



保利置业

POLY PROPERTY

Poly Property Group Co., Limited

保利置業集團有限公司

Stock Code: 119

心保利悦万家

Poly Brings You Joyful *Living*

INTERIM REPORT 2016



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CORPORATE INFORMATION

Board of Directors

Executive directors

XUE Ming (*Chairman*)

HAN Qingtao (*Managing Director*)

WANG Xu

YE Liwen

ZHU Weirong

(Appointed on 8th August, 2016)

Non-executive director

IP Chun Chung, Robert

Independent non-executive directors

CHOY Shu Kwan

LEUNG Sau Fan, Sylvia

WONG Ka Lun

Audit Committee

LEUNG Sau Fan, Sylvia (*Chairlady*)

IP Chun Chung, Robert

CHOY Shu Kwan

WONG Ka Lun

Remuneration Committee

WONG Ka Lun (*Chairman*)

CHOY Shu Kwan

LEUNG Sau Fan, Sylvia

HAN Qingtao

Risk Management Committee

CHOY Shu Kwan (*Chairman*)

IP Chun Chung, Robert

LEUNG Sau Fan, Sylvia

WONG Ka Lun

HAN Qingtao

YE Liwen

Company Secretary and Authorized Representative

POON Man Man

Legal Adviser

Ashurst Hong Kong

Auditor

Shu Lun Pan Union (HK) CPA Limited

Principal Bankers

Agricultural Bank of China Limited

Bank of China Limited

China CITIC Bank International Limited

China Construction Bank Corporation

China Construction Bank (Asia)

Corporation Limited

China Everbright Bank Co Ltd

Chong Hing Bank Limited

DBS Bank Ltd

Dah Sing Bank Limited

Hang Seng Bank Limited

Industrial and Commercial Bank of

China Limited

Industrial and Commercial Bank of China

(Asia) Limited

Malayan Banking Berhad

Shanghai Commercial Bank Limited

The Bank of East Asia Limited

Investor Relations Consultant

DLK Advisory Limited

Share Registrar and Transfer Office

Computershare Hong Kong

Investor Services Limited

Shops 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East, Hong Kong

Registered Office

Room 2503, Admiralty Centre, Tower 1

18 Harcourt Road, Hong Kong

Company Website

www.polyhongkong.com

For the first half of 2016, Poly Property Group Co., Limited and its subsidiaries (“the Group”) recorded a consolidated turnover of HK\$9,992 million (corresponding period of 2015: HK\$7,489 million), representing an increase of HK\$2,503 million or 33.4% when comparing with the corresponding period of last year. Profit attributable to shareholders amounted to HK\$59 million during the period (corresponding period of 2015: HK\$103 million), indicating a HK\$44 million or 43% decrease from the corresponding period of 2015. Basic and diluted earnings per share stood at HK1.60 cents (corresponding period of 2015: HK2.81 cents), which marked a drop of HK1.21 cents or 43% from the corresponding period of last year. As at 30th June, 2016, shareholders’ equity remained stable at HK\$25.4 billion (31st December, 2015: HK\$25.6 billion), while net asset value per share dropped slightly by 0.7% to HK\$6.93 (31st December, 2015: HK\$6.98) when comparing with the end of last year.

Business Review

While further advancing the process of new-type urbanization, the Central Government continued to adopt a relaxed stance regarding the property market during the first half of 2016, as reflected in its national policies. Policies such as adjusting the mortgage down payments, reducing tax liabilities, and encouraging property rental have all contributed to the easing of high inventory level in the property market. To further complement the inventory reduction strategy, a range of national stimulus policies were announced. Notably, the People’s Bank of China (the “Central Bank”) has lowered the mortgage down payment ratio to 20% for first property purchase, and 30% for second property purchase, at cities that were not subject to property purchase restrictions. In addition, the Ministry of Finance, State Administration of Taxation and the Ministry of Housing and Urban-Rural Development, jointly announced that the deed tax and business tax for properties purchased by individuals would be reduced, demonstrating their support on the spending on residential properties. Meanwhile, local governments have also worked in tandem by launching “creative and constructive” policies, which were customized to their immediate economic environment, as a way to further boost the property market.

During the period, the Central Bank has maintained its policy of loose credit, announcing the lowering of RMB deposit reserve ratio of financial institutions by 0.5 percentage points, and as a result, the amount of RMB loans in the first quarter of 2016 increased by RMB930.1 billion when comparing with the corresponding period in 2015, reaching RMB4,610 billion in total. With majority of the money flowing into the property market, it soon became the key growth driver.

As the easing policies on the property and capital market directly driving demand, the number of transactions has quickly rebounded, with various performance indicators pointing towards continuous improvement. Among them, the growth rate in development investment, as well as the GFA of new construction, have bottomed out and started to increase, while most cities, especially those first-and-second tier hotspots, recorded an increase in transaction volume during the period when comparing to the corresponding period in 2015. As inventory in these hotspots continued to decrease, the market was in a state of undersupply and hence, leading to the rising land and property prices.

The Group has been closely monitoring market conditions, and was able to seize the opportunities arose from the easing policies through the implementation of a proactive sales strategy, achieving steady contracted sales growth as a result. Under the annual theme of “Poly Brings You Joyful Living” (心保利•悅萬家), the Group hosted promotional activities in various regions during 2016. Nationwide online marketing campaigns such as “Virtual Walkthrough on Taobao” (淘寶微房展) and “UEFA Euro Carnival” (歐洲杯嘉年華) were also introduced through the Internet and WeChat, providing a platform for coordinated marketing efforts across regions. Such online marketing campaigns have successfully elevated brand image and eventually yielding an improvement in overall sales and inventory clearance.

Meanwhile, the Group has conducted timely review on its future development and positioning in order to adapt to the ever-changing property market. Regarding the investments in land reserves, the Group has established an investment strategy which placed a strong emphasis on first-tier cities as well as major second-tier cities. Project wise, the Group was able to exert stringent control over the development progress of each stage. On the other hand, the Group would maintain its prudent financial policies in managing its overall debt level, as it was actively engaged in replacing high-cost loans with lower-cost ones on the basis of not affecting the financial position. Through the act of debt replacement, the Group has continuously lowered the average cost of borrowings from financial institutions.

At present, the structural problem of regional disparity in the property market remained critical, as first-tier cities and certain major second-tier cities continued to see robust demand with rising property prices, while third-tier and fourth-tier cities were still subject to serious oversupply issues. Looking ahead to the second half of 2016, the Group expects that “policy by city” would become the main feature in the macro-control of the property market. Measures such as price controls, credit tightening and purchase restrictions are expected to be implemented among first-and-second-tier cities to curb speculative investments. For third-and-fourth-tier cities, their policies focus would remain on inventory reduction, and measures to boost spending on residential housing. Policies such as the lifting of loan limits and the grant of financial subsidies, could be introduced.

To address the sophisticated property market, the Group would continue to apply its general principle of “Inventory Clearance , Investment Control, Risk Prevention and Efficacy Enhancement in An Innovative Way to Boost Sustainable Growth” to the work plan for the year, channeling focus into the key aspects of our work with dedicated implementation, in order to fulfill our operation and development targets.

In view of the constantly changing market, the Group will also make vigorous efforts in pursuing business upgrades and transformation. Considering the trend of increasing emphasis on value-added services from consumers, strategic engagement in sectors such as traditional financial services, asset management and property services are considered to be effective ways of raising value. As such, the Group will actively explore opportunities in the aforementioned sectors, with the view of diversifying its revenue source in order to forge a more solid business platform.

Property Sales

In the first half of 2016, Poly Property Group (including Poly Property Group Co., Limited, its subsidiaries, joint ventures and associates) recorded a contracted sales area of approximately 1,440,000 square metres, or approximately RMB17.0 billion in value, achieving 61% of its annual sales target of RMB28.0 billion set out at the beginning of the year.

During the period, Poly Property Group had a total of 58 projects for sale, with 4 of them being debut projects, including Guangzhou Poly Gratified West Bay, Guangzhou Poly Jade Hills, Weihai Poly Maple Valley and Shanghai Poly Greenland Plaza. Standalone projects with contracted sales of over RMB1 billion included Shanghai Poly Phili Regency, Shenzhen Poly Joy-Zone and Wuhan Poly City.

The contracted sales of properties in the Yangtze River Delta Region, the Pearl River Delta Region, Southwestern Region and Other Regions accounted for 34%, 23%, 20% and 23% of the total contracted sales respectively.

Region and Respective Projects	Contracted Sales for the First Half of 2016* (RMB million)	Percentage of Total Contracted Sales
Yangtze River Delta Region	5,821	34%
Shanghai	3,774	
Suzhou	1,316	
Ningbo	567	
Deqing	164	
Pearl River Delta Region	3,814	23%
Guangzhou / Foshan	2,250	
Shenzhen / Huizhou	1,564	
Southwestern Region	3,444	20%
Guiyang / Zunyi	2,214	
Nanning	973	
Liuzhou	169	
Kunming	88	
Other Regions	3,932	23%
Wuhan	1,238	
Harbin	1,158	
Jinan	1,005	
Yantai / Weihai	430	
Hainan	101	
Total:	17,011	100%

*Note: including the sales of car parking spaces

MANAGEMENT DISCUSSION AND ANALYSIS

In the second half of 2016, Poly Property Group would consider to introduce 4 new projects to the market for sale, including Wuhan Poly Up Town, Kunming Poly One Family One World, Nanning Poly Dream River and Hong Kong Kai Tak Project, depending on market conditions and construction progress.

Newly Commenced Construction

In the first half of 2016, Poly Property Group commenced construction on 12 existing projects with a GFA of approximately 1,879,000 square metres. No new project commenced construction during the period. As at 30th June, 2016, Poly Property Group held a total of 39 projects under construction, with a total GFA of approximately 9,450,000 square metres.

Project	Gross Floor Area of Newly Commenced Construction (‘000 square metres)	Interests Attributable to the Group
Suzhou Poly West Bank Villa	22	100%
Ningbo Poly Wonderland	82	100%
Guangzhou Poly Gratified West Bay	24	55%
Guiyang Poly Phoenix Bay	6	51%
Zunyi Poly Metropolis of Future	129	35%
Nanning Poly Town	219	41.5%
Kunming Poly One Family One World	652	73%
Wuhan Poly City	273	68%
Harbin Poly City	241	100%
Jinan Poly Center	153	85%
Jinan Poly Elegant Garden	40	80%
Weihai Poly Maple Valley	38	70%
Total:	1,879	

Recognised Property Sales

In the first half of 2016, the Group recognised a total sales of RMB8,159 million from property development, with a gross floor area of approximately 796,200 square metres. The breakdown of the recognised sales from each project is as follows:

Region with Respective Projects	Sales Recognised in the First Half of 2016 (RMB million)	Percentage of Total Recognised Sales
Yangtze River Delta Region	2,915	36%
1. Shanghai Poly Royal Garden	217	
2. Shanghai Poly Town	8	
3. Shanghai Poly Lakeside Garden	46	
4. Shanghai Poly Star Island	1,180	
5. Shanghai Poly Elegant Mansion	117	
6. Shanghai Poly Grace Garden	66	
7. Shanghai Poly Villa Garden	5	
8. Shanghai Poly Felicity	5	
9. Suzhou Poly West Bank Villa	388	
10. Suzhou Poly Lake Mansion	295	
11. Ningbo Poly City	320	
12. Ningbo Poly Jordan International	112	
13. Deqing Poly Origin	156	
Pearl River Delta Region	2,743	34%
14. Guangzhou Poly City	17	
15. Guangzhou Poly Golf Shire	72	
16. Guangzhou Poly Zephyr City	6	
17. Guangzhou Poly Up House	784	
18. Foshan Poly Cullinan Garden	75	
19. Foshan Poly Prestige City	314	
20. Foshan Poly Central Park	1,054	
21. Shenzhen Poly Up Town	56	
22. Huizhou Poly Sunshine Town	208	
23. Huizhou Poly Deutch Kultur	157	

MANAGEMENT DISCUSSION AND ANALYSIS

Region with Respective Projects	Sales Recognised in the First Half of 2016 (RMB million)	Percentage of Total Recognised Sales
Southwestern Region	1,491	18%
24. Nanning Poly Sincere Garden	9	
25. Nanning Poly City	28	
26. Nanning Poly Aegean Sea	493	
27. Nanning Poly Landscape	7	
28. Nanning Poly Upper House	2	
29. Nanning Poly Crescendo	157	
30. Liuzhou Poly Merization World	113	
31. Guiyang Poly Spring Street	8	
32. Guiyang Poly Hot Spring Newisland	23	
33. Guiyang Poly International Center	2	
34. Guiyang Poly Park 2010	230	
35. Guiyang Poly Phoenix Bay	146	
36. Guiyang Poly The Place of A Lake	8	
37. Zunyi Poly Metropolis of Future	152	
38. Kunming Poly Lakeside Mansion	37	
39. Kunming Poly Sky and Earth	75	
40. Others	1	
Other Regions	1,010	12%
41. Wuhan Poly Blue Ocean District	179	
42. Wuhan Poly City	18	
43. Poly Harbin Contemporary No. 9 Park Life	2	
44. Harbin The Tsinghua Summer Palace of Poly	25	
45. Harbin Poly The Water's Fragrant Dike	146	
46. Harbin Poly Up Town	68	
47. Jinan Poly Hyde Mansion	176	
48. Jinan Poly Garden	2	
49. Jinan Poly Center	7	
50. Jinan Poly Elegant Garden	33	
51. Weihai Poly Triumph Mansion	147	
52. Yantai Poly Champs Elysees Mansion	70	
53. Yantai Poly Blossom Garden	33	
54. Hainan Poly Peninsula No.1	102	
55. Others	2	
Total:	8,159	100%

New Land Reserves

In the first half of 2016, Poly Property Group adhered to its prudent investment strategies and acquired only one piece of land located in Kunming, with a total site area of approximately 92,000 square metres as well as a planned gross floor area of approximately 652,000 square metres. The cost of land was considered to be at a reasonable level.

Land Reserve	Planned Property Type	Total Site Area (square metres)	Total Planned Gross Floor Area (square metres)	Interests Attributable to the Group
Kunming Poly One Family One World	Commercial, Residential & Offices	92,000	652,000	73%
Total:		92,000	652,000	

Kunming Poly One Family One World

The project is located in the west side of the central area of Wuhua District in Kunming, or east of Kunming Advanced New Technology Park, which would become the sub-business center of Wuhua District in the future. The project, with a planned gross floor area of approximately 652,000 square metres on a site of approximately 92,000 square metres, is planned to be a flagship community living project in Kunming mainly targeting first-time buyers and first-time upgrade buyers.

Investment Properties

Poly Property Group has various investment properties and hotels located in first-tier cities and second-tier provincial capitals with a total GFA of approximately 540,000 square metres; of which approximately 500,000 square metres are attributable to Poly Property Group.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2016, the occupancy rates for the Group's office buildings and shopping malls remained steady, reaching higher occupancy rates and rental rates when comparing with the corresponding period of last year. Regarding the hotel operations, Beijing Poly Plaza, Hubei Poly Hotel and Regal Poly Guiyang Hotel have also performed reasonably well on the occupancy front.

Location	Project	Gross Floor Area ('000 square metres)	Interests	
			Attributable to the Group	Property Type
Beijing	Beijing Poly Plaza	95	75%	Office building, hotel and a theatre
Shanghai	Shanghai Stock Exchange Building (partial)	48	100%	Office building
Shanghai	Shanghai Poly Plaza (partial)	61	90%	Office and commercials
Shenzhen	Shenzhen Poly Cultural Plaza (partial)	133	100%	Shopping mall and theatre
Wuhan	Poly Hotel	34	100%	Hotel
Wuhan	Wuhan Poly Plaza (partial)	130	100%	Office and commercials
Guiyang	Regal Poly Guiyang Hotel	39	66.5%	Hotel
Total:		540		

Property Management

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

In the first half of 2016, the Group's property management companies recorded a total revenue of RMB261,526,000, representing an increase of 31.58% when comparing with the corresponding period of last year. The companies managed a total of 133 property projects, including office buildings, hotels, shopping malls, villas and private residences. The projects have an aggregate gross floor area of 27,380,000 square metres, representing an increase of 12.24% when comparing with the corresponding period of last year.

FINANCIAL REVIEW

Liquidity and Capital Structure

As at 30th June, 2016, the shareholders' equity of the Group amounted to HK\$25,368,897,000 (31st December, 2015: HK\$25,560,015,000), while the net asset value per share was HK\$6.93 (31st December, 2015: HK\$6.98). As at 30th June, 2016, the Group's gearing ratio (on the basis of the amount of total liabilities divided by total assets) was 78.3% (31st December, 2015: 77.3%).

As at 30th June, 2016, the Group had outstanding bank and other borrowings (including the notes payable) of HK\$55,650,843,000. In terms of maturity, the outstanding bank and other borrowings (including the notes payable) can be divided into HK\$21,663,448,000 (39%) to be repaid within one year, HK\$17,490,318,000 (31%) to be repaid after one year but within two years, HK\$14,676,606,000 (26%) to be repaid after two years but within five years and HK\$1,820,471,000 (4%) 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\$45,410,049,000 (81%) in Renminbi, HK\$7,017,258,000 (13%) in United State dollars and HK\$3,223,536,000 (6%) in Hong Kong dollars.

49.9% of the bank and other borrowings (including the notes payable) of the Group are subject to fixed interest rates and the remaining 50.1% 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 30th June, 2016, the Group had net current assets of HK\$47,191,825,000 and total bank balances of HK\$21,361,474,000 (31st December, 2015: HK\$49,369,077,000 and HK\$18,348,554,000, respectively). With the available banking facilities and cash revenue from business operations, it is believed that the Group has sufficient resources to meet the foreseeable working capital demands and capital expenditure.

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, United State dollars and Renminbi. 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 State dollars is relatively stable. On the other hand, due to recent devaluation of Renminbi exchange rate against Hong Kong dollars, the Group would closely monitors the fluctuation and adopt policy to minimise exchange rate risks, if necessary.

Pledge of Assets

As at 30th June, 2016, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	30th June, 2016 HK\$'000	31st December, 2015 HK\$'000
Investment properties	4,560,038	4,532,142
Hotel properties	532,118	503,929
Buildings	102,675	104,254
Prepaid lease payments	253,761	191,321
Properties under development	17,848,047	17,782,220
Properties held for sale	2,519,681	1,319,957
Bank deposits	489,602	440,437
	26,305,922	24,874,260

In addition to above pledge of assets, as at 30th June, 2016, the Group's interests in certain subsidiaries were pledged to secure credit facilities granted to the Group. The details of net asset value of subsidiaries are as follows:

	30th June, 2016 HK\$'000	31st December, 2015 HK\$'000
Total assets	12,671,129	12,498,665
Total liabilities	(11,648,928)	(11,466,405)
	1,022,201	1,032,260

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

Contingent Liabilities

The Group arranged mortgage loan facilities with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayment. The maximum guarantees given to banks amounted to HK\$30,854,025,000 as at 30th June, 2016 (31st December, 2015: HK\$22,704,939,000). Such guarantees will terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgage loans by the buyers of the properties. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loan guaranteed by the Group in the event the purchasers default payments to the banks.

At 30th June, 2016, 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\$766,705,000 (31st December, 2015: HK\$1,827,619,000) and HK\$941,176,000 (31st December, 2015: HK\$952,381,000), respectively, of which HK\$766,705,000 (31st December, 2015: HK\$1,827,619,000) and HK\$941,176,000 (31st December, 2015: HK\$952,381,000) had been utilised by the associates and joint ventures, respectively.

EMPLOYEES

As at 30th June, 2016, the Group employed 11,874 (30th June, 2015: 10,851) employees with remuneration for the period amounted to approximately HK\$525 million. The Group provides its employees with various benefits including year-ended double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. Employee training is also provided as and when required.

INTERIM RESULTS

The directors (the "Directors/Board") of Poly Property Group Co., Limited (the "Company") hereby announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2016 with comparative figures for the six months ended 30th June, 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30th June,	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	2	9,992,147	7,489,404
Cost of sales		(8,273,084)	(6,216,323)
Gross profit		1,719,063	1,273,081
Other gains, net		172,577	269,019
Selling expenses		(265,029)	(296,214)
Administrative expenses		(552,162)	(488,464)
Other operating expenses		(130,880)	(80,830)
Increase in fair value of investment properties		105	513,202
Finance costs		(367,421)	(476,205)
Share of results of associates		(2,962)	(6,628)
Share of results of joint ventures		(10,827)	899
Profit before taxation	3	562,464	707,860
Income tax expense	4	(416,647)	(390,975)
Profit for the period		145,817	316,885
Attributable to:			
Owners of the Company		58,602	102,769
Holders of perpetual capital instruments		51,911	74,666
Non-controlling interests		35,304	139,450
		145,817	316,885
Dividends	5	—	278,277
Earnings per share	6		
— Basic		1.60 cents	2.81 cents
— Diluted		1.60 cents	2.81 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th June,	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Profit for the period	145,817	316,885
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	(275,165)	–
Change in fair value of available-for-sale investments	(4,754)	(317)
	(279,919)	(317)
Items that will not be reclassified to profit or loss:		
Surplus arising on revaluation of properties	(97,751)	33,265
Other comprehensive income before tax effect	(377,670)	32,948
Deferred tax liability arising on revaluation of properties	24,438	(8,317)
Other comprehensive income for the period, net of tax	(353,232)	24,631
Total comprehensive income for the period	(207,415)	341,516
Attributable to:		
Owners of the Company	(191,118)	122,175
Holders of perpetual capital instruments	37,470	74,666
Non-controlling interests	(53,767)	144,675
	(207,415)	341,516

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30th June, 2016 HK\$'000 (Unaudited)	31st December, 2015 HK\$'000 (Audited)
Non-Current Assets			
Investment properties	8	10,956,752	11,095,284
Property, plant and equipment	8	1,943,687	2,118,470
Prepaid lease payments — non-current portion		336,674	346,172
Goodwill		254,994	281,331
Interests in associates		270,842	277,064
Interests in joint ventures		2,036,410	1,369,744
Available-for-sale investments		313,466	116,331
Deposits paid for acquisition of land use rights		599,071	960,518
Deposits paid for acquisition of subsidiaries		235,294	238,095
Deferred tax assets		398,381	404,150
		17,345,571	17,207,159
Current Assets			
Properties under development		58,714,759	60,504,098
Properties held for sale		23,142,717	23,753,872
Other inventories		194,642	146,835
Trade and other receivables	9	3,999,727	3,843,983
Prepaid lease payments — current portion		10,816	10,927
Amounts due from associates	10	1,360,178	329,625
Amounts due from joint ventures	11	4,437,897	3,148,682
Amounts due from non-controlling shareholders of subsidiaries		777,731	780,518
Taxation recoverable		1,917,478	1,504,280
Pledged bank deposits		489,602	440,437
Bank balances, deposits and cash		20,871,872	17,908,117
		115,917,419	112,371,374

CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION

	Notes	30th June, 2016 HK\$'000 (Unaudited)	31st December, 2015 HK\$'000 (Audited)
Current Liabilities			
Trade and other payables	12	11,452,998	13,594,948
Pre-sale deposits		29,958,357	24,423,105
Property rental deposits		142,899	118,266
Amount due to a joint venture	11	—	12,450
Amount due to the ultimate holding company	13	30,274	22,488
Amount due to an intermediate holding company	13	3,284	26,859
Amounts due to fellow subsidiaries	14	1,894,483	2,468,125
Amounts due to non-controlling shareholders of subsidiaries		2,386,038	2,903,925
Taxation payable		1,193,813	1,626,685
Bank and other borrowings — due within one year	15	21,663,448	17,805,446
		68,725,594	63,002,297
Net Current Assets			
		47,191,825	49,369,077
Total Assets Less Current Liabilities			
		64,537,396	66,576,236
Capital and Reserves			
Share capital	16	17,685,677	17,685,677
Reserves		7,683,220	7,874,338
Equity attributable to owners of the Company		25,368,897	25,560,015
Perpetual capital instruments	17	884,326	1,227,472
Non-controlling interests		2,625,774	2,638,461
Total Equity			
		28,878,997	29,425,948
Non-Current Liabilities			
Bank and other borrowings — due after one year	15	30,087,395	31,538,386
Notes payable	18	3,900,000	3,900,000
Loan from a fellow subsidiary		211,765	214,286
Deferred tax liabilities		1,459,239	1,497,616
		35,658,399	37,150,288
		64,537,396	66,576,236

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2016

	Attributable to owners of the Company													
	Share capital HK\$'000	Share option reserve HK\$'000	Hotel properties revaluation reserve HK\$'000	Translation reserve HK\$'000	PRC statutory reserves HK\$'000	Investment revaluation reserve HK\$'000	Other capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Other reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Perpetual capital instruments HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1st January, 2016	17,685,677	-	144,873	557,656	1,333,505	(36,360)	306,899	22,054	(285,195)	5,830,906	25,560,015	1,227,472	2,638,461	29,425,948
Total comprehensive income for the period	-	-	(55,481)	(189,485)	-	(4,754)	-	-	-	58,602	(191,118)	37,470	(53,767)	(207,415)
Distribution to holders of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	-	(40,651)	-	(40,651)
Redemption of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	-	(339,965)	-	(339,965)
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	41,080	41,080
At 30th June, 2016	17,685,677	-	89,392	368,171	1,333,505	(41,114)	306,899	22,054	(285,195)	5,889,508	25,368,897	884,326	2,625,774	28,878,997

For the six months ended 30th June, 2015

	Attributable to owners of the Company													
	Share capital HK\$'000	Share option reserve HK\$'000	Hotel properties revaluation reserve HK\$'000	Translation reserve HK\$'000	PRC statutory reserves HK\$'000	Investment revaluation reserve HK\$'000	Other capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Other reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Perpetual capital instruments HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1st January, 2015	17,677,143	1,099	119,506	1,682,955	1,316,011	(16,078)	306,899	16,161	(285,195)	8,943,826	29,762,327	998,696	3,338,192	34,099,215
Total comprehensive income for the period	-	-	13,458	-	-	(317)	-	6,265	-	102,769	122,175	74,666	144,675	341,516
Exercise of share options	8,534	(1,099)	-	-	-	-	-	-	-	-	7,435	-	-	7,435
Dividends paid	-	-	-	-	-	-	-	-	-	(278,277)	(278,277)	-	-	(278,277)
Dividends paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(631,646)	(631,646)
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	13,820	13,820
Release upon dissolution of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(30,994)	(30,994)
Issue of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	-	267,127	-	267,127
At 30th June, 2015	17,685,677	-	132,964	1,682,955	1,316,011	(16,395)	306,899	22,426	(285,195)	8,768,318	29,613,660	1,340,489	2,834,047	33,788,196

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30th June,	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net cash generated from (used in) operating activities	4,391,166	(654,379)
Net cash used in investing activities	(3,375,499)	(557,531)
Net cash generated from financing activities	2,047,022	3,455,329
Net increase in cash and cash equivalents	3,062,689	2,243,419
Cash and cash equivalents at beginning of the period	17,908,117	16,236,973
Effect of exchange rate changes on cash and cash equivalents	(98,934)	–
Cash and cash equivalents at end of the period	20,871,872	18,480,392
Analysis of the balance of cash and cash equivalents, represented by — bank balances, deposits and cash	20,871,872	18,480,392

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements has 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 has been prepared in accordance with the same accounting policies adopted in the most recent consolidated financial statements for the year ended 31st December, 2015, except for the changes in accounting policy made when the Group initially applies financial reporting standards newly applicable to the annual accounting period beginning on 1st January, 2016.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the most recent consolidated financial statements for the year ended 31st December, 2015. 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 (“HKFRS”).

The financial information relating to the financial year ended 31st December, 2015 that is included in this interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31st December, 2015 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:

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Presentation of financial statements: Disclosure initiative

The initial application of the above amendments to HKFRSs does not have a material effect on the Group’s results and financial position. The Group has not applied any new standards or interpretations that have been issued but are not yet effective for the current accounting period.

NOTES TO THE CONDENSED CONSOLIDATED 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.

Information about these segments is presented below:

For the six months ended 30th June, 2016

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30th June, 2016

Assets and liabilities

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Total HK\$'000
Assets					
Segment assets	93,982,483	11,504,845	1,347,757	408,674	107,243,759
Interests in associates	270,842	–	–	–	270,842
Interests in joint ventures	2,034,763	–	–	1,647	2,036,410
Unallocated corporate assets					23,711,979
Total assets					133,262,990
Liabilities					
Segment liabilities	45,021,039	765,274	201,416	59,991	46,047,720
Unallocated corporate liabilities					58,336,273
Total liabilities					104,383,993

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2015

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Total HK\$'000
REVENUE						
External revenue	6,816,257	524,132	95,687	53,328	-	7,489,404
Inter-segment revenue*	-	71,410	-	-	(71,410)	-
Total revenue	6,816,257	595,542	95,687	53,328	(71,410)	7,489,404
SEGMENT RESULTS						
	486,449	670,468	(15,356)	8,145	-	1,149,706
Unallocated income						65,667
Unallocated expenses						(25,579)
Finance costs						(476,205)
Share of results of associates	(6,628)					(6,628)
Share of results of joint ventures	5,489			(4,590)		899
Profit before taxation						707,860
Income tax expense						(390,975)
Profit for the period						316,885

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31st December, 2015
Assets and liabilities

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Total HK\$'000
Assets					
Segment assets	94,316,638	11,602,635	1,488,569	215,075	107,622,917
Interests in associates	277,064	–	–	–	277,064
Interests in joint ventures	1,367,969	–	–	1,775	1,369,744
Unallocated corporate assets					20,308,808
Total assets					129,578,533
Liabilities					
Segment liabilities	42,741,962	717,565	223,193	58,184	43,740,904
Unallocated corporate liabilities					56,411,681
Total liabilities					100,152,585

3. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2016	2015
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments	5,408	5,762
Depreciation of property, plant and equipment	66,464	67,278
Share of tax of joint ventures (included in share of results of joint ventures)	95	5,986
Loss on disposal of investment properties	1,059	5,080

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2016 HK\$'000	2015 HK\$'000
The charge comprises:		
Hong Kong profits tax calculated at 16.5% (six months ended 30th June, 2015: 16.5%) of the estimated assessable profits for the period	–	–
PRC enterprise income tax	259,105	201,288
	259,105	201,288
Land appreciation tax	152,848	198,971
Deferred taxation	4,694	(9,284)
	416,647	390,975

Hong Kong profits tax has not been provided as the Group has no estimated assessable profits which were earned in or derived from Hong Kong during the period.

PRC enterprise income tax is calculated in accordance with the relevant laws and regulations in the PRC.

5. DIVIDENDS

	Six months ended 30th June,	
	2016 HK\$'000	2015 HK\$'000
No final dividend has been declared for the year ended 31st December, 2015 (2015: 2014 final dividend of HK\$0.076 per share)	–	278,277

The Directors have decided not to declare any interim dividend for the six months ended 30th June, 2016 (six months ended 30th June, 2015: HK\$Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30th June,	
	2016	2015
	HK\$'000	HK\$'000
Earnings:		
Profit for the period attributable to owners of the Company	58,602	102,769
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,661,537,046	3,661,397,405
Effect of dilutive potential ordinary shares on share options	–	57,571
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,661,537,046	3,661,454,976

7. TRANSFER TO AND FROM RESERVES

During the six months ended 30th June, 2016, the Group's subsidiaries in the PRC did not appropriate any amount net of non-controlling interests' share out of accumulated profits to the PRC statutory reserves (six months ended 30th June, 2015: HK\$Nil).

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

During the period ended 30th June, 2016, the net decrease to the Group's investment properties amounted to approximately HK\$139 million (30th June, 2015: net increase HK\$1,113 million). Renminbi depreciated against Hong Kong dollars during the period ended 30th June, 2016 generated HK\$128 million (30th June, 2015: HK\$Nil) decrease in investment properties. Also, disposal of investment properties of HK\$31 million (30th June, 2015: HK\$71 million) was noted.

The decrease was offset by additional units of properties transferred from properties held for sale amounted to HK\$21 million (30th June, 2015: HK\$656 million) during the current period. For the period ended 30th June, 2016, the increase in fair value of investment properties amounted to approximately HK\$0.1 million (30th June, 2015: HK\$513 million).

During the period, the net decrease to the Group's property, plant and equipment amounted to approximately HK\$175 million (30th June, 2015: net decrease HK\$30 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The deficit arising on revaluation of hotel properties of HK\$104 million was noted as at 30th June, 2016 (30th June, 2015: HK\$Nil). Renminbi depreciated against Hong Kong dollars during the period ended 30th June, 2016 generated HK\$24 million (30th June, 2015: HK\$ Nil) decrease in property, plant and equipment.

Additions of capital expenditure paid for construction in progress, renovation work and additions of motor vehicles and furniture and fixture amounted to HK\$15 million (30th June, 2015: HK\$28 million). The depreciation charge of HK\$66 million (30th June, 2015: HK\$67 million) was noted.

The Group's investment properties and hotel properties at 30th June, 2016 were fair valued by AA Property Services Limited, an independent professional surveyor and property valuer not connected with the Group. AA Property Services Limited is a member of the Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at using the same valuation techniques as were used by this valuer when carrying out the valuations at 31st December, 2015.

9. TRADE AND OTHER RECEIVABLES

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

	30th June, 2016 HK\$'000	31st December, 2015 HK\$'000
0 to 30 days	181,950	242,655
31 to 90 days	23,517	12,818
More than 90 days	317,142	392,114
Total trade receivables	522,609	647,587
Bills receivables	118	–
Other receivables	3,477,000	3,196,396
	3,999,727	3,843,983

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. AMOUNTS DUE FROM ASSOCIATES

	30th June, 2016 HK\$'000	31st December, 2015 HK\$'000
— Interest-free	28,661	359
— Fixed rate of 8%	1,331,517	48,214
— Fixed rate of 8.9%	—	281,052
	1,360,178	329,625

The amounts are unsecured and repayable on demand, except for HK\$1,331,517,000 (31st December, 2015: HK\$48,214,000) are repayable within one year.

11. AMOUNTS DUE FROM/TO JOINT VENTURES

	30th June, 2016 HK\$'000	31st December, 2015 HK\$'000
Amounts due from joint ventures:		
— Interest-free	176,374	57,207
— Fixed rate of 8%	3,533,880	2,369,405
— 110% of benchmark rate in the PRC	727,643	722,070
	4,437,897	3,148,682
Amount due to a joint venture:		
— Interest-free	—	12,450

The amounts are unsecured and repayable on demand.

12. TRADE AND OTHER PAYABLES

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

	30th June, 2016 HK\$'000	31st December, 2015 HK\$'000
0 to 30 days	2,877,485	4,490,045
31 to 90 days	496,533	66,568
More than 90 days	5,103,259	5,603,298
Total trade payables	8,477,277	10,159,911
Bills payables	118	149,617
Other payables	2,975,603	3,285,420
	11,452,998	13,594,948

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. AMOUNT DUE TO THE ULTIMATE HOLDING COMPANY/AN INTERMEDIATE HOLDING COMPANY

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

14. AMOUNTS DUE TO FELLOW SUBSIDIARIES

	30th June, 2016 HK\$'000	31st December, 2015 HK\$'000
— Interest-free	1,682,719	2,253,839
— Movement of the benchmark rates in the PRC plus 7.27%	211,764	214,286
	1,894,483	2,468,125

The amounts are unsecured and repayable on demand.

15. BANK AND OTHER BORROWINGS

During the period, the Group obtained new bank and other borrowings in the amounts of HK\$15,605 million (30th June, 2015: HK\$17,627 million), which bear interest at market rates. The Group also repaid approximately HK\$12,693 million (30th June, 2015: HK\$14,086 million) during the period.

Renminbi depreciated against Hong Kong dollars during the period ended 30th June, 2016 generated HK\$505 million (30th June, 2015: HK\$Nil) decrease in bank and other borrowings.

16. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares, issued and fully paid: At 1st January, 2016 and 30th June, 2016	3,661,537,046	17,685,677

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. PERPETUAL CAPITAL INSTRUMENTS

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

	For the six months ended 30th June, 2016		
	Principal HK\$'000	Distribution HK\$'000	Total HK\$'000
At 1st January, 2016	1,190,476	36,996	1,227,472
Exchange adjustments	(14,006)	(435)	(14,441)
Profit attributable to holders of perpetual capital instruments	–	51,911	51,911
Distribution to holders of perpetual capital instruments	–	(40,651)	(40,651)
Redemption of perpetual capital instruments	(339,965)	–	(339,965)
At 30th June, 2016	836,505	47,821	884,326
	For the six months ended 30th June, 2015		
	Principal HK\$'000	Distribution HK\$'000	Total HK\$'000
At 1st January, 2015	998,696	–	998,696
Issuance of perpetual capital instruments	267,127	–	267,127
Profit attributable to holders of perpetual capital instruments	–	74,666	74,666
At 30th June, 2015	1,265,823	74,666	1,340,489

18. NOTES PAYABLE

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

19. 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\$30,854,025,000 as at 30th June, 2016 (31st December, 2015: HK\$22,704,939,000). 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30th June, 2016, 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\$766,705,000 (31st December, 2015: HK\$1,827,619,000) and HK\$941,176,000 (31st December, 2015: HK\$952,381,000), respectively, of which HK\$766,705,000 (31st December, 2015: HK\$1,827,619,000) and HK\$941,176,000 (31st December, 2015: HK\$952,381,000) had been utilised by the associates and joint ventures, respectively.

20. CAPITAL COMMITMENTS

	30th June, 2016 HK\$'000	31st December, 2015 HK\$'000
Capital expenditure and investments contracted for but not provided in the condensed consolidated financial statements in respect of:		
— property development expenditures	15,148,908	12,515,243
— acquisition of interest in a joint venture	–	565,452
— capital injection under the capital increase agreement with Poly Finance Company Limited dated 17th September, 2015	–	154,787
	15,148,908	13,235,482

The Group did not have any capital expenditure authorised but not contracted for as at 30th June, 2016 and 31st December, 2015.

21. MATERIAL RELATED PARTY TRANSACTIONS

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

(i) Related parties

	Six months ended 30th June,	
	2016 HK\$'000	2015 HK\$'000
Property rental income (<i>note a</i>)	6,010	5,776
Theatre operating expenses (<i>note b</i>)	–	4,430
Construction fee paid (<i>note c</i>)	248,306	291,075
Interest expenses (<i>note d</i>)	49,393	82,891
Interest income (<i>note e</i>)	101,919	157,566
Guarantee charges (<i>note f</i>)	8,118	8,972
Management fee income	576	632

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes:

- (a) The property rental income received from subsidiaries of the ultimate holding company, which were charged in accordance with the relevant tenancy agreement.
- (b) During the six months ended 30th June, 2015, the theatre operating expenses were paid to a joint venture for the operation and management of a theatre.
- (c) The construction fee paid to a subsidiary of the ultimate holding company was charged at market rate.
- (d) The interest expenses derived from loans advanced from the ultimate holding company, an intermediate holding company and fellow subsidiaries, which carried interest at a fixed rate of 6.4%, 7.2%, benchmark rate in the PRC plus 0.5% to 1%, 92% of benchmark rate in the PRC to 96.5% of benchmark rate in the PRC, 7.27% plus the movement of the benchmark rate in the PRC.
- (e) The interest income derived from loans advanced to associates and joint ventures, which carried interest at a fixed rate of 8% to 8.9% and 110% of benchmark rate in the PRC.
- (f) The guarantee charges were paid to the ultimate holding company and a fellow subsidiary for acting as a guarantor of bank loans borrowed by subsidiaries of the Group and it was charged at 1% on the maximum guarantee amount.

(II) Compensation to key management personnel

	Six months ended 30th June,	
	2016	2015
	HK\$'000	HK\$'000
Short-term benefits	9,431	10,862
Post-employment benefits	243	239
	9,674	11,101

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

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30th June, 2016 (corresponding period in 2015: HK\$Nil).

SHARE OPTION SCHEME

Details of the equity-settled share option schemes adopted by the Company are as follows:

2003 Share Option Scheme

The Company adopted a share option scheme (the "2003 Share Option Scheme") pursuant to an ordinary resolution passed on 28th May, 2003 (the "Adoption Date") and it has expired at the tenth anniversary of the Adoption Date on 27th May, 2013, which was in accordance with the revised Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") effective on 1st September, 2001.

Following the expiration of 2003 Share Option Scheme, no further share options could be granted but the provisions of the scheme shall remain in full force and effect in all other respects in relation to the share options previously granted thereunder. All outstanding share options granted before the expiration of the 2003 Share Option Scheme and yet to be exercised remain valid.

As at 30th June, 2016, all share options under 2003 Share Option Scheme were exercised.

New Share Option Scheme

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

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

According to the New Share Option Scheme, the board of directors of the Company may grant options to (i) any director and employee of the Company or subsidiaries, or an entity in which the Group holds an interest ("Affiliate"); (ii) any customer, supplier, agent, partner, consultant, adviser or shareholder of or contractor to the Group or an Affiliate; (iii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, customer, supplier, agent,

OTHER INFORMATION

partner, consultant, adviser or shareholder of or contractor to the Group or an Affiliate; or (iv) a company beneficially owned by any director, employee, consultant, customer, supplier, agent, partner, shareholder, adviser of or contractor to the Group or an Affiliate to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted.

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

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

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

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

As at 30th June, 2016, no option was granted under the New Share Option Scheme. The total number of options available for grant is 364,463,704 (30th June, 2015: 364,463,704), representing approximately 9.95% (30th June, 2015: 9.95%) of the issued shares of the Company.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2016, according to the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules, the interests of the Directors in the shares and underlying shares of the Company were as follows:

Long position

Ordinary shares of the Company

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

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

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

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

Save as disclosed above, as at 30th June, 2016, none of the Directors, chief executives or their associates had any personal, family, corporate or other interests and short positions in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which is required to be recorded in the register maintained under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2016, according to the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, the following shareholders had notified the Company of relevant interests in the issued shares of the Company:

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

OTHER INFORMATION

Notes:

1. Source Holdings Limited is deemed by the SFO to be interested in 328,485,560 shares of the Company as a result of its direct holding of 228,398,760 shares and indirect holding of 100,086,800 shares through its wholly-owned subsidiaries, Musical Insight Holdings Ltd. and Wincall Holding Ltd. of 44,658,800 shares and 55,428,000 shares respectively.
2. Ting Shing Holdings Limited is deemed by the SFO to be interested in 1,366,460,640 shares as a result of its indirect holding of 1,366,460,640 shares through its subsidiaries, Source Holdings Limited and Congratulations Company Ltd. of 328,485,560 shares and 1,037,975,080 shares respectively.
3. Poly (Hong Kong) Holdings Limited is deemed by the SFO to be interested in 1,478,871,116 shares as a result of its direct holding of 112,410,476 shares and indirect holding of 1,366,460,640 shares through its wholly-owned subsidiary, Ting Shing Holdings Limited.
4. China Poly Group Corporation owns 100% of Poly (Hong Kong) Holdings Limited and Poly Southern Group Limited and is accordingly deemed by the SFO to be interested in the shares directly and indirectly owned by Poly (Hong Kong) Holdings Limited and Poly Southern Group Limited.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued shares of the Company as at 30th June, 2016.

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

During the six months period ended 30th June, 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

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

On 27th May, 2014, the Company (as the borrower) entered into a facility agreement with certain banks for dual currency term loan facilities of US\$400,000,000 and HK\$853,000,000 for a term of 36 months.

On 5th November, 2014, a wholly-owned subsidiary of the Company, as borrower, and the Company, as guarantor, entered into a facility agreement with certain banks for a total term loan facility of HK\$5,000,000,000. The final maturity date of the facility will be, the earlier of (a) the date falling 48 months after the date of the facility agreement and (b) the date falling 6 months after a certificate of compliance is issued by the Director of Lands in respect of the development of New Kowloon Inland Lot No. 6527, Kai Tak Area 11 Site 3, Kowloon, Hong Kong.

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

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

The chairman of the Board (the "Chairman") should attend the annual general meeting. Due to illness, Mr. Xue Ming, the Chairman, was not able to attend the annual general meeting of the Company held on 31st May, 2016.

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"). Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Model Code and the code of conduct regarding directors' securities transactions adopted by the Company for the six months ended 30th June, 2016.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to rule 13.51(B)(1) of the Listing Rules, the changes in Directors' information since the date of the 2015 Annual Report are set out below:

On 8th August, 2016, Mr. Zhu Weirong ("Mr. Zhu") was appointed as an executive Director of the Company. Mr. Zhu currently also acts as a deputy general manager of the Company and a director of certain subsidiaries of the Group. For details, please refer to the announcement published by the Company on 8th August, 2016.

Miss Leung Sau Fan, Sylvia ("Miss Leung"), is an independent non-executive director of Proper Construction Holdings Limited (Stock code: 6816), the shares of which were listed on the Stock Exchange on 20th July, 2016. Miss Leung is also a director of VC Capital Limited, a company licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO.

AUDIT COMMITTEE

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

The members of the Audit Committee have reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters including the review of the unaudited financial statements of the Company for the six months ended 30th June, 2016. The Audit Committee has approved the unaudited interim financial statements.