



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

Stock Code: 00119



• INTERIM REPORT 2020 •

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

ZHANG Bingnan (*Chairman*)
HAN Qingtao (*Vice-Chairman*)
XUE Ming
WANG Xu (*resigned on 28 April 2020*)
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
Bank of Communications Co., Ltd.
China CITIC Bank International Limited
China Construction Bank Corporation
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

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MANAGEMENT DISCUSSION AND ANALYSIS

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

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

BUSINESS REVIEW

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

PROPERTY SALES

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

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



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 2020 (RMB million)	Percentage (%)
Yangtze River Delta Region	5,935	31%
Shanghai	704	
Suzhou	4,027	
Ningbo	744	
Deqing	308	
Yuyao	153	
Pearl River Delta Region	2,958	15%
Guangzhou	1,454	
Foshan	628	
Shenzhen	5	
Huizhou	845	
Wanning	27	
Southwestern Region	5,527	28%
Guiyang	894	
Zunyi	239	
Nanning	3,518	
Liuzhou	19	
Kunming	858	
Other Regions	3,323	17%
Wuhan	318	
Harbin	285	
Mudanjiang	208	
Jinan	1,260	
Yantai	285	
Weihai	329	
Weifang	210	
Zibo	276	
Tai'an	152	
Hong Kong and Overseas	1,824	9%
Hong Kong	1,824	
Total	19,568	100%

Notes:

- 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 2020, Poly Property Group plans to launch 14 new projects which include Ningbo Poly Lake Imprint, Jinan Hai Zi Wa Project, Huizhou Shui Kou Project, Shenzhen Long Gang Project, Foshan Lun Jiao Project, Guangzhou Pingbu Avenue Project and Suzhou Hu Shu Guan Project, depending on construction progress and market conditions.

NEWLY COMMENCED CONSTRUCTION

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

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

Note:

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



MANAGEMENT DISCUSSION AND ANALYSIS

RECOGNISED PROPERTY SALES

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

Region and Project	Sales Recognised in the First Half of 2020 (RMB million)	Percentage (%)
Yangtze River Delta Region	999	9%
1. Shanghai Jiading Project	38	
2. Shanghai Poly Deluxe Mansion	367	
3. Suzhou Poly Lake Mansion	299	
4. Yuyao Poly Jordan International	245	
5. Deqing Poly Prime Regency	27	
6. Others	24	
Pearl River Delta Region	1,998	18%
7. Guangzhou Poly City	24	
8. Guangzhou Poly Zephyr City	24	
9. Guangzhou Nansha Poly City	1,197	
10. Guangzhou Poly Gratified West Bay	277	
11. Guangzhou Poly Jade Hills	34	
12. Foshan Poly Cullinan Garden	28	
13. Foshan Poly Central Park	295	
14. Huizhou Poly Deutch Kultur	18	
15. Huizhou Poly Sunshine Town	77	
16. Others	24	
Southwestern Regions	4,180	38%
17. Nanning Poly City	14	
18. Nanning Poly Hearty	14	
19. Nanning Poly Crescendo	329	
20. Nanning Poly Town	425	
21. Liuzhou Poly Merization World	25	
22. Guiyang Poly Spring Street	23	
23. Guiyang Poly Park 2010	1,342	
24. Guiyang Poly Phoenix Bay	95	
25. Guiyang Poly The Place of A Lake	264	
26. Zunyi Poly Metropolis of Future	872	
27. Kunming Poly One Family One World	694	
28. Kunming Poly Sky and Earth	59	
29. Others	24	



MANAGEMENT DISCUSSION AND ANALYSIS

Region and Project	Sales Recognised in the First Half of 2020 (RMB million)	Percentage (%)
Other Regions	3,708	34%
30. Wuhan Poly Blue Ocean District	36	
31. Wuhan Poly Up Town	60	
32. Wuhan Poly City	454	
33. Harbin Poly The Water's Fragrant Dike	1,242	
34. Harbin Poly City	1,361	
35. Jinan Poly Hyde Mansion	16	
36. Jinan Poly Center	69	
37. Jinan Poly Elegant Garden	11	
38. Yantai Poly Blossom Garden	48	
39. Yantai Poly Ocean Luxe	379	
40. Weihai Poly Triumph Mansion	14	
41. Others	20	
Hong Kong	157	1%
42. Hong Kong Kai Tak Vibe Centro	157	
Grand total	11,043	100%

Note:

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



MANAGEMENT DISCUSSION AND ANALYSIS

NEW LAND RESERVES

In the first half of 2020, Poly Property Group acquired six projects, which are located in Jinan, Shanghai, Guangzhou, Weihai, Harbin and Liuzhou, respectively. The planned total gross floor area of the new projects amounted to approximately 839,000 square metres with land cost at a reasonable level.

New Project	Planned Property Type	Total Site Area ('000 square metres)	Planned Total Gross Floor Area ('000 square metres)	Interests Attributable to the Group (%)
Jinan Wuli Paifang Project Phase I	Commercial and Residential	44	224	70%
Shanghai Feng Xian Project	Residential	31	96	100%
Guangzhou Nan Sha Project	Residential	16	49	100%
Weihai Lin Gang Project	Commercial and Residential	58	121	40%
Harbin Ping Fang Project	Commercial and Residential	123	233	100%
Liuzhou He Dong Project	Commercial and Residential	55	116	100%
Total		327	839	

Jinan Wuli Paifang Project Phase I

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



MANAGEMENT DISCUSSION AND ANALYSIS

Shanghai Feng Xian Project

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

Guangzhou Nan Sha Project

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

Weihai Lin Gang Project

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

Harbin Ping Fang Project

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

Liuzhou He Dong Project

The project is located in Hedong District of the central business district of Liuzhou and adjacent to the Lianhua Mountain Scenic Area in the north. Situated in a prime location, it features pleasant scenery. The site is planned to have direct access by light rail in the future and enjoys convenient transportation, and well-developed commerce, education, healthcare and municipal and recreational facilities in the vicinity. The project, with a planned total gross floor area of approximately 116,000 square metres, is intended to be developed into high-rise residential buildings.



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 794,000 square metres and asset value of approximately HK\$10.9 billion. In the first half of 2020, the Group's hotel operation was adversely affected by the COVID-19 pandemic, while the occupancy rates for the Group's office buildings and shopping malls remained steady and recorded a slight year-on-year decrease.

Location	Major Investment Properties and Hotels	Gross Floor Area Held ('000 square metres)	Interests Attributable to the Group (%)	Property Type
Investment Properties				
Beijing	Beijing Poly Plaza	15	75%	Office
Shanghai	Shanghai Poly Plaza (partial)	34	100%	Office and Commercial
Shanghai	Shanghai Stock Exchange Building (partial)	48	100%	Office
Shenzhen	Shenzhen Poly Cultural Plaza (partial)	135	100%	Commercial
Wuhan	Wuhan Poly Plaza (partial)	97	100%	Office and commercial
Hotels				
Beijing	Beijing Poly Plaza Hotel	63	75%	Hotel
Shanghai	Hyatt Regency Shanghai Jiading	69	100%	Hotel
Wuhan	Wuhan Poly Hotel	28	100%	Hotel

PROPERTY MANAGEMENT

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

In the first half of 2020, the Group's property management companies recorded revenue of RMB397 million in aggregate, representing a decrease of 4.8% when comparing with the corresponding period of last year. The companies managed a total of 199 property projects with a gross floor area under management of approximately 35,270,000 square metres.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Liquidity and Capital Structure

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

As at 30 June 2020, the Group had outstanding bank and other borrowings (including the notes payable) of HK\$74,041,206,000. In terms of maturity, the outstanding bank and other borrowings (including the notes payable) can be divided into HK\$18,004,210,000 (24.3%) to be repaid within one year, HK\$17,842,159,000 (24.1%) to be repaid after one year but within two years, HK\$29,166,113,000 (39.4%) to be repaid after two years but within five years and HK\$9,028,724,000 (12.2%) to be repaid after five years. In terms of currency denomination, the outstanding bank and other borrowings (including the notes payable) can be divided into HK\$62,016,121,000 (83.8%) in Renminbi, HK\$3,900,000,000 (5.3%) in United States dollars and HK\$8,125,085,000 (10.9%) in Hong Kong dollars.

36.4% of the bank and other borrowings (including the notes payable) of the Group are subject to fixed interest rates and the remaining 63.6% are subject to floating interest rates. Therefore, under circumstances of uncertainty or fluctuations of interest rates or otherwise as appropriate, the Group will consider the use of hedging instruments (including interest rates swaps), in order to manage interest rate risks. The Group currently has not entered into any hedging transactions.

As at 30 June 2020, the Group had net current assets of HK\$66,286,419,000 and total bank balances of HK\$32,747,252,000 (31 December 2019: HK\$58,574,423,000 and HK\$27,914,326,000, respectively). With the available banking facilities and cash revenue from business operations, it is believed that the Group has sufficient resources to meet the foreseeable working capital demands and capital expenditure.

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



MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of Assets

As at 30 June 2020, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

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

In addition to above pledge of assets, as at 30 June 2020, the Group's interests in certain subsidiaries were pledged to secure credit facilities granted to the Group. The details of net asset value of subsidiaries are as follows:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Total assets	17,234,680	14,040,422
Total liabilities	(15,829,566)	(13,221,788)
	1,405,114	818,634

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



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\$29,812,574,000 as at 30 June 2020 (31 December 2019: HK\$29,978,261,000). Such guarantees will terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgage loans by the buyers of the properties. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loan guaranteed by the Group in the event the purchasers default payments to the banks.

At 30 June 2020, the Group had given guarantees to certain banks in respect of credit facilities granted to certain joint ventures of the Group amounting to HK\$5,762,906,000 (31 December 2019: HK\$3,062,527,000), of which HK\$3,577,874,000 (31 December 2019: HK\$3,032,841,000) had been utilised by these joint ventures.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

For the six months ended 30 June 2020, the Group did not have any significant investments, acquisitions and disposals, or any material acquisitions and disposals of any subsidiaries, associated companies and joint ventures.

EVENTS AFTER THE REPORTING PERIOD

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

EMPLOYEES

As at 30 June 2020, the Group employed 10,761 (30 June 2019: 11,448) employees with remuneration for the period amounted to approximately HK\$470,235,000. The Group provides its employees with various benefits including year-ended double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. On-the-job training is also provided as and when required.

INTERIM RESULTS

The directors (the "Directors/Board") of Poly Property Group Co., Limited (the "Company") hereby announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2020 with comparative figures for the six months ended 30 June 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2020	2019
<i>Notes</i>		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	2	12,989,295	17,493,954
Cost of sales		(8,108,362)	(10,073,465)
Gross profit		4,880,933	7,420,489
(Decrease)/increase in fair value of investment properties		(142,845)	34,091
Increase in fair value of financial assets		17,366	28,418
Other gains, net	3	298,491	98,192
Selling expenses		(280,844)	(539,080)
Administrative expenses		(521,435)	(642,099)
Other operating expenses		(147,577)	(144,778)
Gain on step-up acquisition of a subsidiary	23	2,175	53,330
Loss on disposal of subsidiaries	24	(265,078)	—
Finance costs		(782,362)	(741,528)
Share of results of associates		(26,675)	(23,937)
Share of results of joint ventures		27,513	259,083
Profit before income tax expense	4	3,059,662	5,802,181
Income tax expense	5	(1,905,370)	(1,786,860)
Profit for the period		1,154,292	4,015,321
Attributable to:			
Owners of the Company		828,398	3,737,636
Non-controlling interests		325,894	277,685
		1,154,292	4,015,321
Earnings per share (expressed in HK cents)	7		
— Basic		22.62	102.08
— Diluted		22.56	101.65

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
	<i>Notes</i>		
Non-current assets			
Investment properties	9	10,884,637	12,115,132
Property, plant and equipment	9	2,841,899	3,755,234
Right-of-use assets		280,767	365,040
Interests in associates		240,709	291,900
Interests in joint ventures		7,415,645	7,429,659
Financial assets at fair value through profit or loss	25	556,107	544,624
Loan receivables		158,756	195,666
Deposits paid for acquisition of land use rights		5,344,209	2,948,333
Deferred tax assets		271,070	285,286
Total non-current assets		27,993,799	27,930,874
Current assets			
Properties under development		74,675,074	65,667,447
Properties held for sale		18,288,790	21,316,121
Other inventories		83,190	81,391
Contract costs		292,717	390,816
Trade and other receivables	10	6,670,498	5,741,095
Amounts due from associates	11	1,265,300	2,516,118
Amounts due from joint ventures	12	4,961,949	5,080,256
Amounts due from non-controlling shareholders of subsidiaries		516,600	605,146
Taxation recoverable		2,626,086	2,040,047
Pledged bank deposits		471,052	433,580
Bank balances, deposits and cash		32,276,200	27,480,746
Total current assets		142,127,456	131,352,763
Current liabilities			
Trade and other payables	13	19,169,479	20,583,403
Contract liabilities		28,208,716	27,185,777
Property rental deposits		124,374	130,162
Amount due to an associate	11	113,791	81,722
Amounts due to joint ventures	12	1,871,586	1,688,741
Amount due to the ultimate holding company	14	20,778	20,925
Amount due to an intermediate holding company	15	3,068	3,102
Amounts due to fellow subsidiaries	16	533	539
Amounts due to non-controlling shareholders of subsidiaries		2,577,599	2,491,584
Taxation payable		5,746,903	5,243,142
Notes payable — due within one year	17	3,900,000	—
Bank and other borrowings — due within one year	18	14,104,210	15,349,243
Total current liabilities		75,841,037	72,778,340

INTERIM RESULTS

	<i>Notes</i>	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Net current assets		66,286,419	58,574,423
Total assets less current liabilities		94,280,218	86,505,297
Capital and reserves attributable to owners of the Company			
Share capital	<i>19</i>	17,685,677	17,685,677
Reserves		14,630,796	14,866,483
Equity attributable to owners of the Company		32,316,473	32,552,160
Non-controlling interests		3,491,309	2,364,979
Total equity		35,807,782	34,917,139
Non-current liabilities			
Bank and other borrowings — due after one year	<i>18</i>	55,267,765	44,190,170
Notes payable — due after one year	<i>17</i>	769,231	4,677,778
Lease liabilities		528	1,579
Loan from a fellow subsidiary		197,802	200,000
Deferred tax liabilities		2,237,110	2,518,631
Total non-current liabilities		58,472,436	51,588,158
		94,280,218	86,505,297

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	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 2020	17,685,677	24,453	619,039	(953,686)	1,883,424	175,771	22,054	(296,096)	13,391,524	32,552,160	2,364,979	34,917,139
Total comprehensive income for the period	—	—	(11,478)	(297,582)	—	—	—	—	828,398	519,338	288,905	808,243
Recognition of equity-settled share-based payment expense	—	10,236	—	—	—	—	—	—	—	10,236	—	10,236
Dividends paid	—	—	—	—	—	—	—	—	(765,261)	(765,261)	—	(765,261)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(262,978)	(262,978)
Capital contribution by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	252,334	252,334
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	606,750	606,750
Release upon disposal of subsidiaries	—	—	(108,528)	—	(66,213)	—	—	—	174,741	—	241,319	241,319
At 30 June 2020	17,685,677	34,689	499,033	(1,251,268)	1,817,211	175,771	22,054	(296,096)	13,629,402	32,316,473	3,491,309	35,807,782

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

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Operating activities		
Cash generated from operations	(2,152,571)	5,799,857
Tax paid	(1,971,744)	(1,523,463)
Interest paid	(1,590,456)	(1,287,136)
Net cash (used in)/generated from operating activities	(5,714,771)	2,989,258
Investing activities		
Acquisition of subsidiaries	409,076	662,009
Bank interest income received	139,382	92,232
Disposal of subsidiaries	(15,573)	—
(Increase)/decrease in pledged bank deposits	(37,472)	266,854
Repayment from associates	919,351	433,745
Repayment from joint ventures	95,432	493,086
Repayment from non-controlling shareholders of subsidiaries	81,896	—
Proceeds from disposal of investment properties	60,419	8,413
Other cash flows arising from investing activities	26,756	(19,454)
Net cash generated from investing activities	1,679,267	1,936,885
Financing activities		
Borrowings raised	20,098,999	10,354,549
Capital contribution by non-controlling shareholders of subsidiaries	252,334	—
Dividends paid to equity shareholders of the Company	(765,261)	(450,369)
Dividends paid to non-controlling shareholders of subsidiaries	(262,978)	(17,011)
Repayment of borrowings	(10,656,391)	(8,957,403)
Repayment to non-controlling shareholders of subsidiaries	(137,591)	(136,967)
Advance from/(repayment to) joint ventures	201,403	(1,250,066)
Payment of lease liabilities	(2,492)	(2,257)
Other cash flows arising from financing activities	33,050	30,795
Net cash generated from/(used in) financing activities	8,761,073	(428,729)
Net increase in cash and cash equivalents	4,725,569	4,497,414
Cash and cash equivalents at beginning of the period	27,480,746	23,152,884
Effect of exchange rate changes on cash and cash equivalents	69,885	(146,593)
Cash and cash equivalents at end of the period	32,276,200	27,503,705
Analysis of the balance of cash and cash equivalents, represented by		
— bank balances, deposits and cash	32,276,200	27,503,705

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the most recent consolidated financial statements for the year ended 31 December 2019, except for the changes in accounting policy made when the Group initially applies financial reporting standards newly applicable to the annual accounting period beginning on 1 January 2020.

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

This 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 2019. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2019 that is included in this report of the interim results for the six months ended 30 June 2020 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

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:

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

The Group has assessed the impact of the adoption of these new and amended standards that are effective for the first time for this interim.

The impact of the adoption of this standard and the new accounting policy did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

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

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

¹ Effective for annual periods beginning on or after 1 January 2023

² The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

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

2. REVENUE AND SEGMENT INFORMATION

The chief operating decision makers have been identified as the Directors of the Company. The Directors review the Group's internal reporting in order to assess performance and allocate resources. Management determined the operating segments based on those reports.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Principal activities are as follows:

Property development business — property development

Property investment and management — property investment and management

Hotel operations — hotel and restaurant business and its related services

Other operations — manufacturing and sales of digital discs and others

Information about these segments is presented below:

For the six months ended 30 June 2020

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2020*Assets and liabilities*

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Total HK\$'000
Assets					
Segment assets	112,094,181	11,343,331	2,638,574	705,218	126,781,304
Interests in associates	238,714	—	—	1,995	240,709
Interests in joint ventures	7,414,190	—	—	1,455	7,415,645
Unallocated corporate assets					<u>35,683,597</u>
Total assets					<u>170,121,255</u>
Liabilities					
Segment liabilities	50,801,642	1,243,898	152,480	21,681	52,219,701
Unallocated corporate liabilities					<u>82,093,772</u>
Total liabilities					<u>134,313,473</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Total HK\$'000
REVENUE						
Revenue from contracts with customers:						
— Recognised at point in time	16,473,205	—	—	32,382	—	16,505,587
— Recognised overtime	—	474,211	160,360	—	—	634,571
Revenue from other sources:						
— Rental income	—	353,796	—	—	—	353,796
External revenue	16,473,205	828,007	160,360	32,382	—	17,493,954
Inter-segment revenue*	—	45,996	—	—	(45,996)	—
Total revenue	16,473,205	874,003	160,360	32,382	(45,996)	17,493,954
SEGMENT RESULTS	6,109,760	199,895	(61,144)	43,059	—	6,291,570
Unallocated income						92,334
Unallocated expenses						(128,671)
Gain on step-up acquisition of a subsidiary	53,330	—	—	—	—	53,330
Finance costs						(741,528)
Share of results of associates	(23,937)	—	—	—	—	(23,937)
Share of results of joint ventures	259,083	—	—	—	—	259,083
Profit before income tax expense						5,802,181
Income tax expense						(1,786,860)
Profit for the period						4,015,321

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 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	104,750,412	12,544,281	3,265,821	739,645	121,300,159
Interests in associates	289,820	—	—	2,080	291,900
Interests in joint ventures	7,427,532	—	—	2,127	7,429,659
Unallocated corporate assets					30,261,919
Total assets					159,283,637
Liabilities					
Segment liabilities	50,790,262	1,310,839	184,355	23,162	52,308,618
Unallocated corporate liabilities					72,057,880
Total liabilities					124,366,498

3. OTHER GAINS, NET

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
(Loss)/gain on disposal of investment properties	(38,592)	425
Dividend income	18,661	9,931
Exchange loss	(80,813)	(91,085)
Government subsidy	11,537	4,928
Interest income from bank	139,382	92,232
Interest income from loans to associates	15,818	37,251
Interest income from loans to joint ventures	120,874	38,700
Interest income from non-controlling interests	19,789	4,797
Others	91,835	1,013
	298,491	98,192

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. PROFIT BEFORE INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Profit before income tax expense is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	98,664	102,381
Depreciation of right-of-use assets	8,324	8,524
Interest on lease liabilities	109	219
Short-term leases expenses	8,150	7,074
Low-value assets leases expenses	99	258
Share of tax of joint ventures (included in share of results of joint ventures)	69,325	186,566
Loss/(gain) on disposal of investment properties	38,592	(425)

5. INCOME TAX EXPENSE

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

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

The People's Republic of China (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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. DIVIDENDS

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

The Company paid final dividend, in respect of the previous financial year, of HK\$0.209 per share during the period.

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the six months ended 30 June 2020 is based on the following data:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Earnings:		
Profit for the period attributable to owners of the Company	828,398	3,737,636
	Six months ended 30 June	
	2020	2019
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,661,537,046	3,661,537,046
Effect of dilutive potential ordinary shares on share options	10,502,429	15,595,799
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,672,039,475	3,677,132,845

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. TRANSFER TO AND FROM RESERVES

During the six months ended 30 June 2020, the Group's subsidiaries in the PRC did not appropriate any amount net of non-controlling interests' share out of accumulated profits to the PRC statutory reserves (six months ended 30 June 2019: HK\$Nil), and the Group's subsidiaries in the PRC release HK\$66,213,000 and HK\$108,528,000 net of non-controlling interests' share out of the PRC statutory reserves and hotel properties revaluation reserve to accumulated profits respectively (six months ended 30 June 2019: HK\$Nil).

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

The Group's investment properties decreased HK\$1,230 million during the period ended 30 June 2020 (30 June 2019: HK\$107 million).

During the period ended 30 June 2020, the disposal of subsidiaries decreased HK\$858 million investment properties (30 June 2019: HK\$Nil) and the decrease in fair value of investment properties of HK\$143 million was noted (30 June 2019: increase HK\$34 million). Also, Renminbi depreciated against Hong Kong dollars incurred HK\$131 million decrease in investment properties (30 June 2019: HK\$140 million) and disposal of investment properties of HK\$98 million (30 June 2019: HK\$8 million).

The Group's property, plant and equipment decreased HK\$913 million during the period ended 30 June 2020 (30 June 2019: HK\$62 million).

During the period ended 30 June 2020, the disposal of subsidiaries decreased HK\$505 million property, plant and equipment (30 June 2019: HK\$Nil) and the deficit arising on revaluation of hotel properties of HK\$30 million was noted (30 June 2019: surplus HK\$70 million). Also, Renminbi depreciated against Hong Kong dollars incurred HK\$39 million decrease in property, plant and equipment (30 June 2019: HK\$42 million) and disposal of property, plant and equipment of HK\$253 million (30 June 2019: HK\$Nil). The depreciation charge of HK\$99 million during the current period was noted (30 June 2019: HK\$102 million).

The decrease was offset by additions of motor vehicles, furniture and fixture and plant and machinery of HK\$13 million (30 June 2019: HK\$14 million).

The Group's investment properties and hotel properties at 30 June 2020 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 2019.

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 which arise from sales of properties as the Group has numerous customers. In respect of sales of goods to trade customers, the Group allows an average credit periods ranging from 30 days to 90 days. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the end of the reporting period:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
0 to 30 days	56,288	67,235
31 to 90 days	40,894	24,502
More than 90 days	55,770	53,373
Total trade receivables	152,952	145,110
Other receivables	6,517,546	5,595,985
	6,670,498	5,741,095

11. AMOUNTS DUE FROM/(TO) ASSOCIATES

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Amounts due from associates:		
— Interest-free	1,060,904	2,309,451
— Fixed rate of 8%	204,396	206,667
	1,265,300	2,516,118
Amount due to an associate:		
— Interest-free	113,791	81,722

The amounts are unsecured and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. AMOUNTS DUE FROM/(TO) JOINT VENTURES

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Amounts due from joint ventures:		
— Interest-free	1,301,774	4,245,175
— Fixed rate of 7%	190,259	271,251
— Fixed rate of 8%	199,077	201,289
— 110% of benchmark rate in the PRC	411,446	362,541
— HIBOR +1.5%	2,859,393	—
	4,961,949	5,080,256
Amounts due to joint ventures:		
— Interest-free	992,512	671,566
— Fixed rate of 4.35%	879,074	1,017,175
	1,871,586	1,688,741

The amounts are unsecured and repayable on demand.

13. TRADE AND OTHER PAYABLES

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. AMOUNT DUE TO THE ULTIMATE HOLDING COMPANY

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Interest-free	20,778	20,925

The amounts are unsecured and repayable on demand.

15. AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Interest-free	3,068	3,102

The amounts are unsecured and repayable on demand.

16. AMOUNTS DUE TO FELLOW SUBSIDIARIES

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Interest-free	533	539

The balances are unsecured and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. 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) (31 December 2019: 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\$769,231,000) (31 December 2019: RMB700,000,000 equivalent to HK\$777,778,000). 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.

18. BANK AND OTHER BORROWINGS

During the period, the Group obtained new bank and other borrowings in the amounts of HK\$20,099 million (30 June 2019: HK\$10,354 million), which bear interest at market rates. Also, the acquisition of subsidiaries generated HK\$958 million increase in bank and other borrowings (30 June 2019: HK\$2,042 million).

The increase was offset by repayment of bank and other borrowings of HK\$10,656 million (30 June 2019: HK\$8,957 million) during the period. Renminbi depreciated against Hong Kong dollars incurred HK\$568 million decrease in bank and other borrowings (30 June 2019: HK\$456 million).

19. SHARE CAPITAL

Ordinary shares, issued and fully paid:
At 1 January 2020 and 30 June 2020

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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\$29,812,574,000 as at 30 June 2020 (31 December 2019: HK\$29,978,261,000). Such guarantees will terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgage loans by the buyers of the properties. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loan guaranteed by the Group in the event the purchasers default payments to the banks.

At 30 June 2020, the Group had given guarantees to certain banks in respect of credit facilities granted to certain joint ventures of the Group amounting to HK\$5,762,906,000 (31 December 2019: HK\$3,062,527,000), of which HK\$3,577,874,000 (31 December 2019: HK\$3,032,841,000) had been utilised by these joint ventures.

21. CAPITAL COMMITMENTS

Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of property development expenditures and acquisition of land use rights amounted to HK\$38,636,019,000 and HK\$Nil as at 30 June 2020 (31 December 2019: HK\$23,992,373,000 and HK\$436,111,000, respectively).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. 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	
	2020 HK\$'000	2019 HK\$'000
Property rental income (<i>note a</i>)	6,587	7,472
Interest expenses (<i>note b</i>)	19,849	77,907
Interest income (<i>note c</i>)	136,692	75,951
Management fee income	617	632
Rental expenses paid	1,176	1,216
Dividend income	18,661	9,931

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 interest expenses derived from loans advanced from fellow subsidiaries and joint ventures, which carried interest at a fixed rate of 4.35% and benchmark rate in the PRC to 110% of benchmark rate in the PRC.
- (c) The interest income derived from loans advanced to associates and joint ventures, which carried interest at a fixed rate of 7% to 8%, 110% of benchmark rate in the PRC and HIBOR +1.5%.

(II) Compensation to key management personnel

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Short-term benefits	7,935	17,484
Post-employment benefits	230	318
	8,165	17,802

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

23. ACQUISITION OF SUBSIDIARIES

During the period ended 30 June 2020, the Group acquired companies which are engaged in property development business in the PRC. Business combinations during the period mainly included the acquisition of interest of those companies and acquisition of additional interest in the associate, which was further recognised as the Group's subsidiary. The aggregated cash consideration was RMB521,371,000 (equivalent to HK\$572,936,000). Those transactions have been accounted for using the acquisition method. These subsidiaries were to provide human resources, economic of scale and synergy to the Group.

Name of entity	Date of acquisition	% of interest acquired
蘇州瑞茂房地產開發有限公司 (“蘇州瑞茂”)	30 June 2020*	2%
威海威登置業有限公司 (“威海威登”)	6 May 2020	40%
威海利華置業有限公司 (“威海利華”)	24 June 2020	51%

* The Group acquired additional 2% equity interest in 蘇州瑞茂, which was previously an associate of the Group. After acquisition, the Group held 51% equity interest in 蘇州瑞茂.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The fair value of identifiable assets and liabilities of acquired companies in 2020 as at dates of acquisitions were:

	HKD'000	蘇州瑞茂 HKD'000	威海威登 HKD'000	威海利華 HKD'000	Total HKD'000
Property, plant and equipment		85	—	—	85
Deferred tax assets		192	—	—	192
Deposits paid for acquisition of land use rights		—	136,303	—	136,303
Properties under development		1,489,011	—	—	1,489,011
Trade and other receivables		126,901	—	61,848	188,749
Bank balances, deposits and cash		29,490	—	952,522	982,012
Trade and other payables		(8,878)	(35)	—	(8,913)
Amount due to an immediate holding company		(303,834)	—	—	(303,834)
Amount due to non-controlling shareholders of subsidiaries		(316,236)	—	—	(316,236)
Bank and other borrowings		(958,242)	—	—	(958,242)
Deferred tax liabilities		(1,451)	—	—	(1,451)
Net assets		57,038	136,268	1,014,370	1,207,676
Non-controlling interests		(27,948)	(81,761)	(497,041)	(606,750)
Net assets acquired		29,090	54,507	517,329	600,926
Transferred from interests previously held and classified as an associate		(25,815)	—	—	(25,815)
Gain on step-up acquisition of a subsidiary					
— Gain on remeasurement of associate to acquisition date fair value	(2,133)				
— Gain on bargain purchase	(42)	(2,175)	—	—	(2,175)
Total consideration satisfied by:		1,100	54,507	517,329	572,936
Cash		1,100	54,507	517,329	572,936
Net cash inflow arising on acquisition:					
Cash paid		(1,100)	(54,507)	(517,329)	(572,936)
Bank balances and cash acquired		29,490	—	952,522	982,012
		28,390	(54,507)	435,193	409,076

Gain on bargain purchase was mainly due to the fact that the seller had the intention to exit from his investment in the acquired business due to his business reasons.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The receivables acquired (which principally comprised trade and other receivables) with a fair value of HK\$188,749,000 at the date of acquisition. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The non-controlling interests recognised at the dates of acquisitions were measured by reference to the proportionate share of the recognised value of the net identifiable assets of the respective subsidiaries of the acquirees at the dates of acquisitions and amounted to HK\$606,750,000.

The acquired business did not contribute any revenues and net profit to the Group for the period from their respective acquisition dates to 30 June 2020. Had these companies been consolidated from 1 January 2020, the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2020 would shown pro-forma revenue of HK\$12,989,295,000 and profit for the period of HK\$1,153,459,000.

Acquisition-related costs were immaterial and had been excluded from the consideration transferred and had been recognised as an expense in the year of acquisition, within the administrative expenses line item in the condensed consolidated statement of profit or loss.

In 7 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The fair value of identifiable assets and liabilities of acquired company in 2019 as at date of acquisition was:

	HK\$'000	HK\$'000
Property, plant and equipment		140
Deferred tax assets		6,020
Properties under development and held for sales		2,551,022
Trade and other receivables		91,071
Amount due from an intermediate holding company		1,603,883
Taxation recoverable		77,270
Bank balances, deposits and cash		883,600
Trade and other payables		(295,905)
Contract liabilities		(1,992,031)
Taxation payable		(89,738)
Bank borrowings		(2,042,453)
Deferred tax liabilities		(159,829)
		<hr/>
Net assets acquired		633,050
Transferred from interests previously held and classified as a 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)
		<hr/>
		221,591
Total consideration satisfied by:		
Cash		<hr/> 221,591
Net cash inflow arising on acquisition:		
Cash paid		(221,591)
Cash and bank balances in the subsidiary acquired		<hr/> 883,600
		<hr/> 662,009

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Gain on bargain purchase was mainly due to the fact that the seller had the intention to exit from his investment in the acquired business due to his business reasons.

The receivables acquired (which principally comprised trade and other receivables and amount due from an intermediate holding company) with a fair value of HK\$1,694,954,000 at the date of acquisition. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The acquired business contributed HK\$51,925,000 total revenues and HK\$8,179,000 net loss to the Group for the period from the acquisition date to 30 June 2019. Had this company been consolidated from 1 January 2019, the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2019 would shown pro-forma revenue of HK\$17,493,954,000 and profit for the period of HK\$4,015,321,000.

Acquisition-related costs were immaterial and had been excluded from the consideration transferred and had been recognised as an expense in the year of acquisition, within the administrative expenses line item in the condensed consolidated statement of profit or loss.

24. DISPOSAL OF SUBSIDIARIES

During the first half of 2020, 保利貴州房地產開發有限公司 (“保利貴州房地產”) filed for liquidation to the local people’s court of Wu Dang District, Guiyang, Guizhou Province (the “Court”). The Court declared the liquidation of 保利貴州房地產. 保利貴州房地產 was not consolidated by the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The net assets disposed were as follows:

	HKD'000
Property, plant and equipment	504,853
Right-of-use assets	71,970
Investment properties	857,582
Interest in an associate	2,693
Deferred tax assets	46
Properties held for sale	410,202
Other inventories	1,690
Trade and other receivables	100,259
Taxation recoverable	16,488
Bank balances, deposits and cash	15,573
Trade and other payables	(302,064)
Amount due to intermediate holding companies	(2,089,324)
Amount due to non-controlling shareholders of subsidiaries	(72,173)
Contract liabilities	(3,454)
Taxation payable	(85,531)
Deferred tax liabilities	(154,387)
	(725,577)
Non-controlling interests	241,319
Net liabilities	(484,258)
Consideration	—
Gain on disposal	484,258
Loss on receivables due from 保利貴州房地產	(749,336)
Net impact on disposal	(265,078)
Satisfied by:	
Consideration	—
	—
Net cash outflow arising on disposal:	
Cash paid	—
Bank balances and cash disposed of	15,573
	15,573

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 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

At 30 June 2020, 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:

	Fair value at 30 June 2020 HK\$'000	Fair value measurements as at 30 June 2020 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Assets				
Financial assets at fair value through profit or loss				
— Listed	6,940	6,940	—	—
— Unlisted	549,167	—	—	549,167
	556,107	6,940	—	549,167

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Fair value at	Fair value measurements as at		
	31 December 2019 HK\$'000	31 December 2019 Level 1 HK\$'000	31 December 2019 categorised into Level 2 HK\$'000	Level 3 HK\$'000
Assets				
Financial assets at fair value through profit or loss				
— Listed	9,349	9,349	—	—
— Unlisted	535,275	—	—	535,275
	544,624	9,349	—	535,275

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

The Company paid final dividend, in respect of the previous financial year, of HK\$0.209 per share during the period.

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 of 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

During the six months ended 30 June 2020, no option is granted under the Share Option Scheme and 5,650,000 share options are cancelled. As at 30 June 2020, 98,460,000 options are outstanding under the Share Option Scheme. The total number of options available for grant is 254,713,704 (30 June 2019: 254,713,704), representing approximately 6.95% (30 June 2019: 6.95%) 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 as at 30 June 2020
				Balance at as 1 Jan 2020	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 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				5,150,000					5,150,000
Employees:									
In aggregate	10/1/2019	2.520	10/1/2021–9/1/2023	32,656,800	—	(1,864,500)	—	—	30,792,300
			10/1/2022–9/1/2024	32,656,800	—	(1,864,500)	—	—	30,792,300
			10/1/2023–9/1/2025	33,646,400	—	(1,921,000)	—	—	31,725,400
Sub-total				98,960,000	—	(5,650,000)	—	—	93,310,000
Total				104,110,000	—	(5,650,000)	—	—	98,460,000

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 fair value of the share options granted is measured using a binomial model as at the date of grant. Such fair values are subject to a number of limitations, due to the subjective nature of and uncertainty relating to a number of assumptions under the binomial model. The assumptions used in the valuation of the share options granted on 10 January 2019 have been disclosed below. 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

The fair value of share options granted under the Company's Share Option Scheme to each class of grantees are as follows:

Class of grantees	Fair value of share options granted (HK\$)
Directors	2,623,000
Employees	69,689,000

* 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.



OTHER INFORMATION

	Lot 1	Share Options 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.

For the period ended 30 June 2020, total equity-settled share-based payment expense recognised was as follows:

	HK\$'000
Total equity-settled share-based payment expense as at 1 January 2020	44,142
Lapsed during the period	(3,723)
Amortisation during the period	(10,236)
	<hr/>
At 30 June 2020	30,183
	<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 Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Model Code and the code of conduct regarding directors' securities transactions adopted by the Company for the six months ended 30 June 2020.

As at 30 June 2020, 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:



OTHER INFORMATION

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 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.

Save as disclosed above, as at 30 June 2020, 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.



OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, 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			Approximate percentage of the issued share capital of the Company
	Beneficial owner	Held by controlled corporation(s)	Total number of shares	
Long position				
China Poly Group Corporation Limited* (中國保利集團有限公司)	253,788,246	1,478,871,116 (Note 1)	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 (Note 2)	1,478,871,116	40.39%
Poly (Hong Kong) Holdings Limited	112,410,476	1,366,460,640	1,478,871,116 (Note 3)	40.39%
Ting Shing Holdings Limited	—	1,366,460,640 (Note 4)	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 (Note 5)	8.97%

Notes:

- China Poly Group Corporation Limited directly beneficial holds 253,788,246 shares of the Company and owns 50% 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.
- Poly Developments and Holdings 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.
- 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.
- 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

5. 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 Ltd. and Wincall Holding Ltd., 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 2020.

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

During the six months ended 30 June 2020, 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. On 2 September 2020, the borrower and the Company entered into a supplemental facility agreement with the banks to renew the facility agreement. Pursuant to the supplemental facility agreement, the banks agreed to renew and provide the borrower a term loan facility of approximately HK\$1,254,000,000. Pursuant to the terms of the supplemental facility agreement, the maturity date is the earlier of (a) the date falling 60 months after the date of facility agreement, and (b) the date falling 9 months after the issuance of the certificate of compliance by the Director of Building and Lands in respect of a project in Tuen Mun.

Pursuant to the aforesaid facility agreement and supplemental facility agreement, the Company undertakes 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 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.



OTHER INFORMATION

3. On 3 July 2019, the Company (as the borrower) entered into a facility agreement with Chong Hing Bank Limited for a 12-month revolving term loan facility of HK\$780,000,000 which has been renewed and is expiring on 3 July 2021.

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 part of the facility together with interest and any other amounts accrued thereunder be immediately due and payable.

4. On 9 September 2019, the Company, a 70% indirect non-wholly owned subsidiary of the Company and 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 terms and conditions of the facility agreement, the Company shall provide the facility bank with the guarantee in proportion to its ultimate beneficial interest in the said subsidiary.

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 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.

5. On 27 December 2019, the Company (as the borrower) and Bank of Communications Co., Ltd. Hong Kong Branch (as the lender) entered into a facility agreement for an uncommitted revolving loan facility of up to HK\$400,000,000. The final maturity date of the banking facility shall be the date the bank reviews the banking facility, which shall fall on or before the date falling one year from the date of the facility letter or at such other times as the bank deems fit.

Pursuant to the banking facility, if among other things, China Poly Group ceases to: (a) be the single largest shareholder of the Company, or, directly or indirectly through its controlled corporations, hold at least 40% of the issued share capital of the Company; (b) maintain management control of the Company; or (c) be under the control and supervision of the SASAC, all outstanding principal, accrued interests and any other monies owing by the Company to the bank under the banking facility shall be repaid in full immediately.



OTHER INFORMATION

6. On 15 May 2020, a wholly-owned subsidiary of the Company (as borrower), the Company (as guarantor) and China CITIC Bank International Limited (as facility agent) entered into a facility arrangement for a transferrable term loan facility of up to HK\$3,900,000,000. The final maturity date of the loan facility shall be the date falling 364 days from the drawn down date of the loan under the loan facility.

Pursuant to the above loan facility, if among other things, China Poly Group ceases to: (a) be directly or indirectly through its controlled corporations hold at least 40% of the issued share capital of the Company and China Poly, together with its controlled corporations, be in aggregate remain as the single largest shareholder of the Company; or (b) remain under the control and supervision of the SASAC; or (c) maintain management control of the Company, the facility agent may declare all or part of the loan under the loan facility, together with accrued interest, and all other amounts accrued or outstanding under the loan facility be immediately due and payable, whereupon they shall become immediately due and payable.

7. On 24 July 2020, a 35% indirectly owned joint venture company ("JV") (as the borrower), the Company (as one of guarantors) and Industrial and Commercial Bank of China (Asia) Limited (as facility agent), among others, entered into a facility agreement for a 5-year term loan facility of a principal amount of up to HK\$9,437,400,000. Pursuant to the facility agreement, the Company (as one of the guarantors) severally guarantees the due and punctual payment and performance of all obligations of the JV under, among others, the facility agreement, up to 35% of all sums owed by the JV under such obligations. The final maturity date of the loan facility shall be the earlier of the date falling: (a) 60 months from the date of the facility agreement; and (b) 6 months after the completion date of the development of the land held by the JV.

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 (as defined in the facility agreement) of the Company; and (c) be under the control of the SASAC, the facility agent may declare all or any part of the advances together with the interest accrued thereon and all other sums payable by the obligors (including the Company) under the finance documents (as defined in the facility agreement) be immediately due and payable, whereupon the same shall become immediately due and payable.

8. On 25 August 2020, China Everbright Bank Co., Ltd., Hong Kong Branch (as the lender) agreed to provide the Company (as the borrower) a committed revolving loan facility of up to HK\$1,000,000,000 with maturity date being 22 August 2022.

Pursuant to the terms and conditions of the facility, if among other things, China Poly Group ceases to: (a) be the single largest shareholder of the Company; or (b) maintain effective management of the Company; or (c) remain under the control of the SASAC, the Bank may declare all or part of the loan under the facility, together with accrued interest, and all other amounts accrued or outstanding under the facility be immediately due and payable, whereupon they shall become 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 and E.1.2 of the CG Code. The reasons for deviation are explained below:

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

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

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

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

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

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