Total consideration satisfied by:		
Cash		<u>221,591</u>
Net cash inflow arising on acquisition:		
Cash paid		(221,591)
Cash and bank balances in the subsidiary acquired		<u>883,600</u>
		<u>662,009</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25. 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

26 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 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 30 June 2019, 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:

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Assets		
Financial assets at fair value through profit or loss		
— Listed	13,627	15,053
— Unlisted	437,052	411,888
	450,679	426,941

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

(ii) **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 30 June 2019 (corresponding period in 2018: HK\$Nil).

SHARE OPTION SCHEME

In order to provide incentives or rewards to the Directors and employees of the Company and certain eligible persons (together, "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 28 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 28 May 2014 and expiring on 27 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 its 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 or or contractor to the Group or an Affiliate to subscribe for shares of the Company for a consideration of HK\$1 for each lot of share options granted.

Share options 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.

The fair value of share options granted to Eligible Participants is recognised as staff costs with a corresponding increase in share option reserve within equity. The fair value is measured at grant date using the Binomial model, taking into account the terms and conditions upon which the options were granted. Where the Eligible Participants have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the statement of profit or loss for the year of the review, unless the original staff costs qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to accumulated profits).

OTHER INFORMATION

As at 1 January 2019, no option was granted under the Share Option Scheme. As at 30 June 2019, 109,750,000 options were granted and are outstanding under the Share Option Scheme. The total number of options available for grant is 254,713,704 (30 June 2018: 364,463,704), representing approximately 6.95% (30 June 2018: 9.95%) of the issued shares of the Company. Details of such interests and movements of share options granted by the Company under the Share Option Scheme are shown below:

Name or category of grantees	Date of grant	Exercise price (HK\$)		Exercise period		Number of share options				
						Balance at as 1 Jan 2019	Granted during the period	Cancelled during the period	Lapsed during the period	Exercised during the period
Director:										
Mr. Zhang Bingnan	10/1/2019	2.520	10/1/2021-9/1/2023	—	379,500	—	—	—	—	379,500
			10/1/2022-9/1/2024	—	379,500	—	—	—	379,500	
			10/1/2023-9/1/2025	—	391,000	—	—	—	391,000	
Mr. Han Qingtao	10/1/2019	2.520	10/1/2021-9/1/2023	—	379,500	—	—	—	—	379,500
			10/1/2022-9/1/2024	—	379,500	—	—	—	379,500	
			10/1/2023-9/1/2025	—	391,000	—	—	—	391,000	
Mr. Wang Xu	10/1/2019	2.520	10/1/2021-9/1/2023	—	379,500	—	—	—	—	379,500
			10/1/2022-9/1/2024	—	379,500	—	—	—	379,500	
			10/1/2023-9/1/2025	—	391,000	—	—	—	391,000	
Mr. Wang Jian	10/1/2019	2.520	10/1/2021-9/1/2023	—	379,500	—	—	—	—	379,500
			10/1/2022-9/1/2024	—	379,500	—	—	—	379,500	
			10/1/2023-9/1/2025	—	391,000	—	—	—	391,000	
Mr. Ye Liwen	10/1/2019	2.520	10/1/2021-9/1/2023	—	280,500	—	—	—	—	280,500
			10/1/2022-9/1/2024	—	280,500	—	—	—	280,500	
			10/1/2023-9/1/2025	—	289,000	—	—	—	289,000	
Mr. Zhu Weirong	10/1/2019	2.520	10/1/2021-9/1/2023	—	280,500	—	—	—	—	280,500
			10/1/2022-9/1/2024	—	280,500	—	—	—	280,500	
			10/1/2023-9/1/2025	—	289,000	—	—	—	289,000	
Sub-total					6,300,000				6,300,000	
Employees:										
In aggregate	10/1/2019	2.520	10/1/2021-9/1/2023	—	34,138,500	—	—	—	—	34,138,500
			10/1/2022-9/1/2024	—	34,138,500	—	—	—	34,138,500	
			10/1/2023-9/1/2025	—	35,173,000	—	—	—	35,173,000	
Sub-total					103,450,000				103,450,000	
Total					109,750,000					109,750,000

The closing price of the shares of the Company immediately before the date of grant as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") was HK\$2.49 per share.

OTHER INFORMATION

Fair value of share options and assumptions

The fair value of services received in return for share options granted on 10 January 2019 is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on Binomial model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the model.

Fair value of share options and assumptions are as follows:

Share price (HK\$)	2.52 per share
Exercise price (HK\$)	2.52 per share
Grant date	10 January 2019
Total number of share options granted	109,750,000
Number of share options granted to Directors*	4,000,000
Number of share options granted to employees	105,750,000
Share option period (years)	6

* Mr. Zhang Bingnan and Mr. Wang Jian were appointed as the Directors of the Company on 1 February 2019, and accordingly, they were classified as employees when the relevant share options were granted on 10 January 2019.

	Share Options		
	Lot 1	Lot 2	Lot 3
First exercise date	10/1/2021	10/1/2022	10/1/2023
Maturity date	9/1/2023	9/1/2024	9/1/2025
Expected volatility (%)	40.631	40.657	39.160
Dividend yield (%)	4.122	4.122	4.122
Risk-free interest rate (%)	1.744	1.769	1.808
Fair value (HK\$)	22,679,000	24,365,000	25,268,000

Notes:

- (i) The expected volatility is based on the historic volatility, which is calculated based on the weighted average remaining life of the share options and adjusted for any expected changes to future volatility based on publicly available information.
- (ii) The expected dividend yield is based on the dividend payout in the previous year and the average share price in the preceding year.

OTHER INFORMATION

For the period ended 30 June 2019, total equity-settled share-based payment expenses recognised were as follows:

	HK\$'000
Total equity-settled share-based payment expenses	72,312
Amortisation during the period	(12,889)
	<hr/>
At 30 June 2019	59,423
	<hr/>

DIRECTORS' INTERESTS IN SECURITIES AND 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Model Code"). Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Model Code and the code of conduct regarding Directors' securities transactions adopted by the Company for the six months ended 30 June 2019.

As at 30 June 2019, 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 pursuant to the Model Code, 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. Zhang Bingnan is holding 1,150,000 options to subscribe 1,150,000 (0.03%) shares of the Company.

Mr. Han Qingtao is holding 1,150,000 options to subscribe 1,150,000 (0.03%) shares of the Company.

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

Mr. Wang Xu is holding 1,150,000 options to subscribe 1,150,000 (0.03%) shares of the Company.

Mr. Wang Jian is holding 1,150,000 options to subscribe 1,150,000 (0.03%) shares of the Company.

Mr. Ye Liwen is holding 850,000 options to subscribe 850,000 (0.023%) shares of the Company.

Mr. Zhu Weirong is holding 850,000 options to subscribe 850,000 (0.023%) shares of the Company.

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

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

OTHER INFORMATION

Save as disclosed above, as at 30 June 2019, 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 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, 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)		
Long position				
China Poly Group Corporation Limited* (中國保利集團有限公司)	—	1,732,659,362 <i>(Note 1)</i>	1,732,659,362	47.32%
Poly Southern Group Co., Ltd.* (保利南方集團有限公司)	253,788,246	1,478,871,116 <i>(Note 2)</i>	1,732,659,362	47.32%
Poly Developments and Holdings Group Co., Ltd.* (保利發展控股集團股份有限公司)	—	1,478,871,116 <i>(Note 3)</i>	1,478,871,116	40.39%
Poly (Hong Kong) Holdings Limited	112,410,476	1,366,460,640	1,478,871,116 <i>(Note 4)</i>	40.39%
Ting Shing Holdings Limited	—	1,366,460,640 <i>(Note 5)</i>	1,366,460,640	37.32%
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 <i>(Note 6)</i>	8.97%

OTHER INFORMATION

Notes:

1. China Poly Group Corporation Limited* (中國保利集團有限公司) owns 50% and 100% of the issued share capital of Poly (Hong Kong) Holdings Limited and Poly Southern Group Co., Ltd.* (保利南方集團有限公司) ("Poly Southern Group") 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.
 2. Poly Southern Group owns 37.93% of the issued share capital of Poly Developments and Holdings Group Co., Ltd.* (保利發展控股集團股份有限公司) ("Poly Developments and Holdings"), whose shares are listed on the Mainboard of the Shanghai Stock Exchange (SSE: 600048), as at 30 June 2019 and is accordingly deemed by the SFO to be interested in the shares indirectly owned by Poly Developments and Holdings.
 3. Poly Developments and Holdings 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.
 4. 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.
 5. 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, Congratulations Company Ltd. and Source Holdings Limited of 1,037,975,080 shares and 328,485,560 shares, respectively.
 6. 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.
- * *for identification purposes only*

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 30 June 2019.

OTHER INFORMATION

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

During the six months period ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SPECIFIC PERFORMANCE OBLIGATIONS OF CONTROLLING SHAREHOLDER

Disclosures pursuant to Rule 13.21 of the Listing Rules

1. On 2 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.

Pursuant to the aforesaid facility agreement, 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; (b) ceases to maintain management control of the Company; or (c) ceases to be under the control of the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China ("SASAC"), the loan together with accrued interest may become immediately due and payable.

2. On 23 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 agreement, the Company undertakes with the banks that, 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 ("SFO")), 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 SASAC, 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.

OTHER INFORMATION

3. On 7 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.

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.

4. On 6 April 2018, a wholly-owned subsidiary of the Company (as the issuer), the Company (as the guarantor) and China Poly Group entered into a 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 SFO), 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.

5. On 10 July 2018, the Company (as the borrower) entered into a facility agreement with China Everbright Bank Co., Ltd. Hong Kong Branch for a committed revolving facility of HK\$1,000,000,000. The final maturity date of the revolving loan facility shall be the date falling 24 months from the date of this facility agreement.

Pursuant to the facility agreement, the Company undertakes with the bank that, if, among other things, China Poly Group (a) ceases to be the single largest shareholder of the Company; or (b) ceases to maintain effective management of the Company, the loan together with accrued interest may become immediately due and payable.

6. On 6 September 2018, the Company (as borrower) entered into a facility agreement with Industrial Bank Co., Ltd. Hong Kong Branch for a revolving loan facility of HK\$2,000,000,000. The final maturity date of the loan will be the earlier of (a) the date falling 24 months after the date of the facility agreement and (b) the said bank's prevailing annual review date.

Pursuant to the facility agreement, it shall be an event of default, 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 SFO), 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 SASAC.

If an event of default under the above facility agreement occurs, the bank shall be entitled to (a) demand for immediate repayment together with interest and any other amounts accrued under the loan and (b) terminate or cancel all or any part of the loan.

OTHER INFORMATION

7. On 3 July 2019, the Company (as borrower) entered into a facility agreement with Chong Hing Bank Limited for a 12-month revolving term loan facility of HK\$780,000,000. Pursuant to the facility agreement, it shall be an event of default, among other things, China Poly Group ceases to be the largest ultimate shareholder of the Company, Chong Hing Bank Limited may declare that all of part of the banking facility together with interest and any other amounts accrued thereunder be immediately due and payable.
8. On 30 July 2019, a 35% indirectly owned joint venture company (as the borrower) and the Company (as one of the guarantors) entered into a facility agreement with Industrial and Commercial Bank of China (Asia) Limited (the "ICBC Asia") for a 12-month bridge term loan facility of HK\$5,166,400,000. Pursuant to the terms and conditions of the facility agreement, the Company would provide ICBC Asia with the guarantee in proportion to its ultimate beneficial interest of 35% in that joint venture company.

Pursuant to the facility agreement, if, among other things, China Poly Group ceases to (a) be the single largest shareholder of the Company; (b) maintain control of the Company; or (c) be under control of the SASAC, the bank may declare that all or any part of the advances made by the bank under the facility agreement together with interest and any other amounts accrued thereunder be immediately due and payable.

9. On 9 September 2019, the Company, a 70% indirect non-wholly owned subsidiary of the Company, and the Industrial and Commercial Bank of China (Asia) Limited entered into a facility agreement for a term loan up to HK\$2,900,000,000. The final maturity date shall be the earlier of (i) the date falling 60 months after the date of the facility agreement; and (ii) the date falling 9 months after the date of the certificate of compliance of the government grant concerned.

Pursuant to the facility agreement, if, among other things, China Poly Group ceases to be (a) be the single largest shareholder of the Company, (b) maintain management control of the Board of the Company, or (c) be under the control of the SASAC, the bank may declare that all or any part of the advance(s) made by the bank under the facility agreement together with interest and any other amounts accrued thereunder be immediately due and payable.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

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

CHANGE IN DIRECTORS' INFORMATION

There is no change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

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

The members of the Audit Committee have reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters including the review of the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2019. The Audit Committee has approved the unaudited interim financial statements.