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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 2024

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 2024 with comparative figures for the six months ended 30 June 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	2	12,456,641	15,639,163
Cost of sales		(10,680,723)	(11,699,027)
Gross profit		1,775,918	3,940,136
Decrease in fair value of investment properties		(34,460)	—
Increase in fair value of financial assets		33,033	38,570
Other gains, net		378,506	130,120
Selling expenses		(431,369)	(531,964)
Administrative expenses		(442,437)	(541,831)
Other operating expenses		(96,112)	(149,739)
Loss on disposal of net assets classified as held for sale		—	(1,026)
Finance costs		(707,433)	(819,183)
Share of results of associates		98,279	42,068
Share of results of joint ventures		5,435	(9,207)
Profit before income tax expense	3	579,360	2,097,944
Income tax expense	4	(330,718)	(1,378,938)
Profit for the period		248,642	719,006

		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Attributable to:			
Owners of the Company		373,227	639,214
Non-controlling interests		(124,585)	79,792
		<u>248,642</u>	<u>719,006</u>
Earnings per share (expressed in RMB cents)			
— Basic and diluted	6	<u>9.77</u>	<u>16.73</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>248,642</u>	<u>719,006</u>
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Surplus arising on revaluation of properties	29,285	58,495
Exchange differences arising on translation of functional currency to presentation currency	<u>(866)</u>	<u>250,018</u>
Other comprehensive income before income tax effect	28,419	308,513
Deferred tax liability arising on revaluation of properties	<u>(7,321)</u>	<u>(14,624)</u>
Other comprehensive income for the period, net of tax	<u>21,098</u>	<u>293,889</u>
Total comprehensive income for the period	<u>269,740</u>	<u>1,012,895</u>
Attributable to:		
Owners of the Company	396,750	932,798
Non-controlling interests	<u>(127,010)</u>	<u>80,097</u>
	<u>269,740</u>	<u>1,012,895</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2024	31 December 2023
<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Non-current assets		
Investment properties	8,740,975	8,917,152
Property, plant and equipment	3,432,315	3,479,549
Right-of-use assets	560,617	582,901
Interests in associates	2,835,000	2,258,535
Interests in joint ventures	6,097,420	6,073,322
Financial assets at fair value through profit or loss	746,080	713,048
Loan receivables	188,946	196,030
Deposits paid for acquisition of land use rights	426,693	426,693
Deferred tax assets	243,371	249,751
	23,271,417	22,896,981
Current assets		
Properties under development	91,383,551	102,092,369
Properties held for sale	38,053,226	32,309,830
Other inventories	42,923	41,038
Contract costs	817,720	491,253
Trade and other receivables	7,820,138	4,984,022
Amounts due from associates	1,105,813	758,277
Amounts due from joint ventures	4,227,949	4,285,403
Amounts due from non-controlling shareholders of subsidiaries	2,905,694	2,345,171
Taxation recoverable	3,520,899	3,748,248
Pledged bank deposits	127,425	226,443
Bank balances, deposits and cash	33,590,263	31,631,917
	183,595,601	182,913,971

		30 June 2024	31 December 2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Current liabilities			
Trade and other payables	9	27,690,575	29,913,119
Contract liabilities		44,536,720	40,802,298
Property rental deposits		83,037	83,234
Amounts due to associates		1,456,349	1,110,739
Amounts due to joint ventures		984,882	992,316
Amount due to the ultimate holding company		7,259	7,554
Amount due to an intermediate holding company		2,792	2,792
Amount due to a fellow subsidiary		485	485
Amounts due to non-controlling shareholders of subsidiaries		3,467,911	4,284,477
Taxation payable		7,308,753	7,775,280
Notes payable — due within one year		5,126,000	626,000
Bank and other borrowings — due within one year		17,494,929	20,168,686
Total current liabilities		108,159,692	105,766,980
Net current assets		75,435,909	77,146,991
Total assets less current liabilities		98,707,326	100,043,972
Capital and reserves attributable to owners of the Company			
Share capital	10	15,712,159	15,712,159
Reserves		3,829,715	3,806,190
Accumulated profits		14,666,532	14,581,921
Equity attributable to owners of the Company		34,208,406	34,100,270
Non-controlling interests		10,933,352	11,060,363
Total equity		45,141,758	45,160,633

	30 June 2024	31 December 2023
<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Non-current liabilities		
Bank and other borrowings — due after one year	36,423,304	34,551,668
Notes payable — due after one year	15,549,000	18,549,000
Lease liabilities	28,281	38,341
Loan from a fellow subsidiary	—	180,000
Deferred tax liabilities	1,564,983	1,564,330
	<hr/>	<hr/>
Total non-current liabilities	53,565,568	54,883,339
	<hr/>	<hr/>
	98,707,326	100,043,972
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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 2023, 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 2024.

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 2023. 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 2023 that is included in this announcement of the interim results for the six months ended 30 June 2024 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 2023 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 HKAS 1, Presentation of financial statements: Classification of liabilities as current or non-current (“2020 amendments”)

Amendments to HKAS 1, Presentation of financial statements: Non-current liabilities with covenants (“2022 amendments”)

Amendments to HKFRS 16, Leases: Lease liability in a sale and leaseback

Amendments to HKAS 7, Statement of cash flows and HKFRS 7, Financial instruments: Disclosures — Supplier finance arrangements

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.

Amendments to HKAS 21, The effects of changes in foreign exchange rate: Lack of exchangeability¹

Amendments to HKFRS 9 and HKFRS7, Amendments to the Classification and Measurement of Financial Instruments²

Amendments to HKFRS 18, Presentation and disclosure in financial statements³

Amendments to HKFRS 19, Subsidiaries without Public Accountability: Disclosures³

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴

¹ Effective for annual periods beginning on or after 1 January 2025.

² Effective for annual periods beginning on or after 1 January 2026.

³ Effective for annual periods beginning on or after 1 January 2027.

⁴ 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 2024

	Property development business RMB'000	Property investment and management RMB'000	Hotel operations RMB'000	Other operations RMB'000	Eliminations RMB'000	Total RMB'000
REVENUE						
Revenue from contracts with customers within the scope of HKFRS 15:						
— Recognised at a point in time	11,416,234	—	—	22,935	—	11,439,169
— Recognised over time	—	586,385	177,000	—	—	763,385
Revenue from other sources outside the scope of HKFRS 15:						
— Rental income	—	254,087	—	—	—	254,087
External revenue	11,416,234	840,472	177,000	22,935	—	12,456,641
Inter-segment revenue*	—	49,730	—	—	(49,730)	—
Total revenue	<u>11,416,234</u>	<u>890,202</u>	<u>177,000</u>	<u>22,935</u>	<u>(49,730)</u>	<u>12,456,641</u>
SEGMENT RESULTS	<u>789,375</u>	<u>108,927</u>	<u>(2,474)</u>	<u>34,238</u>	<u>—</u>	930,066
Unallocated income						265,950
Unallocated expenses						(12,937)
Finance costs						(707,433)
Share of results of associates	98,279	—	—	—	—	98,279
Share of results of joint ventures	5,435	—	—	—	—	5,435
Profit before income tax expense						579,360
Income tax expense						(330,718)
Profit for the period						<u>248,642</u>

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

As at 30 June 2024
Assets and liabilities

	Property development business RMB'000	Property investment and management RMB'000	Hotel operations RMB'000	Other operations RMB'000	Total RMB'000
Assets					
Segment assets	147,149,250	9,355,845	3,005,988	905,779	160,416,862
Interests in associates	2,835,000	—	—	—	2,835,000
Interests in joint ventures	6,095,202	—	—	2,218	6,097,420
Unallocated corporate assets					<u>37,517,736</u>
Total assets					<u><u>206,867,018</u></u>
Liabilities					
Segment liabilities	77,057,923	1,306,406	76,488	8,841	78,449,658
Unallocated corporate liabilities					<u>83,275,602</u>
Total liabilities					<u><u>161,725,260</u></u>

For the six months ended 30 June 2023

	Property development business <i>RMB'000</i>	Property investment and management <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Other operations <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
REVENUE						
Revenue from contracts with customers within the scope of HKFRS 15:						
— Recognised at a point in time	14,633,975	—	—	25,911	—	14,659,886
— Recognised over time	—	569,129	176,732	—	—	745,861
Revenue from other sources outside the scope of HKFRS 15:						
— Rental income	—	233,416	—	—	—	233,416
External revenue	14,633,975	802,545	176,732	25,911	—	15,639,163
Inter-segment revenue*	—	59,964	—	—	(59,964)	—
Total revenue	<u>14,633,975</u>	<u>862,509</u>	<u>176,732</u>	<u>25,911</u>	<u>(59,964)</u>	<u>15,639,163</u>
SEGMENT RESULTS	<u>2,746,881</u>	<u>103,331</u>	<u>(4,652)</u>	<u>37,479</u>	<u>—</u>	2,883,039
Unallocated income						265,309
Unallocated expenses						(263,056)
Finance costs						(819,183)
Loss on disposal of net assets classified as held for sale	(1,026)	—	—	—	—	(1,026)
Share of results of associates	42,068	—	—	—	—	42,068
Share of results of joint ventures	(9,207)	—	—	—	—	(9,207)
Profit before income tax expense						2,097,944
Income tax expense						(1,378,938)
Profit for the period						<u>719,006</u>

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

As at 31 December 2023

Assets and liabilities

	Property development business <i>RMB'000</i>	Property investment and management <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Other operations <i>RMB'000</i>	Total <i>RMB'000</i>
Assets					
Segment assets	148,020,860	9,454,551	3,240,599	894,759	161,610,769
Interests in associates	2,258,535	—	—	—	2,258,535
Interests in joint ventures	6,071,104	—	—	2,218	6,073,322
Unallocated corporate assets					<u>35,868,326</u>
Total assets					<u><u>205,810,952</u></u>
Liabilities					
Segment liabilities	75,785,676	1,407,821	173,034	11,488	77,378,019
Unallocated corporate liabilities					<u>83,272,300</u>
Total liabilities					<u><u>160,650,319</u></u>

3. PROFIT BEFORE INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax expense is arrived at after charging/ (crediting):		
Depreciation of property, plant and equipment	79,429	93,178
Depreciation of right-of-use assets	24,357	21,214
Share of tax of associates (included in share of results of associates)	37,581	13,882
Share of tax of joint ventures (included in share of results of joint ventures)	(1,668)	12,081
Loss/(Gain) on disposal of investment properties	<u>18,869</u>	<u>(21)</u>

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
The charge comprises:		
Hong Kong Profits Tax	20,468	1,605
People's Republic of China Enterprise Income Tax ("PRC EIT")	209,855	579,842
People's Republic of China Land Appreciation Tax ("LAT")	100,683	783,645
	<u>331,006</u>	<u>1,365,092</u>
Deferred taxation	(288)	13,846
	<u>330,718</u>	<u>1,378,938</u>

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2023: 16.5%) based on the estimated assessable profit for the period ended 30 June 2024, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rates regime.

For that 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% (six months ended 30 June 2023: 25%) based on the estimated assessable profit for the period.

Certain People's Republic of China (the "PRC") subsidiaries are also subject to the 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 2024 (six months ended 30 June 2023: HK\$Nil).

6. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the six months ended 30 June 2024 is based on the following data:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings:		
Profit for the period attributable to owners of the Company	<u>373,227</u>	<u>639,214</u>
	Six months ended 30 June	2023
	2024	2023
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>3,821,183,118</u>	<u>3,821,183,118</u>

The diluted earnings per share for the six months period ended 30 June 2024 and 2023 are the same as basic earnings per share as there were no potentially dilutive ordinary shares in 2024 and 2023.

7. TRANSFER TO AND FROM RESERVES

During the six months ended 30 June 2024, the Group's subsidiaries in the PRC did not appropriate any amount (six months ended 30 June 2023: RMBNil) net of non-controlling interests' share out of accumulated profits to the PRC statutory reserves, and the Group's subsidiaries did not release any amount net of non-controlling interests' share out of the PRC statutory reserves, other capital reserve and translation reserve to accumulated profits (six months ended 30 June 2023: RMB6,171,000, RMB962,000 and RMB4,478,000, 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 arising 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 period of 30 days to 90 days. The following is an ageing analysis of trade receivables net of allowance for credit losses at the end of the reporting period presented based on invoice dates:

	30 June 2024 RMB'000	31 December 2023 RMB'000
0 to 30 days	105,749	82,320
31 to 90 days	64,841	23,497
More than 90 days	<u>243,907</u>	<u>202,824</u>
Total trade receivables	414,497	308,641
Other receivables	<u>7,405,641</u>	<u>4,675,381</u>
	<u><u>7,820,138</u></u>	<u><u>4,984,022</u></u>

9. TRADE AND OTHER PAYABLES

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

	30 June 2024 RMB'000	31 December 2023 RMB'000
0 to 30 days	431,326	719,730
31 to 90 days	79,602	74,367
More than 90 days	<u>15,646,092</u>	<u>18,142,175</u>
Total trade payables	16,157,020	18,936,272
Other payables	<u>11,533,555</u>	<u>10,976,847</u>
	<u><u>27,690,575</u></u>	<u><u>29,913,119</u></u>

10. SHARE CAPITAL

	Number of ordinary shares	Amount RMB'000
Ordinary shares, issued and fully paid: At 31 December 2023 and 30 June 2024	<u>3,821,183,118</u>	<u>15,712,159</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 approximately RMB25,758,052,000 as at 30 June 2024 (31 December 2023: RMB27,693,189,000). 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 purchasers 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 2024, 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 approximately RMB6,632,812,000 (31 December 2023: RMB7,544,812,000), of which approximately RMB4,859,152,000 (31 December 2023: RMB5,132,349,000) 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 interest in a joint venture amounted to RMB22,552,752,000 (31 December 2023: RMB23,315,000,000) and RMB317,053,000 (31 December 2023: RMBNil), respectively, as at 30 June 2024.

The Group did not have any capital expenditure authorised but not contracted for as at 30 June 2024 (31 December 2023: RMBNil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the first half of 2024, the Group recorded a revenue of RMB12,457 million (corresponding period of 2023: RMB15,639 million), representing a decrease of RMB3,182 million or 20.3% when comparing with the corresponding period of last year. Profit attributable to shareholders amounted to RMB373 million (corresponding period of 2023: RMB639 million), indicating a decrease of RMB266 million or 41.6% from the corresponding period of last year. Basic and diluted earnings per share stood at RMB9.77 cents (corresponding period of 2023: RMB16.73 cents). As at 30 June 2024, shareholders' equity of the Group amounted to RMB34,208 million (31 December 2023: RMB34,100 million), indicating a 0.3% increase from last year end. Net asset value per share amounted to RMB8.95 (31 December 2023: RMB8.92).

BUSINESS REVIEW

In the first half of the year, the deepening of domestic structural adjustment brought new challenges to economic development, while the external environment became more complex and severe, with uncertainties rising significantly. The Central Government introduced a series of macro-control policies, which played a positive role in promoting the stable operation of the economy and guiding the restructuring and upgrading of industries. Gross Domestic Product (GDP) representing a year-on-year increase of 5.0% is a precious achievement, indicating that China's economy continued to recover.

The overall downward pressure on the real estate market is significant. In the first half of the year, the national real estate development investment decreased year-on-year by 10.1%, reaching the lowest level in the past year. The sales amount of newly-built commercial housing was RMB4.7 trillion, representing a year-on-year decrease of 25.0%, being only forty percent of last year's sales. In May, various departments introduced a series of major policies, including lowering required percentage of down payments and interest rates for housing loans, and supporting the government to purchase unsold homes. Key cities have loosened restrictions on purchases and household registration policies, aiming to help the property market bottom out as soon as possible.

During the period, Poly Property Group (the Group, together with its joint ventures and associates) completed a contracted sales amount of RMB28.4 billion, representing a year-on-year decrease of 24%, outperforming its peers. According to CRIC, the cumulative sales of the top 100 real estate companies from January to June decreased year-on-year by 39.5%. As of the end of June, the Group ranked 17th on the CRIC list in term of the total sales amount, an increase of 10 places from the end of last year. In a difficult market environment, sales flow and cash collection were secured through strategic investment and high-quality delivery.

The Group took a cautious approach to expansion during the year and placed greater emphasis on the quality of projects. Sluggish sales in the market, coupled with the tightened supervision of pre-sale fund, have led to greater challenges in cash flow management for real estate enterprises. On the other hand, local governments have tightened land supply to regulate market supply and demand, while enterprises have become more focused on their land acquisition, which has intensified competition. In the first half of the year, Poly Property Group acquired a total of 3 projects in Ningbo and Jinan, with newly acquired land reserve of approximately 668,000 square metres. Replenishing the high-quality saleable resources in areas that show relative resilience and brand development, helped to retain the margin of safety.

The Group fully grasped the window period of financing and actively responded to the favorable policies, obtained another RMB5 billion corporate bond quota during the period, and completed the issuance of RMB1.5 billion corporate bonds in the first half of the year, with coupon rates of 3+2 years and 5+2 years tranches as low as 2.5% and 2.8% respectively. By actively replacing existing debts, the average funding cost of the Group was reduced to 3.67%, a further reduction of 21 basis points compared with the end of last year.

The Conference of the Central Politburo held in late July proposed to implement new policies to promote the steady and healthy development of the real estate market and accelerate the construction of a new model of real estate development. It is expected that policies in the second half of the year will focus on digesting existing stocks and optimizing increments, with efforts to prevent and resolve market risks. In the process of maintaining the bottom consolidation of the industry, the Group will continue to strive for the continuous improvement of asset quality and capital structure, actively explore high-quality real estate development paths, and strive to make long-term contributions.

PROPERTY SALES

In the first half of 2024, Poly Property Group recorded contracted area sold of approximately 1,114,000 square metres, and contracted sales of approximately RMB28.4 billion in value. Poly Property Group had 127 major projects for sale, with three of them being debut projects, namely Hangzhou Jade Urban, Jinan Poly Quehua Peak Scenery and Suzhou Poly Junhua Fu.

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 2024 (RMB million)	Percentage (%)
Yangtze River Delta Region	11,245	40%
Shanghai	4,081	
Kunshan	1,746	
Changzhou	266	
Taicang	15	
Suzhou	1,405	
Changshu	12	
Ningbo	1,735	
Ninghai	276	
Hangzhou	1,709	
Pearl River Delta Region	3,615	13%
Guangzhou	1,746	
Foshan	557	
Shenzhen	1,115	
Huizhou	197	
Southwestern Region	2,268	8%
Guiyang	249	
Zunyi	14	
Nanning	1,346	
Liuzhou	84	
Kunming	575	
Other Regions	5,100	18%
Wuhan	696	
Harbin	200	
Mudanjiang	11	
Jinan	3,187	
Yantai	153	
Weihai	193	
Zibo	44	
Weifang	4	
Tai'an	85	
Wanning	525	
Hong Kong	6,216	22%
Hong Kong	6,216	
Total	28,443	100%

Notes:

1. Contracted sales include car park 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 2024, subject to construction progress and market conditions, Poly Property Group plans to launch 6 new projects which include Shanghai Yang Pu Project, Suzhou Jinxi Street Project, Ningbo Hai Shu Project, Ningbo Lianhu Road Project, Jinan Western CBD Project and Jinan Cultural and Tourism City Project.

NEWLY COMMENCED CONSTRUCTION

In the first half of 2024, Poly Property Group commenced construction on a total of 6 new projects with a gross floor area of approximately 667,000 square metres. Among which, 3 projects commenced construction for the first time, namely, Suzhou Jinxi Street Project, Ningbo Lianhu Road Project and Jinan Poly Quehua Peak Scenery.

Project	Gross Floor Area of Newly Commenced Construction <i>(’000 square metres)</i>	Interests Attributable to the Group <i>(%)</i>
Shanghai Poly Center Manor	150	51%
Suzhou Jinxi Street Project	119	40%
Ningbo Lianhu Road Project	206	60%
Guiyang Poly Bright Moon on Top	82	100%
Jinan Poly Quehua Peak Scenery	83	51%
Wanning Poly Peninsula No.1	27	100%
Total	667	

RECOGNISED PROPERTY SALES

In the first half of 2024, the Group recognised a total sales value of approximately RMB11,389 million and a total gross floor area of approximately 674,000 square metres. Details of recognised property sales as follows:

Region and City	Sales Recognised in the First Half of 2024 (RMB million)	Percentage (%)
Yangtze River Delta Region	4,471	39%
Shanghai	618	
Changzhou	823	
Suzhou	505	
Changshu	8	
Ningbo	2,465	
Hangzhou	51	
Pearl River Delta Region	2,924	26%
Guangzhou	826	
Foshan	620	
Shenzhen	1,377	
Huizhou	102	
Southwestern Region	2,721	24%
Guiyang	282	
Zunyi	14	
Nanning	1,892	
Liuzhou	70	
Kunming	463	
Other Regions	1,270	11%
Wuhan	431	
Harbin	166	
Mudanjiang	10	
Jinan	342	
Yantai	118	
Weihai	21	
Zibo	56	
Tai'an	112	
Wanning	15	
Hong Kong	2	0%
Hong Kong	2	
Total	11,389	

Note:

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

NEW LAND RESERVES

In the first half of 2024, Poly Property Group acquired three new projects, which are located in Ningbo and Jinan. The planned total gross floor area of the new projects amounted to approximately 668,000 square metres with land cost at a reasonable level.

New Projects	Planned Property Type	Total Site Area (<i>'000 square metres</i>)	Planned Total	Interests
			Gross Floor Area (<i>'000 square metres</i>)	Attributable to the Group (%)
Ningbo Lianhu Road Project	Residential and Commercial	66	206	60%
Jinan Western CBD Project	Residential and Commercial	12	66	30%
Jinan Cultural and Tourism City Project	Residential and Commercial	108	395	34%
Total		186	668	

Ningbo Lianhu Road Project

The project is located in the East New Town, Ningbo, which is the new political, financial and exhibition centre of the city. It is approximately 200 metres away from the Donghuan South Road Station of Metro Line 1, offering convenient transportation. The surrounding development is mature, with comprehensive education, medical and commercial facilities, ensuring a perfect living environment. The project, with a planned total gross floor area of approximately 206,000 square metres, is intended to be developed into high-rise residential buildings.

Jinan Western CBD Project

The project is located in the CBD area of Lixia District, Jinan, neighbouring the Second Ring East Road in the east and Jiefang East Road in the north, both of which are iconic trunk roads, enjoying convenient transportation. Jinan's key schools, Dianliu No.1 Primary School and Dianliu No.1 Middle School, are both located on the west side of the project, and with complete commercial and medical facilities in the vicinity and high convenience in life. There are landscape resources such as Quanfu River, Yanchi Mountain, Maoling Mountain and Baihua Park around the project, enjoying an advantageous geographical position. The project, with a planned total gross floor area of approximately 66,000 square metres, is intended to be developed into high-rise residential buildings.

Jinan Cultural and Tourism City Project

The project is located in Lianhuashan area of Licheng District, Jinan, about 1 kilometer away from Jingshi Road and Lyuyou Road, both of which are the iconic transportation trunk roads in Jinan, making transportation convenient. The surrounding development is relatively mature, with complete educational, commercial and medical facilities. The project is surrounded by landscape resources such as Hancang River, Fenghuangshan Mountain and Lianhuashan Mountain Park, providing a prime geographical location. The project, with a planned total gross floor area of approximately 395,000 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 669,000 square metres and asset value of approximately RMB8,741 million.

Location	Major Investment Properties and Hotels	Gross Floor Area Held ('000 square metres)	Interests Attributable to the Group (%)	Property Type
Investment properties				
Beijing	Beijing Poly Plaza	15	75%	Office
Shanghai	Shanghai Poly Plaza (partial)	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 2024, the Group's property management companies recorded revenue of RMB586 million in aggregate, representing an increase of 3.0% when comparing with the corresponding period of last year. The companies managed a total of 285 property projects with a gross floor area under management of approximately 50,530,000 square metres, representing an increase of 1.8% when comparing with the corresponding period of last year.

FINANCIAL REVIEW

Liquidity and Capital Structure

As at 30 June 2024, total equity attributable to shareholders of the Company amounted to RMB34,208,406,000 (31 December 2023: RMB34,100,270,000), while the net asset value per share was RMB8.95 (31 December 2023: RMB8.92). As at 30 June 2024, the Group's gearing ratio (on the basis of the amount of total liabilities divided by the amount of total assets) was 78.2% (31 December 2023: 78.1%).

As at 30 June 2024, the Group had an outstanding bank and other borrowings (including the notes payable) of RMB74,593,233,000. In terms of maturity, the outstanding bank and other borrowings (including notes payable) can be divided into RMB22,620,929,000 (30.3%) to be repaid within one year, RMB20,675,406,000 (27.7%) to be repaid after one year but within two years, RMB21,840,537,000 (29.3%) to be repaid after two years but within five years, RMB9,456,361,000 (12.7%) to be repaid after five years. In terms of currency denomination, the outstanding bank and other borrowings (including the notes payable) can be divided into RMB65,312,304,000 (88%) in Renminbi, RMB3,549,000,000 (5%) in United State dollars, and RMB5,731,929,000 (7%) 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 2024, the Group had a net current assets of RMB75,435,909,000 and total bank balances of RMB33,717,688,000 (31 December 2023: RMB77,146,991,000 and RMB31,858,360,000, 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 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
Investment properties	6,319,726	5,008,576
Hotel properties	1,670,000	1,280,000
Buildings	120,847	90,970
Right-of-use assets	210,868	123,139
Properties under development	20,792,155	26,817,016
Properties held for sale	1,057,945	164,296
Bank deposits	127,425	226,443
	<u>30,298,966</u>	<u>33,710,440</u>

In addition to above pledge of assets, at 30 June 2024 and 31 December 2023, 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 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	39,924,127	43,069,200
Total liabilities	<u>(39,582,903)</u>	<u>(42,764,844)</u>
Net assets value	<u>341,224</u>	<u>304,356</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 RMB25,758,052,000 as at 30 June 2024 (31 December 2023: RMB27,693,189,000). 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 purchasers 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 2024, 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 RMB6,632,812,000 (31 December 2023: RMB7,544,812,000), of which RMB4,859,152,000 (31 December 2023: RMB5,132,349,000) had been utilised by these associates and joint ventures.

EMPLOYEES

As at 30 June 2024, the Group employed 6,124 (30 June 2023: 8,848) employees with remuneration for the period amounted to approximately RMB358,380,000. 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 OPTION SCHEME

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 Share Option Scheme was valid and effective for a period of 10 years commencing on the adoption date of 28 May 2014 and expiring on 27 May 2024.

During the six months ended 30 June 2024, no option was granted under the Share Option Scheme.

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

During the six months period ended 30 June 2024, 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 C1 to the Listing Rules (the “CG Code”), other than code provisions C.2.1 and F.2.2 of the CG Code. The reasons for deviation from such provisions are explained below:

Under code provision C.2.1 of the CG Code, the roles of chairman and managing director should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the managing director has been established and adopted by the Company in writing in accordance with code provision C.2.1. However, due to work rearrangements, Mr. Wang Jian resigned as the managing director and executive director of the Board of Directors of the Company on 3 November 2023, and his daily management work was temporarily performed by the Chairman of the Board of Directors of the Company with the assistance of various centers (offices and departments) of the Group. Following the resignation of Mr. Wang Jian, the Company had been actively identifying suitable candidates, and appointed Mr. Hu Zaixin as the managing director and executive director of the Board of Directors of the Company on 14 March 2024 to fill the casual vacancy arising from the resignation of Mr. Wang Jian as managing director.

Under code provision F.2.2 of the CG Code, the chairman of the board should attend annual general meetings. Due to ill-health, Mr. Wan Yuqing, the Chairman of the Company, was unable to attend the annual general meeting of the Company held on 13 June 2024. Mr. Hu Zaixin 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 C3 TO THE LISTING RULES

The Company has adopted the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “Model Code”) for the purpose of the code of conduct regarding directors’ securities transactions during the six months ended 30 June 2024. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Model Code for the six months ended 30 June 2024.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) presently comprises one non-executive director, namely Mr. Chen Yuwen and four independent non-executive directors, namely Miss Leung Sau Fan, Sylvia (as Chairlady), Mr. Fung Chi Kin, Mr. Wong Ka Lun and Mr. Ng Kim Lam.

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 2024. The Audit Committee has approved the unaudited interim financial statements.

EVENTS AFTER THE REPORTING PERIOD

From 30 June 2024 to the date of this announcement, there were no significant 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 Hong Kong Exchanges and Clearing Limited. The 2024 Interim Report will also be available at the Company’s website and the website of Hong Kong Exchanges and Clearing Limited and will be despatched to shareholders of the Company in September 2024.

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

Hong Kong, 29 August 2024

As at the date of this announcement, the executive directors of the Company are Mr. Wan Yuqing, Mr. Hu Zaixin and Mr. Ye Liwen, the non-executive director of the Company is Mr. Chen Yuwen, and the independent non-executive directors of the Company are Mr. Fung Chi Kin, Miss Leung Sau Fan, Sylvia, Mr. Wong Ka Lun and Mr. Ng Kim Lam.