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Poly Property Group Co., Limited

保利置業集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00119)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2022 with comparative figures for the six months ended 30 June 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	2	22,258,191	14,074,060
Cost of sales		(15,959,544)	(8,733,952)
Gross profit		6,298,647	5,340,108
Decrease in fair value of investment properties		(27,381)	—
Increase in fair value of financial assets		43,488	28,082
Other (losses)/gains, net		(93,549)	501,576
Selling expenses		(539,227)	(518,231)
Administrative expenses		(575,701)	(615,236)
Other operating expenses		(227,102)	(191,750)
Gain on disposal of a joint venture		—	300,000
Gain on disposal of a subsidiary		—	21,305
Impairment loss on properties held for sale		(55,696)	—
Finance costs		(869,167)	(825,576)
Share of results of associates		(87,270)	45,482
Share of results of joint ventures		(25,115)	211,241
Profit before income tax expense	3	3,841,927	4,297,001
Income tax expense	4	(2,377,770)	(2,538,393)
Profit for the period		1,464,157	1,758,608

		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Attributable to:			
Owners of the Company		1,510,223	1,663,180
Non-controlling interests		(46,066)	95,428
		<u>1,464,157</u>	<u>1,758,608</u>
Earnings per share (expressed in HK cents)			
— Basic	<i>6</i>	<u>40.67</u>	<u>45.42</u>
— Diluted		<u>40.67</u>	<u>45.42</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	<u>1,464,157</u>	<u>1,758,608</u>
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	(1,859,947)	395,037
Items that will not be reclassified to profit or loss:		
Surplus arising on revaluation of properties	<u>51,348</u>	<u>54,064</u>
Other comprehensive income before tax	(1,808,599)	449,101
Deferred tax liability arising on revaluation of properties	<u>(12,837)</u>	<u>(13,516)</u>
Other comprehensive income for the period, net of tax	<u>(1,821,436)</u>	<u>435,585</u>
Total comprehensive income for the period	<u>(357,279)</u>	<u>2,194,193</u>
Attributable to:		
Owners of the Company	59,846	2,007,437
Non-controlling interests	<u>(417,125)</u>	<u>186,756</u>
	<u>(357,279)</u>	<u>2,194,193</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2022	31 December 2021
<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets		
Investment properties	11,399,910	11,991,125
Property, plant and equipment	3,354,492	3,518,846
Right-of-use assets	594,560	632,910
Interests in associates	1,758,515	1,737,530
Interests in joint ventures	6,907,710	7,089,568
Financial assets at fair value through profit or loss	737,741	729,018
Loan receivables	222,824	213,823
Deposits paid for acquisition of land use rights	1,493,120	1,794,824
Deferred tax assets	265,719	298,876
	26,734,591	28,006,520
Total non-current assets		
Current assets		
Properties under development	116,887,453	125,193,099
Properties held for sale	26,149,553	22,103,035
Other inventories	107,888	105,999
Contract costs	549,343	575,020
Trade and other receivables	10,135,206	10,164,313
Amounts due from associates	2,298,461	3,014,246
Amounts due from joint ventures	4,674,199	5,107,602
Amounts due from non-controlling shareholders of subsidiaries	1,652,585	1,260,765
Taxation recoverable	3,705,873	3,559,174
Pledged bank deposits	152,968	323,696
Bank balances, deposits and cash	40,422,989	36,277,867
	206,736,518	207,684,816
Total current assets		

		30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Current liabilities			
Trade and other payables	9	31,523,947	33,789,229
Contract liabilities		43,559,828	53,742,308
Property rental deposits		123,866	113,098
Amounts due to associates		799,999	561,955
Amounts due to joint ventures		645,188	713,729
Amount due to the ultimate holding company		21,802	22,810
Amount due to an intermediate holding company		619,631	463,441
Amount due to a fellow subsidiary		564	591
Amounts due to non-controlling shareholders of subsidiaries		4,000,943	4,110,964
Taxation payable		7,953,624	8,854,173
Bank and other borrowings — due within one year		<u>23,045,994</u>	<u>23,180,829</u>
Total current liabilities		<u>112,295,386</u>	<u>125,553,127</u>
Net current assets		<u>94,441,132</u>	<u>82,131,689</u>
Total assets less current liabilities		<u>121,175,723</u>	<u>110,138,209</u>
Capital and reserves attributable to owners of the Company			
Share capital	10	17,792,968	17,792,968
Reserves		<u>20,182,303</u>	<u>20,622,676</u>
Equity attributable to owners of the Company		<u>37,975,271</u>	<u>38,415,644</u>
Non-controlling interests		<u>10,403,835</u>	<u>8,103,170</u>
Total equity		<u>48,379,106</u>	<u>46,518,814</u>

	30 June 2022	31 December 2021
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Non-current liabilities		
Bank and other borrowings — due after one year	59,193,961	56,836,938
Notes payable — due after one year	11,604,651	4,663,415
Lease liabilities	35,235	47,370
Loan from a fellow subsidiary	209,302	219,512
Deferred tax liabilities	1,753,468	1,852,160
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Total non-current liabilities	72,796,617	63,619,395
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	121,175,723	110,138,209
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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 2021, 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 2022.

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

This announcement contains condensed consolidated financial statements and selected explanatory notes. The explanatory notes include an explanation of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the most recent consolidated financial statements for the year ended 31 December 2021. 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 2021 that is included in this announcement of the interim results for the six months ended 30 June 2022 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 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

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

Amendments to HKFRS 3 Reference to the Conceptual Framework
Amendments to HKAS 16 Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37, Onerous contracts — cost of fulfilling a contract
Amendments to HKFRSs Annual Improvements to HKFRSs 2018-2020

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 these new and amended standards 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 17 Insurance Contracts¹
Amendments to HKAS 1, Classification of liabilities as current or non-current¹
Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of accounting policies¹
Amendments to HKAS 8, Definition of accounting estimates¹
Amendments to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction¹
Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²

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

² The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Directors of the Company do not anticipate that the application of these new pronouncements in the future will have significant impact on the Group's accounting policies and financial statements.

2. REVENUE AND SEGMENT INFORMATION

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

Principal activities are as follows:

Property development business — property development

Property investment and management — property investment and management

Hotel operations — hotel and restaurant business and its related services

Other operations — manufacturing and sales of digital discs and others

Information about these segments is presented below:

For the six months ended 30 June 2022

	Property development business <i>HK\$'000</i>	Property investment and management <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE						
Revenue from contracts with customers within the scope of HKFRS 15:						
— Recognised at point in time	21,227,120	—	—	32,644	—	21,259,764
— Recognised overtime	—	614,284	106,069	—	—	720,353
Revenue from other sources outside the scope of HKFRS 15:						
— Rental income	—	278,074	—	—	—	278,074
External revenue	21,227,120	892,358	106,069	32,644	—	22,258,191
Inter-segment revenue*	—	68,579	—	—	(68,579)	—
Total revenue	<u>21,227,120</u>	<u>960,937</u>	<u>106,069</u>	<u>32,644</u>	<u>(68,579)</u>	<u>22,258,191</u>
SEGMENT RESULTS	<u>4,940,603</u>	<u>126,799</u>	<u>(94,246)</u>	<u>46,328</u>	<u>—</u>	<u>5,019,484</u>
Unallocated income						193,924
Unallocated expenses						(389,929)
Finance costs						(869,167)
Share of results of associates	(87,186)	—	—	(84)	—	(87,270)
Share of results of joint ventures	(25,117)	—	—	2	—	(25,115)
Profit before income tax expense						3,841,927
Income tax expense						(2,377,770)
Profit for the period						<u>1,464,157</u>

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

As at 30 June 2022
Assets and liabilities

	Property development business <i>HK\$'000</i>	Property investment and management <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets					
Segment assets	164,236,715	12,057,586	2,975,875	952,907	180,223,083
Interests in associates	1,757,006	—	—	1,509	1,758,515
Interests in joint ventures	6,905,043	—	—	2,667	6,907,710
Unallocated corporate assets					<u>44,581,801</u>
Total assets					<u><u>233,471,109</u></u>
Liabilities					
Segment liabilities	78,714,275	1,482,268	174,893	15,306	80,386,742
Unallocated corporate liabilities					<u>104,705,261</u>
Total liabilities					<u><u>185,092,003</u></u>

For the six months ended 30 June 2021

	Property development business <i>HK\$'000</i>	Property investment and management <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE						
Revenue from contracts with customers within the scope of HKFRS 15:						
— Recognised at point in time	13,049,092	—	—	35,282	—	13,084,374
— Recognised overtime	—	553,274	147,779	—	—	701,053
Revenue from other sources outside the scope of HKFRS 15:						
— Rental income	—	288,633	—	—	—	288,633
External revenue	13,049,092	841,907	147,779	35,282	—	14,074,060
Inter-segment revenue*	—	71,346	—	—	(71,346)	—
Total revenue	<u>13,049,092</u>	<u>913,253</u>	<u>147,779</u>	<u>35,282</u>	<u>(71,346)</u>	<u>14,074,060</u>
SEGMENT RESULTS	<u>3,991,553</u>	<u>214,209</u>	<u>(79,119)</u>	<u>112,550</u>	<u>—</u>	<u>4,239,193</u>
Unallocated income						323,127
Unallocated expenses						(17,771)
Gain on disposal of a joint venture	300,000	—	—	—	—	300,000
Gain on disposal of a subsidiary	—	21,305	—	—	—	21,305
Finance costs						(825,576)
Share of results of associates	45,987	—	—	(505)	—	45,482
Share of results of joint ventures	211,241	—	—	—	—	211,241
Profit before income tax expense						4,297,001
Income tax expense						(2,538,393)
Profit for the period						<u>1,758,608</u>

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

As at 31 December 2021

Assets and liabilities

	Property development business <i>HK\$'000</i>	Property investment and management <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets					
Segment assets	170,007,445	12,439,230	2,962,495	952,814	186,361,984
Interests in associates	1,735,937	—	—	1,593	1,737,530
Interests in joint ventures	7,086,773	—	—	2,795	7,089,568
Unallocated corporate assets					<u>40,502,254</u>
Total assets					<u><u>235,691,336</u></u>
Liabilities					
Segment liabilities	91,368,380	1,777,308	113,889	22,031	93,281,608
Unallocated corporate liabilities					<u>95,890,914</u>
Total liabilities					<u><u>189,172,522</u></u>

3. PROFIT BEFORE INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax expense is arrived at after charging:		
Depreciation of property, plant and equipment	88,925	92,379
Depreciation of right-of-use assets	17,084	10,862
Share of tax of associates (included in share of results of associates)	14,976	44,395
Share of tax of joint ventures (included in share of results of joint ventures)	1,148	74,527
Loss on disposal of investment properties	10,697	—
	<u><u>132,820</u></u>	<u><u>222,163</u></u>

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	10,328	34,952
People's Republic of China Enterprise Income Tax ("PRC EIT")	1,128,987	868,241
Land Appreciation Tax ("LAT")	<u>1,244,735</u>	<u>1,905,987</u>
	2,384,050	2,809,180
Deferred taxation	<u>(6,280)</u>	<u>(270,787)</u>
	<u><u>2,377,770</u></u>	<u><u>2,538,393</u></u>

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2021: 16.5%) based on the estimated assessable profit for the period ended 30 June 2022, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rates regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in prior period.

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

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

5. DIVIDENDS

The Directors have resolved not to declare any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$Nil).

6. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the six months ended 30 June 2022 is based on the following data:

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings:		
Profit for the period attributable to owners of the Company	<u>1,510,223</u>	<u>1,663,180</u>
	Six months ended 30 June	
	2022	2021
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>3,713,368,382</u>	<u>3,661,537,046</u>

The diluted earnings per share for the six months period ended 30 June 2022 and 2021 are the same as basic earnings per share presented as there were no potentially dilutive ordinary shares in 2022 and 2021.

7. TRANSFER TO AND FROM RESERVES

During the six months ended 30 June 2022, the Group's subsidiaries in the PRC appropriated HK\$6,645,000 (six months ended 30 June 2021: HK\$65,329,000) net of non-controlling interests' share out of accumulated profits to the PRC statutory reserves, and the Group's subsidiaries in the PRC did not release any amount net of non-controlling interests' share out of the PRC statutory reserves and hotel properties revaluation reserve to accumulated profits respectively (six months ended 30 June 2021: HK\$Nil and HK\$Nil, respectively).

8. TRADE AND OTHER RECEIVABLES

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

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
0 to 30 days	56,334	148,619
31 to 90 days	77,603	12,684
More than 90 days	<u>191,196</u>	<u>289,049</u>
Total trade receivables	325,133	450,352
Other receivables	<u>9,810,073</u>	<u>9,713,961</u>
	<u>10,135,206</u>	<u>10,164,313</u>

9. TRADE AND OTHER PAYABLES

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

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
0 to 30 days	2,264,051	5,601,973
31 to 90 days	940,321	388,589
More than 90 days	<u>16,333,262</u>	<u>12,782,459</u>
Total trade payables	19,537,634	18,773,021
Other payables	<u>11,986,313</u>	<u>15,016,208</u>
	<u>31,523,947</u>	<u>33,789,229</u>

10. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares, issued and fully paid: At 31 December 2021 and 30 June 2022	<u>3,713,368,382</u>	<u>17,792,968</u>

11. CONTINGENT LIABILITIES

The Group arranged mortgage loan facilities with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayment. The maximum guarantees given to banks amounted to HK\$27,624,567,000 as at 30 June 2022 (31 December 2021: HK\$28,330,102,000). 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 2022, the Group had given guarantees to certain banks in respect of credit facilities granted to certain associates and joint ventures of the Group amounting to HK\$10,254,311,000 (31 December 2021: HK\$8,274,492,000), of which HK\$6,672,644,000 (31 December 2021: HK\$5,490,468,000) had been utilised by these associates and joint ventures.

12. CAPITAL COMMITMENTS

Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of property development expenditures and acquisition of land use right amounted to HK\$22,513,201,000 (31 December 2021: HK\$20,812,401,000) and HK\$3,688,157,000 (31 December 2021: HK\$3,257,004,000), respectively, as at 30 June 2022.

The Group did not have any capital expenditure authorised but not contracted for as at 30 June 2022 (31 December 2021: HK\$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the first half of 2022, the Group recorded a revenue of HK\$22,258 million (corresponding period of 2021: HK\$14,074 million), representing an increase of HK\$8,184 million or 58.2% when comparing with the corresponding period of last year. Profit attributable to shareholders amounted to HK\$1,510 million (corresponding period of 2021: HK\$1,663 million), indicating a decrease of HK\$153 million or 9.2% from the corresponding period of last year. Basic earnings per share stood at HK40.67 cents (corresponding period of 2021: HK45.42 cents). As at 30 June 2022, shareholders' equity amounted to HK\$37,975 million (31 December 2021: HK\$38,416 million), indicating a 1.1% decrease from last year end. Net asset value per share amounted to HK\$10.23 (31 December 2021: HK\$10.35), representing a decrease of 1.1% when comparing with last year end.

BUSINESS REVIEW

In the first half of 2022, the Chinese economy overcame the adverse factors beyond expectations and sustained a stable development. Major economic indicators stabilized and recovered in June, which reflected the effectiveness of a series of economic stimulus measures following to a successful pandemic control. The tremendous tenacity and great potential of China's economy were highlighted during such difficulties.

In face of repeatedly severe pandemic in different area, there is an increasing downturn pressure on the real estate market. In the first half of 2022, the sales of commodity properties amounted to RMB6,600 billion, representing a year-on-year decrease of 28.9%, and the amount of property development investment recorded a year-on-year decrease of 5.4%. During the year, the departments and committees under the State Council and local governments actively released positive signals and refined regulatory policies. The adjustment in the property market has been under progress but the pace varied in different cities. The change of the competitive landscape of property developers have accelerated. Property developers with outstanding credit standing have been able to increase their market shares in terms of land reserves and first-hand property sales during the industrial decline.

During the period, Poly Property Group recorded contracted sales of RMB16.5 billion and sales collection amounted to RMB16.2 billion with a collection ratio of 98%, increased by 14 percentage points as compared with the corresponding period of last year. During the first half of the year, the contracted sales for the top 100 property developers decreased by nearly 50% as compared with last year. Under the unfavorable market condition, Poly Property Group has put greater efforts to secure sales collections and eventually recorded a 39% decrease in sales collection as compared with last year, which was significantly lower than the decrease in sales.

Benefitting from the strategic adjustment of land reserves in recent years, the Group focused on projects in high capability cities supported by favorable industry policies. During the first half of the year, a total of six development projects were acquired in Ningbo, Jinan and Shanghai, and the Group entered Changshu for the first time. As at 30 June 2022, the percentage of attributable land reserves in Yangtze River Delta and Greater Bay Area was 42%, representing an increase of two percentage points as compared with the end of last year.

In respect of finance, other than focusing on improving our sales quality and sales collection, the Group also grasped the financing opportunities. During the first half of 2022, the Group completed the issuance of the RMB5 billion corporate bonds and the RMB1 billion medium-term notes. The coupon rate for the first tranche of 3+2 years corporate bonds issued in the beginning of the year was 2.99%. Upon such issuance, the debt structure of the Company was further improved, which also helped to decrease its average funding cost by 0.18 percentage points to 4.34% as compared with the end of last year.

The Conference of the Central Politburo held in late July suggested that in the second half of the year, China should maintain the economy running within appropriate range, stabilise the property market, adhere to the policy of “no speculation of residential properties (房住不炒)” and make good use of the policy toolkit to implement policies in response to the actual situations in their respective cities. The Group will cautiously evaluate and get a clear understanding of trends in order to response to market changes calmly. In the second half of the year, the Group will endeavor and overcome difficulties to ensure all operational indicators meet the target of the “14th Five-Year Plan” in achieving steady and high-quality development.

PROPERTY SALES

In the first half of 2022, Poly Property Group recorded contracted area sold of approximately 862,000 square metres, or approximately RMB16.5 billion in value.

During the period, Poly Property Group had 124 major projects for sale, with seven of them being debut projects, including Shanghai Poly Moonrise Mansion, Ninghai Poly Origin of Nebula, Guangzhou Poly Longyue, Kunshan Moonlight Jade, Kunshan East City, Ningbo Poly Spring Poetry and Ningbo Poly Brocade Scroll.

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

Region and City	Contracted Sales for the First Half of 2022 (RMB million)	Percentage (%)
Yangtze River Delta Region	7,266	44%
Shanghai	1,319	
Kunshan	1,507	
Taicang	568	
Changzhou	62	
Suzhou	1,654	
Ningbo	1,869	
Hangzhou	178	
Ninghai	100	
Deqing	7	
Yuyao	1	
Pearl River Delta Region	2,980	18%
Guangzhou	2,002	
Foshan	441	
Shenzhen	274	
Huizhou	263	
Southwestern Regions	2,656	16%
Guiyang	314	
Zunyi	149	
Nanning	1,560	
Liuzhou	163	
Kunming	471	
Other Regions	2,722	17%
Wuhan	180	
Harbin	324	
Mudanjiang	6	
Jinan	1,531	
Yantai	118	
Weihai	248	
Weifang	63	
Zibo	32	
Tai'an	212	
Wanning	8	
Hong Kong	831	5%
Hong Kong	831	
Total	16,455	100%

Notes:

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

In the second half of 2022, subject to construction progress and market conditions, Poly Property Group plans to launch at least 10 new projects which include Guangzhou Lihu Street Project, Foshan Rong Gui Project, Jinan Wuli Paifang Project II, Suzhou Sheng Pu Project, Shenzhen Long Gang Project, Shenzhen Long Hua Project, Shenzhen Ping Shan Project, Hong Kong Kai Tak 6553 Project, Changshu Hong Qiao Project and Shanghai Yang Pu Project.

NEWLY COMMENCED CONSTRUCTION

In the first half of 2022, Poly Property Group commenced construction on a total of nine new projects with a gross floor area of approximately 1,065,000 square metres. Among which, seven projects commenced construction for the first time, namely, Shanghai Yang Pu Project, Suzhou Sheng Pu Project, Ningbo Poly Spring Poetry, Ningbo Poly Brocade Scroll, Ninghai Poly Origin of Nebula, Guangzhou Lihu Street Project and Jinan Wuli Paifang Project II.

Project	Gross Floor Area of Newly Commenced Construction (<i>'000 square metres</i>)	Interests Attributable to the Group (%)
Shanghai Yang Pu Project	86	100%
Suzhou Sheng Pu Project	152	36%
Ningbo Poly Spring Poetry	88	100%
Ningbo Poly Brocade Scroll	132	100%
Ninghai Poly Origin of Nebula	91	100%
Guangzhou Lihu Street Project	88	100%
Guiyang Poly Bright Moon on Top	69	100%
Nanning Poly Town Phase II	97	100%
Jinan Wuli Paifang Project II	262	100%
Total	1,065	

Note:

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

RECOGNISED PROPERTY SALES

In the first half of 2022, the Group recognised a total sales value of approximately RMB17,782 million and a total gross floor area of approximately 1,055,000 square metres. Details of recognised property sales are as follows:

Region and City	Sales Recognised in the First Half of 2022 (RMB million)	Percentage (%)
Yangtze River Delta Region	5,864	33%
Shanghai	110	
Suzhou	902	
Ningbo	4,843	
Yuyao	1	
Deqing	8	
Pearl River Delta Region	3,330	19%
Guangzhou	2,254	
Foshan	149	
Huizhou	927	
Southwestern Regions	6,504	36%
Guiyang	410	
Zunyi	105	
Nanning	3,292	
Liuzhou	41	
Kunming	2,656	
Other Regions	1,716	10%
Wuhan	74	
Harbin	217	
Mudanjiang	2	
Jinan	760	
Yantai	336	
Weihai	1	
Zibo	322	
Wanning	5	
Hong Kong	368	2%
Total	17,782	100%

Note:

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

NEW LAND RESERVES

In the first half of 2022, Poly Property Group acquired six projects, which are located in Ningbo, Changshu, Jinan and Shanghai. The planned total gross floor area of the new projects amounted to approximately 784,000 square metres with land cost at a reasonable level.

New Project	Planned Property Type	Total	Planned Total	Interests
		Site Area (<i>'000 square metres</i>)	Gross Floor Area (<i>'000 square metres</i>)	Attributable to the Group (%)
Ningbo Hai Shu Project	Residential	29	72	100%
Ningbo Jiang Bei Project	Residential	47	179	100%
Ningbo Yin Zhou Project	Residential	70	234	100%
Changshu Hong Qiao Project	Residential	24	41	100%
Jinan Xian Wen Project	Residential and Commercial	51	154	100%
Shanghai Feng Xian Project	Residential	30	104	100%
Total		251	784	

Ningbo Hai Shu Project

The project is located in Jishigang Town, Haishu District, Ningbo, which is 2.2 kilometres from the government office of the Jishigang Town and the west gateway to the central district of Ningbo. In proximity to well-developed residential communities, the site is approximately 2 kilometres from the outlet commercial district. The project enjoys full-fledged ancillary facilities, abundant educational and medical resources and convenient transportation. The south side of the project is a river with certain landscape values. The project, with a planned total gross floor area of approximately 72,000 square metres, is intended to be developed into high-rise residential buildings.

Ningbo Jiang Bei Project

The project is located at the Zhuangqiao Area in Jiangbei District, Ningbo, which has geographical advantage and is the centre of transportation hub in Northern Ningbo. Hongda Road Station of Metro Line No. 4 is south to the site and a river is west to the site which provides a scenic view. The site is only 1 kilometre from Ningbo World Foreign Language School. The site has a range of amenity facilities including Wanda Plaza and other centralized businesses and has abundant of educational and medical resources. The project, with a planned total gross floor area of approximately 179,000 square metres, is intended to be developed into high-rise residential buildings.

Ningbo Yin Zhou Project

The project is located at Fuming Street, Yinzhou District, Ningbo. The Northern area of Jiangdong is a traditional community with centralized resources in the city with a full range of commercial, educational and medical facilities. The site is 4 kilometres from the municipal government office of Ningbo and approximately 300 metres from the Zhongxing Bridge South Station of Metro Line 3, enjoying convenient transportation. The riverside green zone of Yongjiang Park is 500 metres to the north of the site which has a scenical advantage. The project, with a planned total gross floor area of approximately 234,000 square metres, is intended to be developed into high-rise residential buildings.

Changshu Hong Qiao Project

The project is located at Taishan North Road, Hongqiao Area, Changshu, which belongs to a prime area of the city centre and close to the people's court, the natural resources and planning bureau and other government authorities. The area has extensive quality educational resources with Tianhong Shopping Centre, Star Palace and other centralized businesses. The project is located at the junction of Shiji Boulevard and Huanghe Road and is planned to have metro which is easily accessible. The project, with a planned total gross floor area of approximately 41,000 square metres, is intended to be developed into high-rise residential buildings.

Jinan Xian Wen Project

The three land parcels of the project granted in bundle are located in Xianwen Area in Jinan High-Tech Zone, a core area of the city centre. The site neighbours CBD in the west, Olympic sports governmental area in the south and is 2.8 kilometres from the municipal government office, which has geographical advantage. The area is well developed with a range of quality educational and medical facilities and is close to two core business circles. The site enjoys convenient transportation and is approximately 400 metres from Ding Jia East Station of Metro Line No. 3. The project, with a planned total gross floor area of approximately 154,000 square metres, is intended to be developed into high-rise residential buildings.

Shanghai Feng Xian Project

The project is located in Nanqiao New Town, Fengxian District, Shanghai, a high-quality core district being developed by the Fengxian district government. The site is south to Shanghai Fish and close to Poly Moon Light and Poly Twilight Mansion, two projects developed by the Group. The area is well equipped with rich educational and medical resources. The site is in proximity to Metro Line No. 5 and several bus lines which has convenient transportation. The project, with a planned total gross floor area of approximately 104,000 square metres, is intended to be developed into high-rise residential buildings.

INVESTMENT PROPERTIES

The Group has various investment properties and hotels located in first-tier cities and second-tier provincial capitals. Its investment properties have a total gross floor area of approximately 703,000 square metres and asset value of approximately HK\$11.4 billion. Due to the unremitting pandemic, the Group's hotel operation was affected to a larger extent while the occupancy rate of the Group's office buildings and shopping malls decreased slightly.

Location	Major Investment Properties and Hotels	Gross Floor Area Held (<i>'000 square metres</i>)	Interests Attributable to the Group (%)	Property Type
Investment properties				
Beijing	Beijing Poly Plaza	15	75%	Office
Shanghai	Shanghai Poly Plaza (partial)	30	100%	Office and commercial
Shanghai	Shanghai Stock Exchange Buildings (partial)	48	100%	Office
Shenzhen	Shenzhen Poly Cultural Plaza (partial)	135	100%	Commercial
Wuhan	Wuhan Poly Plaza (partial)	56	100%	Office
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 in China and have received many titles and awards.

In the first half of 2022, the Group's property management companies recorded revenue of RMB507 million in aggregate, representing an increase of 9.0% when comparing with the corresponding period of last year. The companies managed a total of 281 property projects with a gross floor area under management of approximately 48,000,000 square metres, representing an increase of 26.4% when comparing with the corresponding period of last year.

FINANCIAL REVIEW

Liquidity and Capital Structure

As at 30 June 2022, total equity attributable to shareholders of the Company amounted to HK\$37,975,271,000 (2021: HK\$38,415,644,000), while the net asset value per share was HK\$10.23 (2021: HK\$10.35). As at 30 June 2022, the Group's gearing ratio (on the basis of the amount of total liabilities divided by the amount of total assets) was 79.3% (2021: 80.3%).

As at 30 June 2022, the Group had an outstanding bank and other borrowings (including the notes payable) of HK\$93,844,606,000. In terms of maturity, the outstanding bank and other borrowings (including notes payable) can be divided into HK\$23,045,994,000 (25%) to be repaid within one year, HK\$25,226,197,000 (27%) to be repaid after one year but within two years, HK\$35,189,889,000 (37%) to be repaid after two years but within five years, HK\$10,382,526,000 (11%) 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\$84,153,148,000 (90%) in Renminbi, HK\$3,900,000,000 (4%) in United State dollars, and HK\$5,791,458,000 (6%) in Hong Kong dollars.

40% of the bank and other borrowings (including the notes payable) of the Group are subject to fixed interest rates and the remaining 60% are subject to floating interest rates. Therefore, under circumstances of interest rates uncertainty or fluctuations or otherwise as appropriate, the Group will consider the use of hedging instruments (including interest rates swaps), in order to manage interest rate risks.

As at 30 June 2022, the Group had a net current assets of HK\$94,441,132,000 and total bank balances of HK\$40,575,957,000 (2021: HK\$82,131,689,000 and HK\$36,601,563,000, 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, Renminbi and United States dollars. The Group maintains a prudent strategy in its foreign exchange risk management, where foreign exchange risks are minimised via 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. Due to recent fluctuation of Renminbi exchange rate against Hong Kong dollars, the Group closely monitors the fluctuation and adopts policy to minimise exchange rate risks, if necessary.

Pledged Assets

At the end of the reporting period, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties	7,538,743	5,920,475
Hotel properties	451,163	474,390
Buildings	230,932	154,067
Right-of-use assets	254,749	271,882
Properties under development	30,259,959	30,321,064
Properties held for sale	4,073,057	4,388,314
Bank deposits	152,968	323,696
	<u>42,961,571</u>	<u>41,853,888</u>

In addition to above pledge of assets, at 30 June 2022 and 31 December 2021, the Group's interests in certain subsidiaries were pledged to secure credit facilities granted to the Group. The details of net assets value of subsidiaries are as follows:

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	25,939,413	15,937,391
Total liabilities	<u>(23,225,406)</u>	<u>(13,615,021)</u>
Net assets value	<u>2,714,007</u>	<u>2,322,370</u>

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\$27,624,567,000 as at 30 June 2022 (31 December 2021: HK\$28,330,102,000). 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 2022, the Group had given guarantees to certain banks in respect of credit facilities granted to certain associates and joint ventures of the Group amounting to HK\$10,254,311,000 (31 December 2021: HK\$8,274,492,000), of which HK\$6,672,644,000 (31 December 2021: HK\$5,490,468,000) had been utilised by these associates and joint ventures.

EMPLOYEES

As at 30 June 2022, the Group employed 8,799 (30 June 2021: 8,496) employees with remuneration for the period amounted to approximately RMB449,337,000. The Group provides its employees with various benefits including year-ended double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. On-the-job training is also provided as and when required.

SHARE OPTIONS

In order to provide incentives or rewards to the Directors and certain employees of the Company and certain eligible persons to contribute to the long term success of the business of the Group, the shareholders of the Company adopted a share option scheme (the “Share Option Scheme”) on 28 May 2014. The Company granted a total of 109,750,000 options (each option entitles its holder to subscribe for one share of the Company) under the Share Option Scheme to certain executive Directors and employees on 10 January 2019. During the six months ended 30 June 2022, no option was granted under the Share Option Scheme and 7,068,974 share options were cancelled. As at 30 June 2022, 80,142,084 share options were outstanding under the Share Option Scheme.

On 27 July 2022, the Company adjusted the exercise price and the number of outstanding share options granted under the Share Option Scheme pursuant to the terms of the Share Option Scheme as a result of the issue and allotment of scrip shares by the Company in relation to the final dividend for the year ended 31 December 2021 (the “Adjustment”). Please refer to the announcement of the Company dated 27 July 2022 for more details. Pursuant to the Adjustment, the number of outstanding share options granted under the Share Option Scheme was adjusted from 80,142,084 to 82,466,204.

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

During the six months period ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the period under review, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the “CG Code”), other than code provisions F.2.2 of the CG Code. The reasons for deviation are explained below:

Code Provision F.2.2 of the CG Code — Attendance of Chairman of the Board at the Annual General Meetings

Under code provisions F.2.2 of the CG Code, the chairman of the Board (the “Chairman”) should attend the annual general meeting. Mr. Wan Yuqing, the Chairman, was not able to attend the annual general meeting of the Company held on 25 May 2022 due to precautionary measures against the COVID-19 pandemic adopted in China and Hong Kong. Mr. Ip Chun Chung, Robert was appointed as the chairman of the meeting and addressed questions raised by shareholders at the meeting.

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

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

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) during the six months ended 30 June 2022. 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 2022.

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. Fung Chi Kin and Mr. Wong Ka Lun.

The members of the Audit Committee have reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters including the review of the unaudited condensed financial statements of the Company for the six months ended 30 June 2022. The Audit Committee has approved the unaudited interim financial statements.

EVENTS AFTER THE REPORTING PERIOD

From 30 June 2022 to the date of this announcement, there were no important events after the reporting period which have material effect on the Group.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website and the website of The Stock Exchange of Hong Kong Limited. The Interim Report 2022 will also be available at the Company's website and the website of The Stock Exchange of Hong Kong Limited and will be despatched to shareholders of the Company in September of 2022.

On behalf of the Board
Poly Property Group Co., Limited
Wan Yuqing
Chairman

Hong Kong, 24 August 2022

As at the date of this announcement, the executive directors of the Company are Mr. Wan Yuqing, Mr. Wang Jian and Mr. Ye Liwen, the non-executive director of the Company is Mr. Guo Jianquan, and the independent non-executive directors of the Company are Mr. Ip Chun Chung, Robert, Mr. Fung Chi Kin, Miss Leung Sau Fan, Sylvia and Mr. Wong Ka Lun.