



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

Stock Code: 119



INTERIM REPORT **2017**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

XUE Ming (*Chairman*)
 HAN Qingtao (*Managing Director*)
 WANG Xu
 YE Liwen
 ZHU Weirong

Non-executive Director

IP Chun Chung, Robert

Independent Non-executive Directors

CHOY Shu Kwan
 LEUNG Sau Fan, Sylvia
 WONG Ka Lun

AUDIT COMMITTEE

LEUNG Sau Fan, Sylvia (*Chairlady*)
 IP Chun Chung, Robert
 CHOY Shu Kwan
 WONG Ka Lun

REMUNERATION COMMITTEE

WONG Ka Lun (*Chairman*)
 CHOY Shu Kwan
 LEUNG Sau Fan, Sylvia
 HAN Qingtao

RISK MANAGEMENT COMMITTEE

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

COMPANY SECRETARY AND AUTHORIZED REPRESENTATIVE

POON Man Man

LEGAL ADVISER

Allen & Overy

AUDITOR

BDO Limited
 (Appointed on 25th May, 2017)

PRINCIPAL BANKERS

Agricultural Bank of China Limited
 Bank of China Limited
 China CITIC Bank International Limited
 China Construction Bank Corporation
 China Construction Bank (Asia) Corporation Limited
 Chong Hing Bank Limited
 DBS Bank Ltd
 Hang Seng Bank Limited
 Industrial and Commercial Bank of China Limited
 Industrial and Commercial Bank of China (Asia) Limited
 The Bank of East Asia Limited
 Wing Lung Bank

INVESTOR RELATIONS CONSULTANT

DLK Advisory Limited

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
 Shops 1712–1716
 17th Floor, Hopewell Centre
 183 Queen's Road East, Hong Kong

REGISTERED OFFICE

Room 2503, Admiralty Centre, Tower 1
 18 Harcourt Road, Hong Kong

COMPANY WEBSITE

www.polyhongkong.com

MANAGEMENT DISCUSSION AND ANALYSIS

For the first half of 2017, Poly Property Group Co., Limited and its subsidiaries (“the Group”) recorded a consolidated turnover of HK\$14,718 million (corresponding period of 2016: HK\$9,992 million), representing an increase of HK\$4,726 million or 47.3% when comparing with the corresponding period of last year. Profit attributable to shareholders amounted to HK\$629 million (corresponding period of 2016: HK\$59 million), indicating an increase of HK\$570 million or 973.1% from the corresponding period of last year. Basic earnings per share stood at HK17.17 cents (corresponding period of 2016: HK1.60 cents), representing an increase of HK15.57 cents or 973.1% when comparing with the corresponding period of last year. Diluted earnings per share stood at HK17.17 cents (corresponding period of 2016: HK1.60 cents), representing an increase of HK15.57 cents or 973.1% when comparing with the corresponding period of last year. As at 30th June, 2017, shareholders’ equity amounted to HK\$25.8 billion (31st December, 2016: HK\$24.7 billion), indicating a 4.4% increase from the end of last year. Net asset value per share amounted to HK\$7.04 (31st December, 2016: HK\$6.74), representing an increase of 4.5% when comparing with the end of last year.

BUSINESS REVIEW

In the first half of 2017, “Differentiated Control” and “Policy by City” remained as the anchor policies for real estate industry. On one hand, the PRC government continued to support third-tier and fourth-tier cities which are with excessive supply to implement various measures to reduce inventory while providing support to residents and migrant workers to meet their demand for owner-occupation and house purchasing respectively. On the other hand, first-tier cities as well as the surrounding hotspots cities, especially second-tier and third-tier cities launched an array of austerity measures, targeting at “purchase restriction, credit restriction, price restriction and sales restriction”. Meanwhile, adjustments of credit policy affected by the ongoing deleveraging campaigns, the strict prohibition of illegal capital inflow from bank credit, and the rising mortgage rates has further shifted the investment demands to other surrounding cities from core cities, and thus many cities with excessive inventory saw an increase in both sales volume and prices.

For the sales of commodity housing in the first half of 2017, the absolute values of sales area and sales amount for the first quarter stood above the monthly average of the recent year despite the accumulated year-on-year (“yoy”) growth rate declined month over month. This was mainly due to the significant acceleration in inventory reduction among third-tier and fourth-tier cities since the fourth quarter of last year. However, during the second quarter, the growth of sales in third-tier and fourth-tier cities, which accounted for approximately 75% of the sales of real estate industry in the PRC, slowed down remarkably as the effect of the tightened austerity measures arose as a result of the housing demand shifting gradually from core cities to surrounding regions. In the meantime, various indicators including sales, investments, new construction projects and land acquisitions started falling.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2017, as the macro-policies continued to tighten and the growth of housing prices and transaction volume gradually slowed down, adjustments on control policies based on the situational changes were seen and hesitant attitude gradually spread in the market. In particular, the price restriction policies of the recent control policy had direct impact on obtaining pre-sale permits, pricing and online signing for our projects. Nonetheless, the Group seized opportunities in every region and adjusted the price, timing, batches and construction work schedules of products to be marketed in timely manner. In the first half of 2017, the subscription and contracted sales realised a yoy increase of 22% and 31% respectively.

In terms of investment for land reserves, the Group adopted an investment strategy which placed a strong emphasis on first-tier cities as well as major second-tier and third-tier cities. At the same time, the Group vigorously expanded its overseas market and as results, accomplished the project investment in London, the United Kingdom. On the other hand, the Group maintained its prudent financial policies and continued to improve its capital structure. Meanwhile, the Group actively engaged in swapping high-interest loans for progressively lowering the average cost of borrowings from financial institutions. The Group also successfully secured a three-year unpledged syndicated loan of HK\$3.9 billion, the consolidated costs thus decreased by 0.34%.

In the second half of 2017, the economic growth may see a downtrend owing to the dimming stimulating effect of the previous policies. Yet, the benefits of the supply-side reformation are expected to emerge and the economy will maintain a moderate growth rate in the long run. Quality development will also encourage the construction of durable mechanism in the real-estate industry. Therefore, the macro-economy in the second half of 2017 is projected to present steady growth and the current financial policy, neutral monetary policy and stringent regulated financial policy will be continued, accelerating the progress of supply-side reformation. In terms of the real estate market, "Policy by City" and "Differentiated Control" will remain as the anchor policies in the second half of 2017. Limited changes will be made on the content, intensity of the current policies nationwide will not have any significant change for the time being and the accumulated effect driven by various policies will bring changes to the market. The impact of tightened credit will gradually surface and hence the growth rate of sales is forecasted to decelerate and pricing will endeavor to decline, impacted by the changes in sales structure. The real estate market may be shadowed by greater uncertainty for some time to come.

MANAGEMENT DISCUSSION AND ANALYSIS

In the second half of 2017, the Group will continue to apply its general principle of “steady growth, structural adjustment, reform facilitation and building-up of a new landscape of development” to work plan and development targets for the year. The Group will also persist in expediting inventory reduction, accelerating structural adjustment and proactively developing new growth momentum, in order to prepare for its transformation and upgrade.

During the period, “Vibe Centro”, the first residential project wholly-owned and operated by the Group in Hong Kong, was launched for sale on 25th March and received overwhelming response. As at 30th June, the project launched a total of 465 units, achieving contracted sales of over HK\$4 billion and a sell-through rate of nearly 90%. This has provided a solid foundation for the successful presence of “Poly” brand in Hong Kong. The successful sales and satisfactory performance of Vibe Centro Project have strengthened the Group’s confidence and determination to reinforce and expand its business in Hong Kong real estate market, whilst the Group has also gained experience for implementing the strategy of expanding its business development overseas.

PROPERTY SALES

In the first half of 2017, Poly Property Group (the Group, together with its joint ventures and associated companies) recorded a contracted sales area of approximately 1,530,000 square metres, or approximately RMB22.2 billion in value, achieving 63.5% of its annual sales target of RMB35.0 billion set out at the beginning of the year.

During the period, Poly Property Group had a total of 60 projects for sale, with 2 of them being debut projects, including Hong Kong Kai Tak Vibe Centro and Ningbo Prosperous Reflection. Standalone projects with contracted sales of over RMB1 billion included Shanghai Poly Greenland Plaza, Ningbo Prosperous Reflection, Nanning Poly Town, Harbin Poly City and Hong Kong Kai Tak Vibe Centro.

MANAGEMENT DISCUSSION AND ANALYSIS

The contracted sales of properties in the Yangtze River Delta Region, the Pearl River Delta Region, Southwestern Region and Other Regions accounted for 20%, 12%, 23% and 45% of the total contracted sales respectively.

Region and Respective Projects	Contracted Sales for the First Half of 2017* (RMB million)	Percentage of Total Contracted Sales (%)
Yangtze River Delta Region	4,513	20%
Shanghai	1,979	
Suzhou	235	
Ningbo	1,901	
Deqing	398	
Pearl River Delta Region	2,623	12%
Guangzhou/Foshan	2,266	
Shenzhen/Huizhou	357	
Southwestern Region	5,207	23%
Guiyang/Zunyi	2,033	
Nanning	2,718	
Liuzhou	34	
Kunming	422	
Other Regions	9,882	45%
Wuhan	2,073	
Harbin	1,623	
Jinan	1,414	
Yantai/Weihai	434	
Hainan	426	
Hong Kong	3,912	
Total:	22,225	100%

* Note: including the sales of car parking spaces

In the second half of 2017, Poly Property Group will consider to introduce 2 new residential projects which include Yantai Poly Ocean Luxe and Jinan Phili House, depending on market conditions and construction progress.

MANAGEMENT DISCUSSION AND ANALYSIS

NEWLY COMMENCED CONSTRUCTION

In the first half of 2017, Poly Property Group commenced construction on a total of 9 new projects with a gross floor area of approximately 1,154,000 square metres. Among which, 2 projects commenced construction for the first time, namely, Yantai Poly Ocean Luxe and Jinan Phili House. As at 30th June, 2017, Poly Property Group held 42 projects under construction, with a gross floor area of approximately 8,870,000 square metres.

Projects	Gross Floor Area of Newly Commenced Construction (‘000 square metres)	Interests Attributable to the Group (%)
Guiyang Poly Park 2010	107	100%
Guiyang Poly Phoenix Bay	200	51%
Zunyi Poly Metropolis of Future	220	35%
Nanning Poly Hearty	107	100%
Nanning Poly Town	150	41.5%
Harbin Poly The Water’s Fragrant Dike	111	58%
Harbin Poly City	136	100%
Jinan Phili House	2	25%
Yantai Poly Ocean Luxe	121	70%
Total:	1,154	

MANAGEMENT DISCUSSION AND ANALYSIS

RECOGNISED PROPERTY SALES

In the first half of 2017, the Group recognised total sales of RMB12,521 million from property development with an area of approximately 1,258,000 square metres. The breakdown of the recognised sales from each project is as follows:

Region and Respective Projects	Sales Recognised in the First Half of 2017 (RMB million)	Percentage of Total Recognised Sales (%)
Yangtze River Delta Region	6,213	50%
1. Shanghai Poly Royal Garden	25	
2. Shanghai Poly Town	8	
3. Shanghai Poly Lakeside Garden	9	
4. Shanghai Poly Star Island	32	
5. Shanghai Poly Elegant Mansion	95	
6. Shanghai Poly Deluxe Mansion	56	
7. Suzhou Poly West Bank Villa	1,007	
8. Suzhou Poly Lake Mansion	2,465	
9. Ningbo Poly Wonderland	2,018	
10. Ningbo Poly Jordan International	94	
11. Deqing Poly Origin	397	
12. Others	7	
Pearl River Delta Region	678	5%
13. Guangzhou Poly Golf Shire	114	
14. Guangzhou Poly Zephyr City	28	
15. Guangzhou Poly Up House	81	
16. Guangzhou Nansha Poly City	106	
17. Foshan Poly Cullinan Garden	20	
18. Foshan Poly Prestige City	72	
19. Foshan Poly Central Park	28	
20. Shenzhen Poly Joy-Zone	99	
21. Huizhou Poly Deutch Kultur	112	
22. Others	18	

MANAGEMENT DISCUSSION AND ANALYSIS

Region and Respective Projects	Sales Recognised in the First Half of 2017 (RMB million)	Percentage of Total Recognised Sales (%)
Southwestern Region	2,993	24%
23. Nanning Poly Crescendo	170	
24. Nanning Poly Aegean Sea	6	
25. Nanning Poly Hearty	198	
26. Liuzhou Poly Merization World	145	
27. Guiyang Poly Spring Street	21	
28. Guiyang Poly Hot Spring Newisland	13	
29. Guiyang Poly Clouds Hill International	5	
30. Guiyang Poly International Center	20	
31. Guiyang Poly Park 2010	194	
32. Guiyang Poly Phoenix Bay	458	
33. Guiyang Poly The Place of A Lake	237	
34. Zunyi Poly Metropolis of Future	575	
35. Kunming Poly Lakeside Mansion	5	
36. Kunming Poly Sky and Earth	22	
37. Kunming Poly One Family One World	918	
38. Others	6	
Other Regions	2,637	21%
39. Wuhan Poly City	209	
40. Harbin The Tsinghua Summer Palace of Poly	52	
41. Harbin Poly The Water's Fragrant Dike	103	
42. Harbin Poly Up Town	214	
43. Harbin Poly City	78	
44. Jinan Poly Hyde Mansion	729	
45. Jinan Poly Garden	21	
46. Jinan Poly Center	439	
47. Jinan Poly Elegant Garden	355	
48. Weihai Poly Triumph Mansion	10	
49. Yantai Poly Champs Elysees Mansion	19	
50. Yantai Poly Blossom Garden	33	
51. Hainan Poly Peninsula No.1	368	
52. Others	7	
Total:	12,521	100%

MANAGEMENT DISCUSSION AND ANALYSIS

NEW LAND RESERVES

In the first half of 2017, Poly Property Group added 7 projects, which are located in Suzhou, Ningbo, Deqing, Nanning, Jinan and London, United Kingdom, respectively. The total site areas of the projects amounted to approximately 735,000 square metres, with a planned total gross floor area of approximately 2,563,000 square metres. The cost of land was considered to be at a reasonable level.

Land Reserve	Planned Property Type	Total Site Area (square metres)	Planned Total Gross Floor Area (square metres)	Interests Attributable to the Group
Deqing Fu Xi Project	Residential	28,000	45,000	100%
Nanning Poly Town, Phase II	Residential	307,000	1,399,000	100%
Jinan Phili House	Residential	71,000	285,000	25%
Jinan Hai Zi Wa Project	Residential	102,000	188,000	100%
Suzhou Wei Tang Project	Residential	57,000	150,000	100%
Ningbo Prosperous Reflection	Residential	157,000	480,000	24.5%
London Cambium Project	Residential	13,000	16,000	50%
Total:	—	735,000	2,563,000	—

Deqing Fu Xi Project

The project is located in Fuxi Street, prime area of Chengdong New District, Deqing, Zhejiang and Southwestern side of the Deqing Poly Origin Project. The project, with a planned total gross floor area of approximately 45,000 square metres on a site of approximately 28,000 square metres, is intended to be developed into exquisite housings, mainly targeting at first-time buyers and first-time upgrade buyers.

Nanning Poly Town, Phase II

The project is located in the arm of Yong River in the eastern region of Dongmeng Business Zone in Qingxiu District of Nanning, and is adjacent to Qing Xiu Shan, a 5A-level scenic area. As the city development is planned to migrate towards the East, the geographic location and transportation facilities of the project are well embedded at the new city centre of Nanning. The project, with a planned total gross floor area of approximately 1,400,000 square metres on a site of approximately 307,000 square metres, is intended to be developed into a urban community that comprises high-end apartments and villas.

MANAGEMENT DISCUSSION AND ANALYSIS

Jinan Phili House

The project is located in the East of Jinan and within 3.5 kilometres radius of Xindong Station in Jinan and North of the Industrial North Expressway which is under construction. It is 20 kilometres away from Jinan International Airport with four planned rail transit lines around and well-positioned to enjoy the geographical benefits of convenient transportation. The project, with a planned total gross floor area of approximately 285,000 square metres on a site of approximately 71,000 square metres, is intended to be developed into a mid-end residential project, featuring distinguishing characteristics.

Jinan Hai Zi Wa Project

The project is located in Changqing District, Jinan, which is at the Western part of the key urban development district of Jinan. According to government planning, the area will be developed into an integrated area, comprising tertiary education institutes, technology and research institutes, leisure and exhibition facilities, as well as residential community. The university city of the region brings together a number of key universities and colleges in the province, pooling all elites together. The region enjoys excellent environment and assembles enterprises with convenient transportation network. The project, with a planned total gross floor area of approximately 188,000 square metres on a site of approximately 102,000 square metres, is intended to be developed into a high-end residential community with low-density, featuring culture of Poly Property and catering to first-time buyers and first-time upgrade buyers.

Suzhou Wei Tang Project

The project is located in Weitang town, Xiangcheng District, Suzhou. The region enjoys prosperous economy and its freshwater pearl industry is the top nationwide. The Southwest of the land parcel is close to the transportation terminal and within walking distance. In the future, the Metro Line 9 which is under planning will have access to Weitang town. Being surrounded by hospitals, primary and secondary schools, the land parcel has all-round ancillary facilities. The project, with a planned total gross floor area of approximately 150,000 square metres on a site of approximately 57,000 square metres, is intended to be developed into a premium living community mainly comprising high-rise residential buildings.

Ningbo Prosperous Reflection

The project is located at the North of Minghu and East of the central area of Ningbo Eastern New City, composing of three land parcels and connected to natural waters. It is less than two kilometres away from the office of Ningbo Municipal Government, only 200 metres away from the Shengmo Road Station of Ningbo Metro Line 1, and with the ancillary school of Central China Normal University located east of the project. In proximity to shopping centres, the site has all-round ancillary facilities and convenient transportation. The project, with a planned total gross floor area of approximately 480,000 square metres on a site of approximately 157,000 square metres, is intended to be developed into a high-end integrated complex comprising shopping mall, office tower and eco-friendly residential community.

MANAGEMENT DISCUSSION AND ANALYSIS

London Cambium Project

The project is located in Wandsworth, Southwest London, which is well-known for its high-quality school district and tranquillity. It is approximately 30-minute drive from Central London, approximately 15-minute walk from the nearby tube station and approximately 20-minute drive from Victoria Station. Surrounded by a 400-acre protected green belt landscape in a tranquil environment, the project is also close to a number of schools. The project, with a planned total gross floor area of approximately 16,000 square metres on a site of approximately 13,000 square metres, is intended to be developed into a residential community comprising apartments and villas.

INVESTMENT PROPERTIES

Poly Property Group has various investment properties and hotels located in first-tier cities and second-tier provincial capitals with a total GFA of approximately 590,000 square metres; of which approximately 530,000 square metres are attributable to Poly Property Group.

In the first half of 2017, the occupancy rates for the Poly Property Group's office buildings and shopping malls remained steady. The occupancy rates and rental rates achieved higher as compared to the corresponding period of last year. Regarding the hotel operations, Beijing Poly Plaza, Hubei Poly Hotel and Guiyang Poly Hot Spring Hotel had also performed reasonably well on the occupancy front.

Location	Project	Gross Floor Area ('000 square metres)	Interests Attributable to the Group (%)	Property Type
Beijing	Beijing Poly Plaza	95	75%	Office, hotel and theatre
Shanghai	Shanghai Stock Exchange Building (partial)	48	100%	Office
Shanghai	Shanghai Poly Plaza (partial)	61	90%	Office and commercial
Shenzhen	Shenzhen Poly Cultural Plaza (partial)	133	100%	Shopping mall and theatre
Wuhan	Poly Hotel	34	100%	Hotel
Wuhan	Wuhan Poly Plaza (partial)	127	100%	Office and commercial
Guiyang	Guiyang Poly Hot Spring Hotel	39	66.5%	Hotel
Guiyang	Guiyang Poly International Center	52	66.5%	Commercial
Total:		589		

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY MANAGEMENT

Poly Property Group holds various property management companies engaging in the management of residential properties, hotels and high-end properties. They have been the leading players in China which have received numerous titles and awards, such as “Outstanding Property Management Project in the PRC (全國物業管理優秀項目)” and “Outstanding Provincial Property Management Project (省級物業管理優秀項目)” in recent years.

In the first half of 2017, the Group’s property management companies recorded total revenue of RMB318,870,000, representing an increase of 21.9% when comparing with the corresponding period of last year. The companies managed a total of 139 property projects, including office buildings, hotels, shopping malls, villas and residences. The projects have an aggregate gross floor area of 28,900,000 square metres, representing an increase of 5.6% when comparing with the corresponding period of last year.

FINANCIAL REVIEW

Liquidity and Capital Structure

As at 30th June, 2017, the shareholders’ equity of the Group amounted to HK\$25,771,952,000 (31st December, 2016: HK\$24,696,715,000), while the net asset value per share was HK\$7.04 (31st December, 2016: HK\$6.74). As at 30th June, 2017, the Group’s gearing ratio (on the basis of the amount of total liabilities divided by total assets) was 76.7% (31st December, 2016: 77.9%).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30th June, 2017, the Group had outstanding bank and other borrowings (including the notes payable) of HK\$46,806,397,000. In terms of maturity, the outstanding bank and other borrowings (including the notes payable) can be divided into HK\$15,235,494,000 (33%) to be repaid within one year, HK\$15,644,802,000 (33%) to be repaid after one year but within two years, HK\$14,391,158,000 (31%) to be repaid after two years but within five years and HK\$1,534,943,000 (3%) to be repaid after five years. In terms of currency denomination, the outstanding bank and other borrowings (including the notes payable) can be divided into HK\$35,385,335,000 (76%) in Renminbi, HK\$3,900,000,000 (8%) in United States dollars and HK\$7,521,062,000 (16%) in Hong Kong dollars.

44.6% of the bank and other borrowings (including the notes payable) of the Group are subject to fixed interest rates and the remaining 55.4% are subject to floating interest rates. Therefore, under circumstances of uncertainty or fluctuations of interest rates or otherwise as appropriate, the Group will consider the use of hedging instruments (including interest rates swaps), in order to manage interest rate risks.

As at 30th June, 2017, the Group had net current assets of HK\$43,171,132,000 and total bank balances of HK\$18,444,003,000 (31st December, 2016: HK\$42,837,416,000 and HK\$18,366,789,000, respectively). With the available banking facilities and cash revenue from business operations, it is believed that the Group has sufficient resources to meet the foreseeable working capital demands and capital expenditure.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of Assets

As at 30th June, 2017, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	30th June, 2017 HK\$'000	31st December, 2016 HK\$'000
Investment properties	2,437,471	2,809,663
Hotel properties	151,724	507,865
Buildings	—	36,076
Prepaid lease payments	63,858	194,866
Properties under development	21,741,145	13,792,049
Properties held for sale	2,611,892	3,017,770
Bank deposits	681,482	785,305
	27,687,572	21,143,594

In addition to above pledge of assets, as at 30th June, 2017, 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:

	30th June, 2017 HK\$'000	31st December, 2016 HK\$'000
Total assets	13,332,714	9,413,596
Total liabilities	(12,553,840)	(8,486,520)
	778,874	927,076

MANAGEMENT DISCUSSION AND ANALYSIS

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

Contingent Liabilities

The Group arranged mortgage loan facilities with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayment. The maximum guarantees given to banks amounted to HK\$28,366,586,000 as at 30th June, 2017 (31st December, 2016: HK\$28,393,520,000). 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 loans guaranteed by the Group in the event the purchasers default payments to the banks.

At 30th June, 2017, the Group had given guarantees to certain banks in respect of credit facilities granted to certain joint ventures of the Group amounting to HK\$1,942,529,000 (31st December, 2016: HK\$1,853,932,000), of which HK\$1,942,529,000 (31st December, 2016: HK\$1,853,932,000) had been utilised by the joint ventures.

EMPLOYEES

As at 30th June, 2017, the Group employed around 12,175 (30th June, 2016: 11,874) employees with remuneration for the period amounted to approximately HK\$628 million. The Group provides its employees with various benefits including year-ended double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. On-the-job training is also provided as and when required at work.

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 30th June, 2017 with comparative figures for the six months ended 30th June, 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30th June,	
<i>Notes</i>		2017	2016
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	2	14,717,816	9,992,147
Cost of sales		(12,246,388)	(8,273,084)
Gross profit		2,471,428	1,719,063
Increase in fair value of investment properties		—	105
Other gains, net		440,189	172,577
Selling expenses		(469,135)	(265,029)
Administrative expenses		(598,953)	(552,162)
Other operating expenses		(165,649)	(130,880)
Finance costs		(518,318)	(367,421)
Share of results of associates		(3,826)	(2,962)
Share of results of joint ventures		41,656	(10,827)
Profit before income tax expense	3	1,197,392	562,464
Income tax expense	4	(487,199)	(416,647)
Profit for the period		710,193	145,817
Attributable to:			
Owners of the Company		628,845	58,602
Holders of perpetual capital instruments		—	51,911
Non-controlling interests		81,348	35,304
		710,193	145,817
Earnings per share			
(expressed in HK cents)			
— Basic	6	17.17	1.60
— Diluted		17.17	1.60

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th June,	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	710,193	145,817
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	494,319	(275,165)
Change in fair value of available-for-sale investments	(2,535)	(4,754)
	491,784	(279,919)
Items that will not be reclassified to profit or loss:		
Surplus (deficit) arising on revaluation of properties	21,506	(97,751)
Other comprehensive income before tax effect	513,290	(377,670)
Deferred tax liability arising on revaluation of properties	(5,377)	24,438
Other comprehensive income for the period, net of tax	507,913	(353,232)
Total comprehensive income for the period	1,218,106	(207,415)
Attributable to:		
Owners of the Company	1,008,679	(191,118)
Holders of perpetual capital instruments	—	37,470
Non-controlling interests	209,427	(53,767)
	1,218,106	(207,415)

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30th June, 2017 HK\$'000 (Unaudited)	31st December, 2016 HK\$'000 (Audited)
Non-current assets			
Investment properties	8	10,518,139	10,406,785
Property, plant and equipment	8	2,084,934	2,016,012
Prepaid lease payments — non-current portion		319,193	316,243
Interests in associates		290,926	246,317
Interests in joint ventures		2,394,573	2,309,944
Available-for-sale investments		308,368	310,877
Deposits paid for acquisition of land use rights		1,587,218	1,551,551
Deposits paid for acquisition of subsidiaries		229,885	2,471,910
Deferred tax assets		336,777	303,786
Total non-current assets		18,070,013	19,933,425
Current assets			
Properties under development		53,838,791	52,859,911
Properties held for sale		19,685,866	20,904,988
Other inventories		165,478	137,808
Trade and other receivables	9	4,121,381	4,677,407
Prepaid lease payments — current portion		9,850	10,397
Amounts due from associates	10	578,067	37,078
Amounts due from joint ventures	11	2,940,370	2,938,059
Amounts due from non-controlling shareholders of subsidiaries		564,308	542,767
Taxation recoverable		1,987,633	1,664,408
Pledged bank deposits		681,482	785,305
Bank balances, deposits and cash		17,762,521	17,581,484
Total current assets		102,335,747	102,139,612

INTERIM RESULTS

	Notes	30th June, 2017 HK\$'000 (Unaudited)	31st December, 2016 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	12	13,211,652	13,953,062
Pre-sale deposits		24,876,869	25,723,676
Property rental deposits		125,461	126,120
Amounts due to joint ventures	11	716,561	672,749
Amounts due to the ultimate holding company	13	397,399	388,469
Amounts due to an intermediate holding company	14	521,012	509,304
Amounts due to fellow subsidiaries	15	748,485	825,110
Amounts due to non-controlling shareholders of subsidiaries		2,079,257	2,161,076
Taxation payable		1,252,425	1,543,986
Notes payable	19	3,900,000	—
Bank and other borrowings — due within one year	16	11,335,494	13,398,644
Total current liabilities		59,164,615	59,302,196
Net current assets		43,171,132	42,837,416
Total assets less current liabilities		61,241,145	62,770,841
Capital and reserves attributable to owners of the Company			
Share capital	17	17,685,677	17,685,677
Reserves		8,086,275	7,011,038
Equity attributable to owners of the Company		25,771,952	24,696,715
Perpetual capital instruments	18	—	—
Non-controlling interests		2,283,215	2,285,344
Total equity		28,055,167	26,982,059

INTERIM RESULTS

		30th June, 2017	31st December, 2016
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current liabilities			
Bank and other borrowings — due after one year	16	31,570,903	30,325,635
Notes payable	19	—	3,900,000
Loan from a fellow subsidiary		206,897	202,247
Deferred tax liabilities		1,408,178	1,360,900
Total non-current liabilities		33,185,978	35,788,782
		61,241,145	62,770,841

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2017

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

For the six months ended 30th June, 2016

	Attributable to owners of the Company												
	Share capital	Hotel properties	Translation reserve	PRC statutory reserves	Investment revaluation reserve	Other capital reserve	Asset revaluation reserve	Other reserve	Accumulated profits	Total	Perpetual capital instruments	Non-controlling interests	Total
		revaluation reserve		reserves	reserve	reserve	reserve	reserve	reserve		profits	HKS'000	
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1st January, 2016	17,685,677	144,873	557,656	1,333,505	(36,360)	306,899	22,054	(285,195)	5,830,906	25,560,015	1,227,472	2,638,461	29,425,948
Total comprehensive income for the period	—	(65,481)	(189,485)	—	(4,754)	—	—	—	58,602	(191,118)	37,470	(53,767)	(207,415)
Distribution to holders of perpetual capital instruments	—	—	—	—	—	—	—	—	—	—	(40,651)	—	(40,651)
Redemption of perpetual capital instruments	—	—	—	—	—	—	—	—	—	—	(339,965)	—	(339,965)
Capital contribution by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	41,080	41,080
At 30th June, 2016	17,685,677	89,392	368,171	1,333,505	(41,114)	306,899	22,054	(285,195)	5,889,508	25,368,897	884,326	2,625,774	28,878,997

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30th June,	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	3,449,855	4,391,166
Net cash used in investing activities	(1,772,548)	(3,375,499)
Net cash (used in) generated from financing activities	(1,833,637)	2,047,022
Net (decrease) increase in cash and cash equivalents	(156,330)	3,062,689
Cash and cash equivalents at beginning of the period	17,581,484	17,908,117
Effect of exchange rate changes on cash and cash equivalents	337,367	(98,934)
Cash and cash equivalents at end of the period	17,762,521	20,871,872
Analysis of the balance of cash and cash equivalents, represented by		
— bank balances, deposits and cash	17,762,521	20,871,872

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the most recent consolidated financial statements for the year ended 31st December, 2016, except for the changes in accounting policy made when the Group initially applies financial reporting standards newly applicable to the annual accounting period beginning on 1st January, 2017.

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

This interim financial 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 31st December, 2016. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 31st December, 2016 that is included in this interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31st December, 2016 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:

Amendments to HKAS 7	Statement of cash flows: Disclosure Initiative
Amendments to HKAS 12	Income Taxes: Recognition of Deferred Tax Assets of Unrealised Losses

The initial application of the above new or revised HKFRSs does not have a material effect on the Group's results and financial position.

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 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²

¹ Effective for annual periods beginning on or after 1st January, 2018

² Effective for annual periods beginning on or after 1st January, 2019

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

2. REVENUE AND SEGMENT INFORMATION

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

Principal activities are as follows:

Property development business — property development

Property investment and management — property investment and management

Hotel operations — hotel and restaurant business and its related services

Other operations — manufacturing and sales of digital discs and others

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Information about these segments is presented below:

For the six months ended 30th June, 2017

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30th June, 2017*Assets and liabilities*

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Total HK\$'000
Assets					
Segment assets	84,065,216	11,133,916	1,297,718	391,481	96,888,331
Interests in associates	290,926	—	—	—	290,926
Interests in joint ventures	2,392,893	—	—	1,680	2,394,573
Unallocated corporate assets					<u>20,831,930</u>
Total assets					<u>120,405,760</u>
Liabilities					
Segment liabilities	41,282,844	1,287,762	201,131	56,675	42,828,412
Unallocated corporate liabilities					<u>49,522,181</u>
Total liabilities					<u>92,350,593</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2016

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Total HK\$'000
REVENUE						
External revenue	9,254,642	605,183	90,252	42,070	—	9,992,147
Inter-segment revenue*	—	102,042	—	—	(102,042)	—
Total revenue	9,254,642	707,225	90,252	42,070	(102,042)	9,992,147
SEGMENT RESULTS						
	752,249	180,171	(7,437)	62,470	—	987,453
Unallocated income						60,572
Unallocated expenses						(104,351)
Finance costs						(367,421)
Share of results of associates	(2,962)					(2,962)
Share of results of joint ventures	(11,107)			280		(10,827)
Profit before income tax expense						562,464
Income tax expense						(416,647)
Profit for the period						145,817

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31st December, 2016
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	86,174,488	11,264,128	1,335,946	387,940	99,162,502
Interests in associates	246,317	—	—	—	246,317
Interests in joint ventures	2,308,266	—	—	1,678	2,309,944
Unallocated corporate assets					20,354,274
Total assets					122,073,037
Liabilities					
Segment liabilities	43,070,566	1,192,501	190,776	63,035	44,516,878
Unallocated corporate liabilities					50,574,100
Total liabilities					95,090,978

3. PROFIT BEFORE INCOME TAX EXPENSE

Six months ended 30th June,

	2017 HK\$'000	2016 HK\$'000
Profit before income tax expense is arrived at after charging:		
Amortisation of prepaid lease payments (included in administrative expenses)	5,048	5,408
Depreciation of property, plant and equipment	63,403	66,464
Share of tax of joint ventures (included in share of results of joint ventures)	52,044	95
Loss on disposal of investment properties	441	1,059

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2017	2016
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	—	—
PRC Enterprise Income Tax	280,278	259,105
	280,278	259,105
Land Appreciation Tax ("LAT")	222,137	152,848
Deferred taxation	(15,216)	4,694
	487,199	416,647

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30th June, 2016: 16.5%) of the estimated assessable profit for the period.

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

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

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

5. DIVIDENDS

The Directors have decided not to declare any interim dividend for the six months ended 30th June, 2017 (six months ended 30th June, 2016: HK\$Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the six months ended 30th June, 2017 is based on the following data:

	Six months ended 30th June,	
	2017	2016
	HK\$'000	HK\$'000
Earnings:		
Profit for the period attributable to owners of the Company	628,845	58,602
	Six months ended 30th June,	
	2017	2016
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	—	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,661,537,046	3,661,537,046

7. TRANSFER TO AND FROM RESERVES

During the six months ended 30th June, 2017, the Group's subsidiaries in the PRC did not appropriate any amount net of non-controlling interests' share out of accumulated profits to the PRC statutory reserves (six months ended 30th June, 2016: HK\$Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

During the period ended 30th June, 2017, the net increase to the Group's investment properties amounted to approximately HK\$111 million (30th June, 2016: net decrease HK\$139 million). Renminbi appreciated against Hong Kong dollars during the period ended 30th June, 2017 generated HK\$235 million increase (30th June, 2016: Renminbi depreciated against Hong Kong dollars generated HK\$128 million decrease) in investment properties.

The increase was offset by additional units of properties transferred to properties held for sale and property, plant and equipment amounted to HK\$62 million and HK\$60 million respectively (30th June, 2016: transferred from properties held for sale amounted to HK\$21 million) during the current period. Also, disposal of investment properties of HK\$1.6 million (30th June, 2016: HK\$31 million) was noted.

During the period, the net increase to the Group's property, plant and equipment amounted approximately HK\$69 million (30th June, 2016: net decrease HK\$175 million).

The surplus arising on revaluation of hotel properties of HK\$22 million was noted as at 30th June, 2017 (30th June, 2016: deficit HK\$104 million). Renminbi appreciated against Hong Kong dollars during the period ended 30th June, 2017 generated HK\$43 million increase (30th June, 2016: Renminbi depreciated against Hong Kong dollars generated HK\$24 million decrease) in property, plant and equipment. Also, additional units of properties transferred from investment properties amounted to HK\$60 million during the current period (30th June, 2016: HK\$Nil)

Additions of capital expenditure paid for construction in progress, renovation work and additions of motor vehicles and furniture and fixture amounted to HK\$13 million (30th June, 2016: HK\$15 million).

The increase was offset by disposal of property, plant and equipment of HK\$6 million (30th June, 2016: HK\$Nil) during the current period. The depreciation charge of HK\$63 million (30th June, 2016: HK\$66 million) was provided during the current period.

The Group's investment properties and hotel properties at 30th June, 2017 were fair valued by AA Property Services Limited, an independent professional surveyor and property valuer not connected with the Group. AA Property Services Limited is a member of the Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at using the same valuation techniques as were used by this valuer when carrying out the valuations at 31st December, 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. TRADE AND OTHER RECEIVABLES

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

	30th June, 2017 HK\$'000	31st December, 2016 HK\$'000
0 to 30 days	93,180	111,592
31 to 90 days	105,334	5,778
More than 90 days	222,826	246,969
Total trade receivables	421,340	364,339
Other receivables	3,700,041	4,313,068
	4,121,381	4,677,407

10. AMOUNTS DUE FROM ASSOCIATES

	30th June, 2017 HK\$'000	31st December, 2016 HK\$'000
— Interest-free	540,136	—
— Fixed rate of 8%	37,931	37,078
	578,067	37,078

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. AMOUNTS DUE FROM/(TO) JOINT VENTURES

	30th June, 2017 HK\$'000	31st December, 2016 HK\$'000
Amounts due from joint ventures		
— Interest-free	633,867	166,024
— Fixed rate of 4.35%	—	528,137
— Fixed rate of 5.8%	344,828	—
— Fixed rate of 6.33%	—	337,079
— Fixed rate of 7%	360,632	352,528
— Fixed rate of 7.5%	—	112,360
— Fixed rate of 8%	964,040	848,068
— 110% of benchmark rate in the PRC	637,003	593,863
	2,940,370	2,938,059
Amounts due to joint ventures		
— Interest-free	716,561	672,749

The amounts are unsecured and repayable on demand.

12. TRADE AND OTHER PAYABLES

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

	30th June, 2017 HK\$'000	31st December, 2016 HK\$'000
0 to 30 days	3,103,285	5,071,002
31 to 90 days	477,305	300,455
More than 90 days	5,695,035	5,121,099
Total trade payables	9,275,625	10,492,556
Bills payables	3,051	—
Other payables	3,932,976	3,460,506
	13,211,652	13,953,062

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. AMOUNTS DUE TO THE ULTIMATE HOLDING COMPANY

	30th June, 2017 HK\$'000	31st December, 2016 HK\$'000
Interest-free	21,647	21,160
92% of benchmark rate in the PRC	30,924	30,230
95.1% of benchmark rate in the PRC	344,828	337,079
	397,399	388,469

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

14. AMOUNTS DUE TO AN INTERMEDIATE HOLDING COMPANY

	30th June, 2017 HK\$'000	31st December, 2016 HK\$'000
Interest-free	6,370	6,228
Fixed rate of 5.5%	408,895	399,706
Benchmark rate in the PRC plus 1%	105,747	103,370
	521,012	509,304

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

15. AMOUNTS DUE TO FELLOW SUBSIDIARIES

	30th June, 2017 HK\$'000	31st December, 2016 HK\$'000
— Interest-free	541,588	622,863
— Movement of the benchmark rates in the PRC plus 7.27%	206,897	202,247
	748,485	825,110

The amounts are unsecured and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. BANK AND OTHER BORROWINGS

During the period, the Group obtained new bank and other borrowings in the amounts of HK\$9,317 million (30th June, 2016: HK\$15,605 million), which bear interest at market rates. The Group also repaid approximately HK\$10,970 million (30th June, 2016: HK\$12,693 million) during the period.

Renminbi appreciated against Hong Kong dollars during the period ended 30th June, 2017 generated HK\$835 million increase (30th June, 2016: Renminbi depreciated against Hong Kong dollars generated HK\$505 million decrease) in bank and other borrowings.

17. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares, issued and fully paid: At 1st January, 2017 and 30th June, 2017	3,661,537,046	17,685,677

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. PERPETUAL CAPITAL INSTRUMENTS

At 30th June, 2016, the aggregate principal amount of perpetual capital instruments amounted to RMB711,030,000 (approximately HK\$836,505,000). The perpetual capital instruments have no maturity date and the Group had discretion not to declare any investments returns. Therefore, the perpetual capital instruments are classified as equity instrument and recorded in equity in the condensed consolidated financial statements. The perpetual capital instruments were fully redeemed in 2016.

Movements of the perpetual capital instruments during six months ended 30th June, 2016 are as follows:

	For the six months ended 30th June, 2016		
	Principal HK\$'000	Distribution HK\$'000	Total HK\$'000
At 1st January, 2016	1,190,476	36,996	1,227,472
Exchange adjustments	(14,006)	(435)	(14,441)
Profit attributable to holders of perpetual capital instruments	–	51,911	51,911
Distribution to holders of perpetual capital instruments	–	(40,651)	(40,651)
Redemption of perpetual capital instruments	(339,965)	–	(339,965)
At 30th June, 2016	836,505	47,821	884,326

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. NOTES PAYABLE

On 16th May, 2013, the Group issued the 4.75% notes due 2018 in the aggregate principal amount of US\$500,000,000 (equivalent to HK\$3,900,000,000). The notes bear interest at the rate of 4.75% per annum, which are payable semi-annually in arrears on the interest payment dates falling 16th May and 16th November in each year.

20. CONTINGENT LIABILITIES

The Group arranged mortgage loan facilities with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayment. The maximum guarantees given to banks amounted to HK\$28,366,586,000 as at 30th June, 2017 (31st December, 2016: HK\$28,393,520,000). Such guarantees will terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgage loans by the buyers of the properties. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loan guaranteed by the Group in the event the purchasers default payments to the banks.

At 30th June, 2017, the Group had given guarantees to certain banks in respect of credit facilities granted to certain joint ventures of the Group amounting to HK\$1,942,529,000 (31st December, 2016: HK\$1,853,932,000), of which HK\$1,942,529,000 (31st December, 2016: HK\$1,853,932,000) had been utilised by the joint ventures.

21. CAPITAL COMMITMENTS

Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of property development expenditures amounted to HK\$12,521,754,000 as at 30th June, 2017 (31st December, 2016: HK\$10,588,697,000).

The Group did not have any capital expenditure authorised but not contracted for as at 30th June, 2017 and 31st December, 2016.

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 30th June,	
	2017 HK\$'000	2016 HK\$'000
Property rental income (<i>note a</i>)	6,630	6,010
Construction fee paid (<i>note b</i>)	94,023	248,306
Interest expenses (<i>note c</i>)	53,403	49,393
Interest income (<i>note d</i>)	75,761	101,919
Guarantee charges (<i>note e</i>)	6,583	8,118
Management fee income	632	576
Rental expenses paid	1,223	—
Dividend income	6,323	—

Notes:

- (a) The property rental income received from subsidiaries of the ultimate holding company, which were charged in accordance with the relevant tenancy agreement.
- (b) The construction fee paid to a subsidiary of the ultimate holding company was charged at market rate.
- (c) The interest expenses derived from loans advanced from the ultimate holding company, an intermediate holding company and fellow subsidiaries, which carried interest at a fixed rate of 5.5% to 6%, benchmark rate in the PRC plus 1%, 92% of benchmark rate in the PRC to 110% of benchmark rate in the PRC and 7.27% plus the movement of the benchmark rate in the PRC.
- (d) The interest income derived from loans advanced to associates and joint ventures, which carried interest at a fixed rate of 4.35% to 8% and 110% of benchmark rate in the PRC.
- (e) The guarantee charges were paid to the ultimate holding company for acting as a guarantor of bank loans borrowed by subsidiaries of the Group and it was charged at 1% on the guarantee amount.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(II) Compensation to key management personnel

	Six months ended 30th June,	
	2017	2016
	HK\$'000	HK\$'000
Short-term benefits	12,774	11,272
Post-employment benefits	348	349
	13,122	11,621

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

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

The fair value of available-for-sale investment with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30th June, 2017, The Group had following financial instruments carried at fair value all of which are based on the level 1 of the fair value hierarchy:

	30th June, 2017 HK\$'000	31st December, 2016 HK\$'000
Assets		
Available-for-sale investments — Listed	26,938	29,472

There were no significant transfers between financial instruments in level 1 and level 2 in the reporting period.

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

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

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

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

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30th June, 2017 (corresponding period in 2016: HK\$Nil).

SHARE OPTION SCHEME

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

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

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

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

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

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

OTHER INFORMATION

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

As at 30th June, 2017, no option was granted under the Share Option Scheme. The total number of options available for grant is 364,463,704 (30th June, 2016: 364,463,704), representing approximately 9.95% (30th June, 2016: 9.95%) of the issued shares of the Company.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2017, according to the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules, the interests of the Directors in the shares and underlying shares of the Company were as follows:

Long position

Ordinary shares of the Company

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

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

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

Mr. Wong Ka Lun is deemed to be interested in 80,000 shares (0%) of the Company, being the interests held by his spouse.

Save as disclosed above, as at 30th June, 2017, none of the Directors, chief executives or their associates had any personal, family, corporate or other interests and short positions in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which is required to be recorded in the register maintained under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2017, 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:

Name of shareholder	Number of Shares		Total number of shares	Approximate percentage of the total no. of issued shares of the Company
	Beneficial owner	Held by controlled corporation(s)		
Long position				
Congratulations Company Ltd.	1,037,975,080	—	1,037,975,080	28.35%
Source Holdings Limited	228,398,760	100,086,800	328,485,560 (Note 1)	8.97%
Ting Shing Holdings Limited	—	1,366,460,640 (Note 2)	1,366,460,640	37.32%
Poly (Hong Kong) Holdings Limited	112,410,476	1,366,460,640	1,478,871,116 (Note 3)	40.39%
Poly Southern Group Limited	253,788,246	—	253,788,246	6.93%
China Poly Group Corporation	—	1,732,659,362 (Note 4)	1,732,659,362	47.32%

Notes:

- Source Holdings Limited is deemed by the SFO to be interested in 328,485,560 shares of the Company as a result of its direct holding of 228,398,760 shares and indirect holding of 100,086,800 shares through its wholly-owned subsidiaries, Musical Insight Holdings Ltd. and Wincall Holding Ltd. of 44,658,800 shares and 55,428,000 shares respectively.
- Ting Shing Holdings Limited is deemed by the SFO to be interested in 1,366,460,640 shares 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.
- Poly (Hong Kong) Holdings Limited is deemed by the SFO to be interested in 1,478,871,116 shares 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.
- China Poly Group Corporation owns 100% of Poly (Hong Kong) Holdings Limited and Poly Southern Group Limited and is accordingly deemed by the SFO to be interested in the shares directly and indirectly owned by Poly (Hong Kong) Holdings Limited and Poly Southern Group Limited.

OTHER INFORMATION

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued shares of the Company as at 30th June, 2017.

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

During the six months period ended 30th June, 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 16th May, 2013, the Company (as the issuer) and China Poly Group Corporation entered into a keepwell deed in relation to the US\$500,000,000 4.75% notes due 2018 issued by the Company.

On 5th November, 2014, 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\$5,000,000,000. The final maturity date of the facility will be the earlier of (a) the date falling 48 months after the date of the facility agreement and (b) the date falling 6 months after a certificate of compliance is issued by the Director of Lands in respect of the development of New Kowloon Inland Lot No. 6527, Kai Tak Area 1I Site 3, Kowloon, Hong Kong.

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

Pursuant to the aforesaid keepwell deed and facility agreements, the Company undertakes with the banks that, if, among other things, China Poly Group Corporation (a) ceases to be the single largest shareholder of the Company or ceases to maintain at least 40% direct or indirect beneficial ownership of the issued shares of the Company; (b) ceases to maintain management control of the Company; or (c) ceases to be under the control and supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China, all loans together with accrued interest may become immediately due and payable.

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

OTHER INFORMATION

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

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

The chairman of the Board (the "Chairman") should attend the annual general meeting. Due to other important engagement at the relevant time, Mr. Xue Ming, the Chairman, was not able to attend the annual general meeting of the Company held on 25th May, 2017.

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.

OTHER INFORMATION

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

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Model Code and the code of conduct regarding directors' securities transactions adopted by the Company for the six months ended 30th June, 2017.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to rule 13.51(B)(1) of the Listing Rules, the changes in Directors' information since the date of the 2016 Annual Report are set out below:

Miss Leung Sau Fan, Sylvia ("Miss Leung"), an independent non-executive director of the Company, left VC Capital Limited and joined Celestial Capital Limited as a director and a responsible officer, a company licensed to conduct, among others, Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance.

AUDIT COMMITTEE

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

The members of the Audit Committee have reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters including the review of the unaudited financial statements of the Company for the six months ended 30th June, 2017. The Audit Committee has approved the unaudited interim financial statements.