



保利置業  
POLY PROPERTY

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

Stock Code: 119



保利品質生活年  
Quality of life in Poly

## ANNUAL REPORT 2012





## Vision

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The Group aspires to be a leading Chinese property developer with a renowned brand backed by cultural substance.

## Mission

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The Group is driven by a corporate spirit and fine tradition that attaches importance to dedication, honesty and integrity. Its development strategy advocates professionalism, market-orientation and internationalism. It also strives to enhance the architectural quality and commercial value of the properties by instilling cultural substance into its property projects. Ultimately, it aims to build a pleasant living environment for its clients and create satisfactory returns to its shareholders.



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# CORPORATE INFORMATION

## Board of Directors

### Executive directors

CHEN Hong Sheng  
WANG Xu  
XUE Ming (*Chairman and Managing Director*)  
ZHANG Wan Shun  
YE Li Wen

### Non-executive director

IP Chun Chung, Robert

### Independent non-executive directors

YAO Kang, *J.P.*  
CHOY Shu Kwan  
LEUNG Sau Fan, Sylvia  
WONG Ka Lun (Appointed on 23rd November, 2012)

## Audit Committee

YAO Kang, *J.P.* (*Chairman*)  
IP Chun Chung, Robert  
CHOY Shu Kwan  
LEUNG Sau Fan, Sylvia  
WONG Ka Lun (Appointed on 23rd November, 2012)

## Remuneration Committee

YAO Kang, *J.P.* (*Chairman*)  
WANG Xu  
XUE Ming  
CHOY Shu Kwan  
LEUNG Sau Fan, Sylvia  
WONG Ka Lun (Appointed on 23rd November, 2012)

## Company Secretary

POON Man Man (Appointed on 9th April, 2013)

## Registered Office

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

## Principal Bankers

China CITIC Bank International Limited  
Malayan Banking Berhad  
Agricultural Bank of China Limited  
Bank of China Limited  
China Construction Bank Corporation  
Industrial and Commercial Bank of China Limited  
Bank of Communications Co., Ltd.  
Hang Seng Bank Limited

## Auditor

PKF

## Share Registrars and Transfer Office

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

## Stock Code

119

## Company Website

[www.polyhongkong.com.hk](http://www.polyhongkong.com.hk)  
[www.irasia.com/listco/hk/polyhk](http://www.irasia.com/listco/hk/polyhk)

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Poly Property Group Co., Limited (the “Company”) will be held at Aberdeen Room, Level 3, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on 15th May, 2013 at 11:00 a.m. for the following purposes:

1. To receive and adopt the audited financial statements and the reports of the directors and auditor for the year ended 31st December, 2012.
2. To approve and declare a final dividend for the year ended 31st December, 2012.
3. To elect directors and to authorise the board of directors to fix their remuneration.
4. To appoint auditor and to authorise the board of directors to fix their remuneration.

To consider as special business and, if thought fit, pass with or without amendments the following resolutions as Ordinary Resolutions:

5. (A) **“THAT:**
  - (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
  - (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
  - (c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to a Rights Issue (as hereinafter defined) or the exercise of any option under the Share Option Scheme of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and
  - (d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

    - (i) the conclusion of the next annual general meeting of the Company;
    - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or by any applicable laws to be held; and
    - (iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

## NOTICE OF ANNUAL GENERAL MEETING

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong).”

5. (B) **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase its own shares of HK\$0.50 each (the “Shares”), subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the Shares to be purchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or by any applicable laws to be held; and
- (iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”



## NOTICE OF ANNUAL GENERAL MEETING

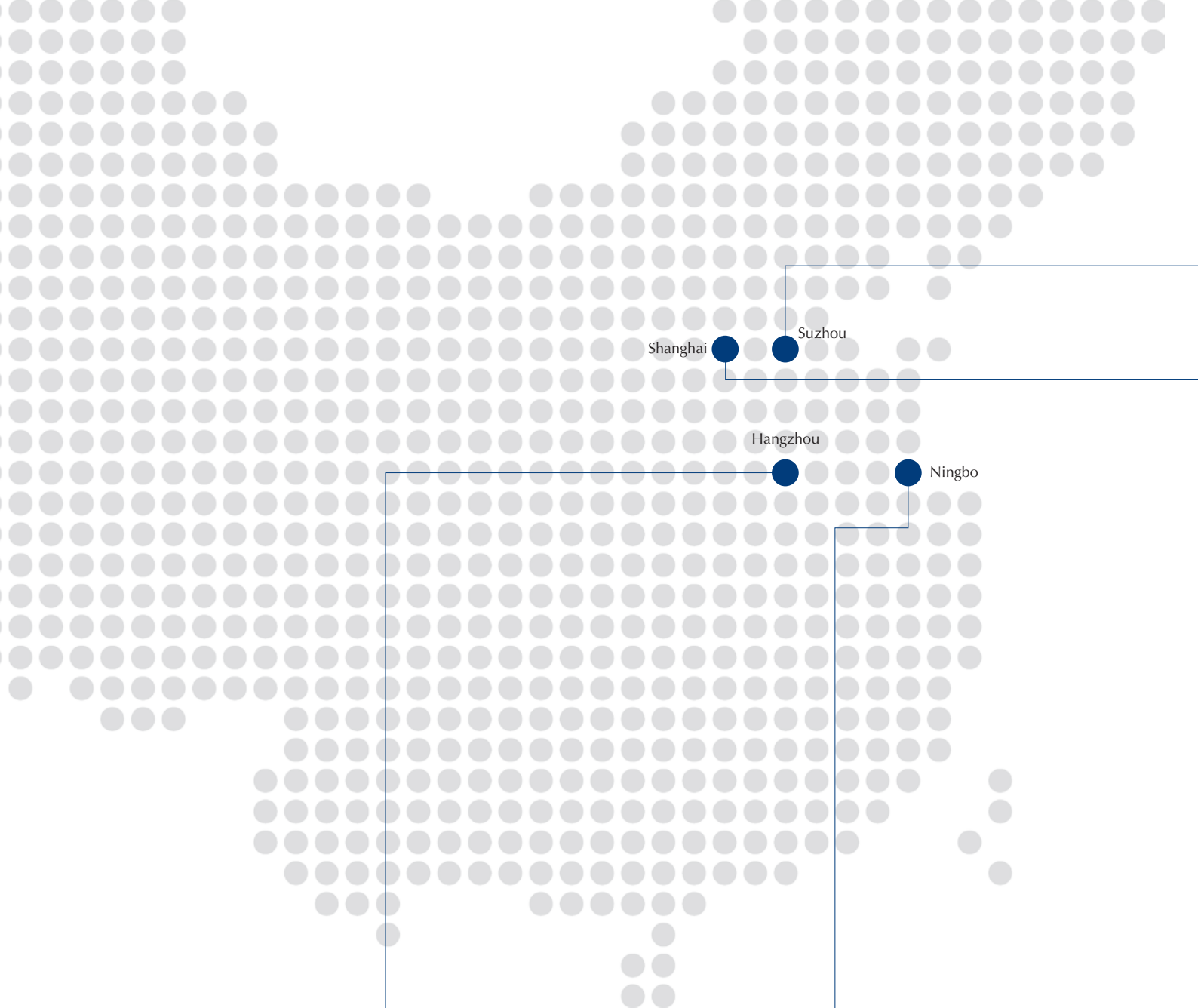
5. (C) “**THAT** conditional upon the Resolutions numbered 5(A) and 5(B) respectively set out in the notice convening this meeting being passed, the general mandate granted to the directors of the Company to allot, issue and deal with additional shares pursuant to the Resolution numbered 5(A) be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company purchased by the Company under the authority granted pursuant to the Resolution numbered 5(B), provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution.”

By Order of the Board  
**POON Man Man**  
*Company Secretary*

Hong Kong, 23rd April, 2013

*Notes:*

- (1) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the office of the Company's share registrars, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- (3) A circular containing information concerning resolutions nos. 3 and 5 was sent to the shareholders together with 2012 Annual Report.



Hangzhou  
Poly Origin



Ningbo  
Poly Jordan International





Suzhou  
Poly West Bank Villa



Shanghai  
Poly Elegant Mansion



## Yangtze River Delta Region

Ningbo Poly Jordan International is located in between Yuyao city and Ningbo Jiangbei District and 5km away from the city centre, with an aggregate site area of about 208,000 square metres with a planned gross floor area of about 564,000 square metres. It is composed of two plots of lands which are designated to residential and commercial use respectively. The project will be a landmark of urban complex project in Yuyao City.

# CHAIRMAN'S STATEMENT

## Results of 2012

Turnover

**HK\$20.7  
billion**

Profit for the year

**HK\$3.0  
billion**

A **final dividend** of HK 21.8 cents per share has been proposed by the Board of Directors

**HK 21.8  
cents**



## Corporate background

The Group is the sole overseas-listed company of “China Poly Group”, one of the large-scale state-owned enterprises under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. The principal businesses of China Poly Group include real estate, trading, natural resources and culture. China Poly Group was named by the State-owned Assets Supervision and Administration Commission as one of the key real estate state-owned enterprises, and was ranked top three among real estate development enterprises in the PRC in terms of the amount of sales contracts signed in 2012.







### Business Review

In 2012, the Central government unwaveringly adhered to the direction of strict real estate market regulation and remained tight on regulation and control. On one hand, this maintained a relatively stable and moderate credit environment. On the other hand, through a twin pipeline of differentiated credit policies and purchase restrictions, the government protected reasonable autonomous demand and at the same time reined speculation to ensure a healthy and sustainable property market. Against this backdrop, turnovers recovered and market sentiment improved as compared with 2011.

During the period, despite the uncertain global and domestic economic environments and continued property controls implemented by the government, the Group undertook a number of initiatives based on different situations to mitigate operational risk and to ensure healthy and sustainable development of the Group. The Group also expedited the transitioning of the operation model and optimized its financial structure. Rapid sales growth, stable debt ratios and a declining net gearing ratio all helped to contribute to a smoother and more stable cash flow. The Group's professional and scientific management was brought to a higher level while operations moved smoothly towards the set goals.

During the period, property sales of the Group topped RMB20 billion, with a total of 46 new and continual launches. Contracted sales reached around RMB23.4 billion with a contracted area of about 2.51 million square metres, which exceeded the annual targets of RMB16 billion and 2 million square metres by 46% and 26% respectively, corresponding to a year-on-year growth of 48% and 17%, respectively. Sales growth momentum was maintained and the Group's status in the industry continued to improve. To conform to the nature of its principal business and corporate identity, the Group changed its name and established the brand "Poly Property". During the year, the Group rolled out a number of branding events and themes to establish a unique marketing and brand image. The Group launched a number of cultural and theme-based activities during the year that benefited sales of its projects. The Group focused on property sales and ensured systematic sales growth by adhering to its rapid-rolling development of residential properties and positioning small-to-medium size homes as a core product type which primarily catered to the basic demands of the mass market. During the period, 75% of the contracted sales was residential housing, among them over 80% were small-to-medium size homes. Additionally, the Group focused on product refinements and improvements and enhancements of property management services to strengthen value for money and competitiveness.

A more prudent approach was taken in land bank acquisition during the period. Four projects were acquired through listing and acquisition, three of which were located in Jinan and Kunming with a gross floor area of approximately 900,000 square metres, of which 765,000 square metres were attributable to the Group. The Group also invested in a project at Dalian Road, Shanghai. The size of the newly acquired land plots was noticeably smaller as compared to acquisitions in 2011. Rather than entering into new cities, the Group primarily focused on acquiring land bank in areas where it operated with a more balanced and comprehensive approach. While maintaining the existing speed and scale of development, the Group carried through the plan to contain its investment for higher flexibility in overall capital management.

During the period, the Group took a more proactive and reasonable control of the scale of its investment to achieve a healthier cash flow. With a focus on marketing and sales, the Group calibrated its marketing strategies to accelerate sales and capital returns, strengthened process control and dynamic management, arranged investments more efficiently, accelerated production in order to meet market demand, and actively took advantage of the improved financing environment to cooperate with large financial institutions to reduce financing costs. During the period, the net gearing ratio of the Group fell from 103% to 94%, with cash and cash equivalents amounting to RMB12.4 billion, up by 22% year-on-year. Operating cash inflow and outflow virtually reached equilibrium, which enabled the Group to have more flexibility when responding to market changes.

By proactively adapting to market trends and transitioning the operation model over past years, the fundamentals of the Group became more solid in 2012. In particular, the Group has seen a significant improvement in cash flow, deepened its professional management capabilities and achieved stability in its operating businesses. The Group's efforts are paying off and the Group believes that it is well-positioned to act in response to market volatility and sustain long-term development.

### Business Outlook

In the first quarter of 2013, both the Central Economic Working Conference and the New Five Measures (新國五條) that were announced recently indicated that there is unlikely to be a fundamental change in the direction of the PRC government's property controls in 2013. The Group believes that the timely implementation of the New Five Measures primarily reflects the government's concern over the soaring property prices in certain cities as a result of the speculative trading across the country at the start of the year. The measures are considered as an extended and modified version of existing policies, and curbing speculation and encouraging home purchases for own-use and for improving living standards will be the major themes of the policies going forward. Therefore, the Group will continue to push forward the business measures formulated in 2012, continue to adjust its operation model, accelerate debt restructuring, enhance management efficiency and maintain operational stability.

The Group will continue focusing on marketing and sales while closely monitoring the anticipatory adjustments and fine-tuning of macro-policies as well as market changes. The Group will follow the development rules of an enterprise and take a deeper understanding of market demands and trends. For products, the Group will strengthen product innovation, deliver higher value for money, extend product lines and broaden product coverage in order to take a leading position on sales. This year, the Group will keep strengthening its brand building and roll out "The Year for Quality Standards of Living" as its brand theme for 2013 to improve customers' experiences, strengthen brand image through the combination of events, services and sales, boost sales and improve brand values.

Being cash flow oriented, the Group will continue to be flexible in carrying out investments through making timely, decisive and careful adjustments to its development progress based on the progress, sales and settlement of the market conditions in its respective operating regions. In addition, the Group will expedite stock-clearing to promote capital return, expand new projects by focusing on mass residential housing based on a market-oriented approach to continue its rapid rolling development strategy, and expand financial channels to secure sufficient external capital to adequately finance our operations.



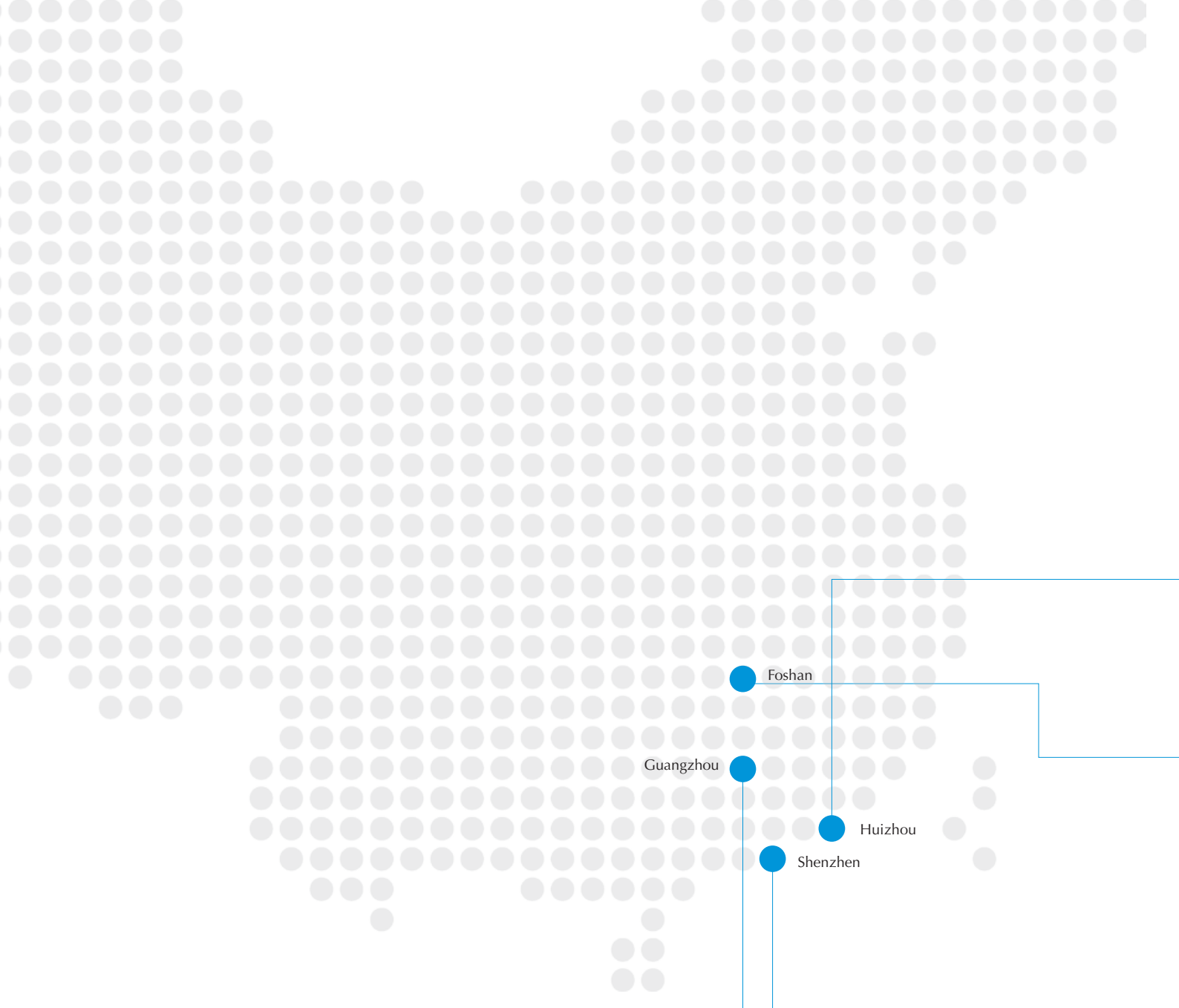
The Group will continue to implement a streamlined and professional management model to enhance the competitiveness of the Group. The Group will expand the scale of centralized purchases to optimize cost efficiency, perfect standardized information systems to effectively consolidate resources, increase control over procedural management as well as management efficiency, and continue to optimize product portfolio and strengthen product innovation to cater to the demands from the mainstream market.

The Group endeavors to become one of the leading property developers in China. The next one to two years will be the crucial period for the Group to further consolidate its foundation and improve its competitiveness. As the only overseas-listed flagship of the China Poly Group, the Group is confident about its business prospects and believes that it will continue to receive support from its parent company. The Group will continue to take an active and prudent approach to maintain a sustained and healthy development while creating best returns for its shareholders.

### **Appreciation**

Thanks to the hard and dedicated work of all of the staff, the Group overcame different difficulties and managed to achieve a stable growth in 2012. On behalf of the Board and Shareholders, I would like to express my sincerest gratitude to all of our employees.

**Xue Ming**  
*Chairman*



Foshan

Guangzhou

Huizhou

Shenzhen

Guangzhou  
Poly Zephyr City

Shenzhen  
Poly Up Town





Huizhou  
Poly Sunshine Town

Foshan  
Poly Cullinan Garden

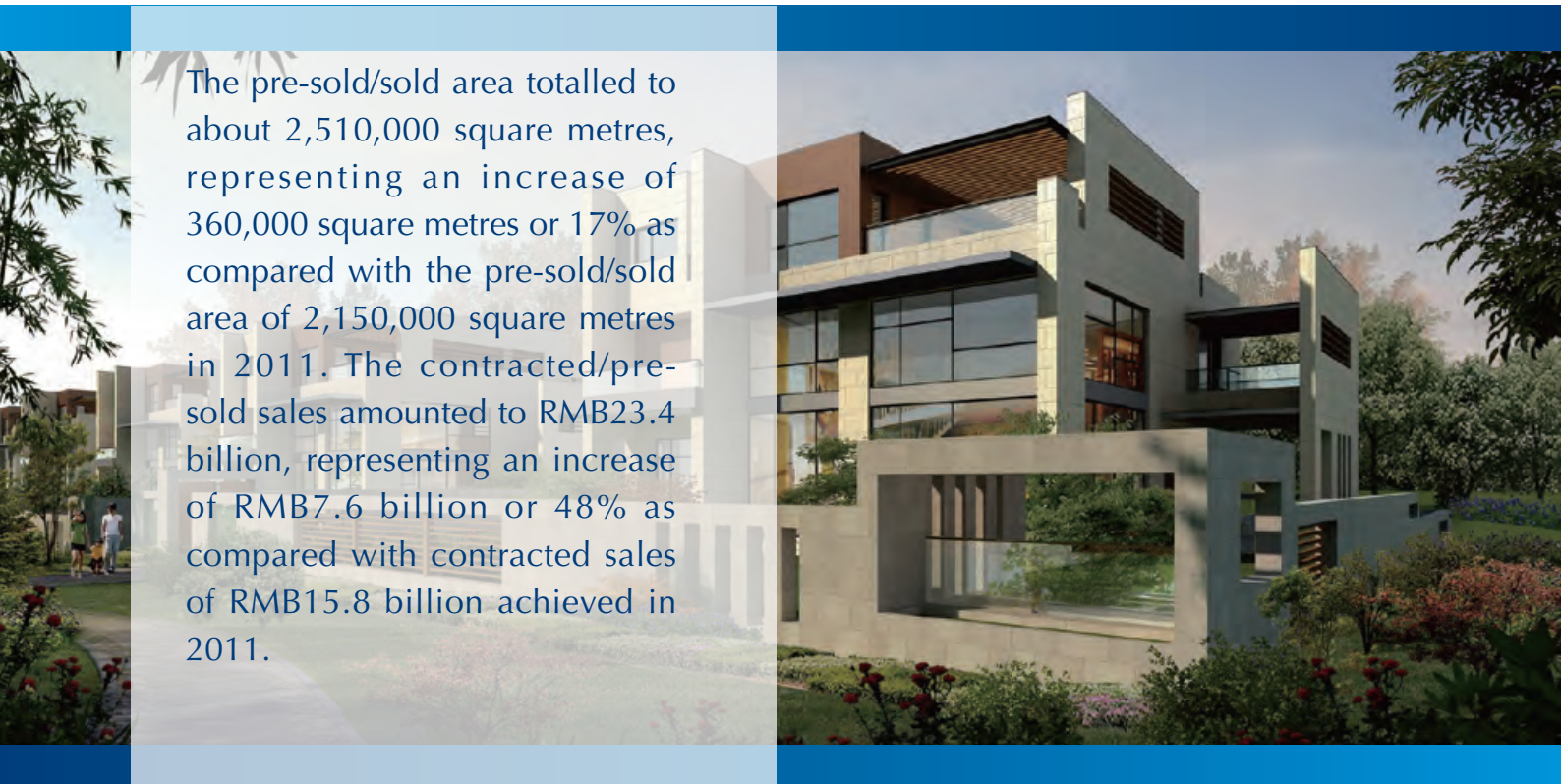


## Pearl River Delta Region

Huizhou Poly Sunshine Town is located in Huiyang District of Huizhou, Guangdong Province. It stands to the Shenshan Expressway and neighbors to Palm Island Golf Course to the east. The project enjoys high accessibility as well as ancillary facilities nearby. It covers a site area of approximately 162,000 square metres with a planned gross floor area of approximately 519,000 square metres. The project is positioned as a large comprehensive residential community in the new centre of Huiyang District, comprising high-rise residential buildings, apartments, commercial facilities and low density town houses.



# MANAGEMENT DISCUSSION AND ANALYSIS



The pre-sold/sold area totalled to about 2,510,000 square metres, representing an increase of 360,000 square metres or 17% as compared with the pre-sold/sold area of 2,150,000 square metres in 2011. The contracted/pre-sold sales amounted to RMB23.4 billion, representing an increase of RMB7.6 billion or 48% as compared with contracted sales of RMB15.8 billion achieved in 2011.

## Overall Operating Conditions

In 2012, the Group recorded a turnover of HK\$20,695,429,000 (corresponding period in 2011: HK\$14,104,913,000), representing an increase of 46.7% as compared with the corresponding period last year. Profit attributable to shareholders amounted to HK\$2,629,820,000 (corresponding period in 2011: HK\$2,777,119,000), representing a decrease of 5.3% as compared with the corresponding period last year. Basic earnings per share was HK72.88 cents (corresponding period in 2011: HK76.96 cents), while diluted earnings per share was HK72.64 cents (corresponding period in 2011: HK76.63 cents), a decrease of 5.3% and 5.2% respectively as compared with the corresponding period last year. The Board of Directors has recommended the payment of a final dividend of HK21.8 cents per share.

As at 31st December, 2012, total shareholders' equity of the Company amounted to HK\$27,072,586,000 (31st December, 2011: HK\$24,670,940,000) and net asset value per share was HK\$7.50 (31st December, 2011: HK\$6.84).

## Property Development

During the period under review, the Group surpassed the key operating targets that were established in the beginning of the year. The gross floor area of new commenced construction was approximately 3,910,000 square metres, whereas the initial plan was 3,500,000 square metres. The pre-sale/sold area was approximately 2,510,000 square metres, the initial plan was 2,000,000 square metres, of which 32 were on-going projects and 14 were debut launches; completed construction of gross floor area was approximately 3,270,000 square metres. As at 31st December, 2012, the Group held more than 44 projects engaging in different stages of development, with both projects under development and land parcel reserved for future development, covering a gross floor area of approximately 21,790,000 square metres.

## Property Sales

The tightening measures in the property market continued to be reinforced and were further deepened. Guided by the core measures focusing on steady home prices, steady demand and supply, supporting for reasonable home-purchase demand and curtailing housing demand driven by investment and speculation, the property market has followed a trend towards stable and steady development. Meanwhile, being supported and safeguarded by the measures on reasonable home-purchase demand, the market has seen increased activity since the second quarter of 2012, a significant improvement in overall market sentiment compared to 2011.

In 2012, the Group had been responsive to industry complexities and adapted to the market trend by taking property sales as the focal point, capturing the window of opportunity, adapting to customers' need and implementing strategies to differentiate its products and brand. The Group also enhanced "price-for-value" approach by continuing to optimise its product structure, implemented a flexible sales strategy, and launched a comprehensive branding campaign, to maintain sustainable sales growth momentum. During the period, the Group reached a record high in sales. The pre-sold/sold area totalled to about 2,510,000 square metres, representing an increase of 360,000 square metres or 17% as compared with the pre-sold/sold area of 2,150,000 square metres in 2011. The contracted/pre-sold sales amounted to RMB23.4 billion, representing an increase of RMB7.6 billion or 48% as compared with contracted sales of RMB15.8 billion achieved in 2011. The number of areas that recorded sales amounting over RMB2 billion has increased to five, including Guiyang, Shanghai, Guangxi, Guangzhou and Wuhan. Among 19 markets with contracted sales, market shares Zunyi, Liuzhou and Deqing, ranked at the top, while the market share in Harbin, Nanning, Guiyang were amongst the top three. With land bank acquisitions in 2011 and debut launches during the review period, the market share in Yantai and Weihai were also amongst top three.

### Contracted Sales/Pre-sales in 2012 by Region

Area	Amount (RMB million)			Area ('000 square metres)		
	2012	2011	Change %	2012	2011	Change %
Yangtze River Delta Region	6,444	2,506	+157%	440	197	+123%
Pearl River Delta Region	3,644	1,710	+113%	394	226	+74%
Southwestern Region	7,959	6,621	+20%	1,109	1,078	+3%
Other Regions	5,117	4,841	+6%	569	648	-12%
<b>Total</b>	<b>23,164*</b>	<b>15,678*</b>	<b>+48%</b>	<b>2,512</b>	<b>2,149</b>	<b>+17%</b>

\*Note: Car park sales were not included

### New Land Bank Acquisition

In 2012, the Group added 4 land parcels, including the participation in the joint-venture of Shanghai Dalianlu Project, and 3 land parcels in Jinan and Kunming. The three land parcels combined a total site area of approximately 174,000 square metres with a total planned gross floor area of approximately 904,000 square metres. All three projects have currently commenced construction work, demonstrating the rapid pace of development within a year following the acquisition. The pre-sales of the Jinan Poly Center debuted in January, 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Land Parcels Acquired in 2012 (Participation in the joint venture of Shanghai Dalianlu Project is not included)

Land parcel/Project	Usage	Total site area (‘000 square metres)	Planned gross floor area (‘000 square metres)	Group’s interest (as of 31st December, 2012)	Current project status
Jinan Poly Center	Residential	19	114	85%	Pre-sale launched
Jinan Poly Hua Ting	Residential	112	429	80%	Under construction
Kunming Poly Liu He Tian Cheng	Residential	43	361	90%	Under construction
<b>Total</b>		<b>174</b>	<b>904</b>		

### Summary of Newly Acquired Projects in 2012

#### 1. Jinan Poly Center

Jinan Poly Center is situated in the prime commercial location in Huaiyin District in Jinan, which is well-equipped with a comprehensive range of community and educational facilities, providing a good localised support for the project. It will be developed into an integrated community of residences, retail shops and offices. The project is close to the city’s main road on the west and is 6km away from Jinan West Railway Station of the Beijing–Shanghai High-Speed Railway. The current acquired portion covers a site area of approximately 19,000 square metres with a total planned gross floor area of approximately 114,000 square metres.

#### 2. Jinan Poly Hua Ting

Jinan Poly Hua Ting is located along both sides of Huayuan Road, Lixia District in Jinan, adjacent to the Honglou business district. The project is 1.8 km away from the Jinan International Convention and Exhibition Center. The project enjoys convenient transportation and is well-served by a full range of community facilities and schools. The project covers a total site area of approximately 112,000 square metres with a total planned gross floor area of approximately 429,000 square metres, which will be developed into high-rise apartments.

#### 3. Kunming Poly Liu He Tian Cheng

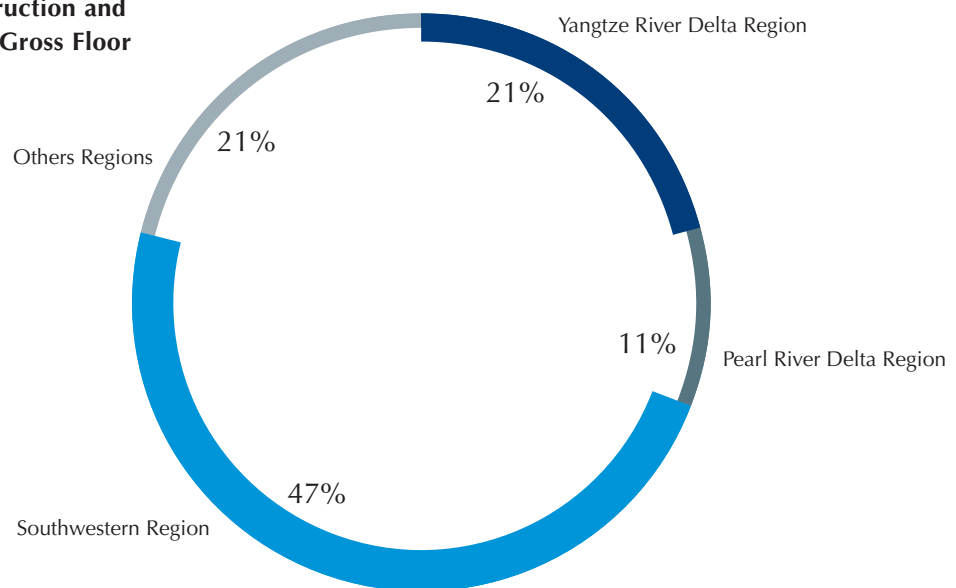
Kunming Poly Liu He Tian Cheng is situated in the prime location of Renmin Road in the downtown area of Kunming, and is only 2.5 km away from the city centre. The project is connected to an established transportation link and to the City Stadium Station serviced by the Kunming Metro Line 3 currently under construction. The surrounding area is fully equipped with ancillary facilities including schools and hospitals. The project occupies a total site area of approximately 43,000 square metres with a total planned gross floor area of approximately 361,000 square metres. It will be developed into high-rise residences.



## Projects under Construction and Projects under Planning

As at 31st December, 2012, the Group held a total of 44 commodity housing developments and integrated development projects in 20 cities. Among the gross floor area, of which approximately 21% and 11% are located in Yangtze River Delta and Pearl River Delta regions respectively, approximately 47% and 21% are located in cities in the southwestern region and other regions respectively. The Group possessed 43 projects under construction with a gross floor area of approximately 10,650,000 square metres (attributable area approximately amounted to 8,600,000 square metres), and land reserved for future development of planned gross floor area of approximately 11,140,000 square metres (attributable area approximately totalled 7,950,000 square metres).

**Geographical Breakdown of Projects under Construction and Land Reserves (Total Gross Floor Area)**



## MANAGEMENT DISCUSSION AND ANALYSIS

### List of Projects under construction and under planning as at 31st December, 2012

Project	Gross floor area under construction (‘000 square metres)	Planned gross floor area (‘000 square metres)	Group’s interests
<b>Yangtze River Delta Region</b>			
1. Shanghai Poly Town	128	–	100%
2. Shanghai Poly Royal Garden	135	–	50.1%
3. Shanghai Poly Deluxe Mansion	115	68	100%
4. Shanghai Poly Elegant Mansion	182	–	100%
5. Shanghai Poly Star Island	315	164	100%
6. Shanghai Poly Felicity	99	–	100%
7. Suzhou Poly West Bank Villa	49	289	100%
8. Suzhou Poly Lake Mansion	360	601	100%
9. Ningbo Poly City	681	299	100%
10. Ningbo Poly Jordan International	270	294	100%
11. Hangzhou Poly Origin	240	283	100%
<b>Sub Total</b>	<b>2,574</b>	<b>1,998</b>	
<b>Pearl River Delta Region</b>			
12. Guangzhou Poly Golf Shire	365	40	51%
13. Guangzhou Poly Zephyr City	384	91	100%
14. Foshan Poly Cullinan Garden	169	–	100%
15. Foshan Poly Prestige City	174	68	100%
16. Shenzhen Poly Up Town	186	–	70%
17. Huizhou Poly Deutch Kultur	209	84	80%
18. Huizhou Poly Sunshine Town	38	481	70%
<b>Sub Total</b>	<b>1,525</b>	<b>764</b>	

## MANAGEMENT DISCUSSION AND ANALYSIS

Project	Gross floor area under construction	Planned gross floor area	Group's interests
	('000 square metres)	('000 square metres)	
<b>Southwestern Region</b>			
19. Chongqing Poly Spring Villa	8	–	51%
20. Guiyang Poly Hot Spring Newisland	89	–	66.5%
21. Guiyang Poly International Center	150	–	66.5%
22. Guiyang Poly Spring Street	131	190	66.5%
23. Guiyang Poly Park 2010	556	1,145	100%
24. Guiyang Poly The Place of A Lake	318	513	51%
25. Zunyi Poly Metropolis of Future	1,706	3,257	35.7%
26. Nanning Poly Crescendo	157	178	100%
27. Nanning Poly Sincere Garden	85	–	100%
28. Nanning Poly City	366	–	100%
29. Nanning Poly Aegean Sea	283	92	100%
30. Liuzhou Poly Merization World	293	445	100%
31. Kunming Poly Lakeside Mansion	79	–	100%
32. Kunming Poly Liu He Tian Cheng	361	–	90%
<b>Sub Total</b>	<b>4,582</b>	<b>5,820</b>	
<b>Other Regions</b>			
33. Wuhan Poly Blue Ocean District	420	–	100%
34. Wuhan Yangyuan Project	–	130	51%
35. Wuhan Poly Park	54	98	55%
36. Wuhan Poly City	575	913	68%
37. Harbin The Tsinghua Summer Palace of Poly	112	–	51%
38. Harbin Poly The Water's Fragrant Dike	–	250	58%
39. Jinan Poly Hyde Mansion	279	155	100%
40. Jinan Poly Center	114	–	85%
41. Jinan Poly Hua Ting	–	429	80%
42. Yantai Poly Champs Elysees Mansion	187	102	100%
43. Weihai Poly Triumph Mansion	160	58	100%
44. Hainan Poly Peninsula No. 1	68	418	100%
<b>Sub Total</b>	<b>1,969</b>	<b>2,553</b>	
<b>Grand Total</b>	<b>10,650</b>	<b>11,135</b>	



## Completed Projects

In 2012, among the Group's projects under development, the Group completed an approximate gross floor area of 3,270,000 square metres:

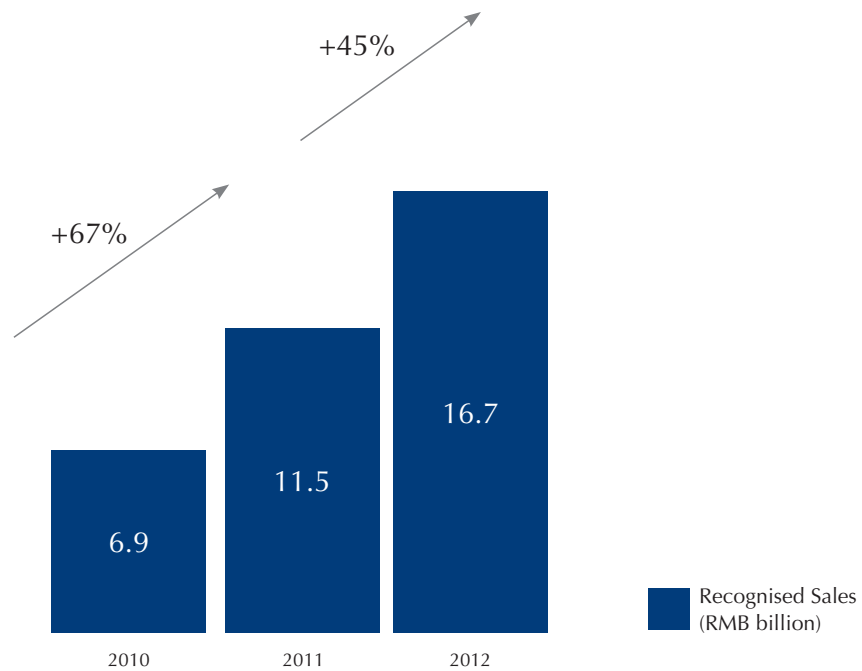
### List of Projects with Completed Area in 2012

Project	Completed gross floor area in 2012 ( <i>'000 square metres</i> )	Accumulative completed gross floor area until the end of 2012 ( <i>'000 square metres</i> )
<b>Yangtze River Delta Region</b>		
Shanghai Poly Lakeside Garden	236	293
Shanghai Poly Royal Garden	48	101
Suzhou Poly Lake Mansion	82	82
<b>Pearl River Delta Region</b>		
Guangzhou Poly City	179	563
Foshan Poly Prestige City	193	193
Shenzhen Poly Up Town	171	171
Huizhou Poly Deutch Kultur	83	221
<b>Southwestern Region</b>		
Guiyang Poly Hot Spring Newisland	176	977
Guiyang Poly Clouds Hill International	172	656
Guiyang Poly International Center	95	95
Guiyang Poly Spring Street	98	284
Guiyang Poly Park 2010	262	262
Zunyi Poly Metropolis of Future	205	205
Nanning Poly Crescendo	109	180
Nanning Poly Sincere Garden	107	107
Liuzhou Poly Merization World	149	149
Chongqing Poly Spring Villa	7	46
<b>Other Regions</b>		
Wuhan Poly Plaza	143	143
Wuhan Poly Cai Sheng Garden	156	156
Harbin The Tsinghua Summer Palace of Poly	223	223
Harbin Poly The Water's Fragrant Dike	178	400
Jinan Poly Daming Lake	194	224
<b>Grand Total</b>	<b>3,266</b>	<b>5,731</b>

## Recognised Property Sales

A total of more than 28 projects were delivered and recognised in 2012 with a total sales value of RMB16.7 billion and gross floor area of 1,840,000 square metres. The recognised average selling price was approximately RMB9,000 per square metre. Among the area delivered, mass residential housing accounted for 89%, villas 6%, offices 1%, and the remaining 4% were retail shops and other products.

### Stable Growth of Recognised Sales



## MANAGEMENT DISCUSSION AND ANALYSIS

### List of Major Projects with Sales Recognised in 2012

Project	Sales recognised in 2012
	<i>(RMB million)</i>
<b>Yangtze River Delta Region</b>	
1. Shanghai Poly Plaza	1,247
2. Shanghai Poly Town	98
3. Shanghai Poly Lakeside Garden	1,601
4. Shanghai Poly Villa Garden	26
5. Shanghai Poly Royal Garden	465
6. Others	8
<b>Sub Total</b>	<b>3,445</b>
<b>Pearl River Delta Region</b>	
7. Guangzhou Poly City	1,027
8. Foshan Poly Prestige City	619
9. Shenzhen Poly Up Town	837
10. Huizhou Poly Deutch Kultur	211
<b>Sub Total</b>	<b>2,694</b>
<b>Southwestern Region</b>	
11. Nanning Poly Landscape	58
12. Nanning Poly Crescendo	216
13. Nanning Poly Sincere Garden	909
14. Liuzhou Poly Merization World	470
15. Kunming Sunny Lake & Splendid Life	62
16. Guiyang Poly Clouds Hill International	768
17. Guiyang Poly Hot Spring Newisland	652
18. Guiyang Poly Spring Street	514
19. Guiyang Poly International Center	556
20. Guiyang Poly Park 2010	990
21. Zunyi Poly Metropolis of Future	283
22. Chongqing Poly Spring Villa	108
23. Others	5
<b>Sub Total</b>	<b>5,591</b>



## MANAGEMENT DISCUSSION AND ANALYSIS

Project	Sales recognised in 2012 <i>(RMB million)</i>
<b>Other Regions</b>	
24. Wuhan Poly Royal Palace	1,889
25. Wuhan Poly Cai Sheng Garden	849
26. Poly Harbin Contemporary No. 9 Park Life	45
27. Harbin Poly The Water's Fragrant Dike	234
28. Harbin The Tsinghua Summer Palace of Poly	698
29. Jinan Poly Garden	71
30. Jinan Poly Daming Lake	1,208
31. Others	2
<b>Sub Total</b>	<b>4,996</b>
<b>Total</b>	<b>16,726</b>

### Recognised Sales in 2012 by Property Type

Property Type	Sales recognized in 2012 <i>(RMB million)</i>	Percentage <i>(%)</i>
Apartment	12,668	76%
Villa	1,547	9%
Office	1,222	7%
Commercial	1,117	7%
Car parking space	172	1%
<b>Total</b>	<b>16,726</b>	<b>100%</b>

## Review of Investment Properties Business

The Group owns investment properties in Shanghai, Beijing, Guangzhou, Wuhan and Shenzhen, which all provide stable and recurrent income. The Group's investment properties amounted to a gross floor area of 470,000 square metres as at 31st December, 2012. Rental income amounted to RMB516,380,000 in 2012. Leasing performance of the Group's offices and retails spaces remained stable with rental rates comparable to 2011.

### List of major properties and hotels as at 31st December, 2012

Region	Project	Gross floor area ( <i>'000 square metres</i> )	Occupancy rate in 2012	Occupancy rate in 2011	Attributable interests of the Group (%)	Property type
Shanghai	Shanghai Stock Exchange Building (partial)	48	94.3%	96.4%	100%	Office
Shanghai	Shanghai Poly Plaza – Main Building and ground area	57	77.6%	28.1% <sup>*</sup>	90%	Office and commercial
Beijing	Beijing Poly Plaza	95	(Office Building) 100% (Hotel) 76.9%	100% 74.3%	75%	Office, hotel and theatre
Beijing	Beijing Legend Garden Villas (partial)	24	94.7%	94.9%	51%	Apartment, villa and commercial centre, etc.
Guangzhou	Guangzhou Citic Plaza (partial)	38	95.9%	98.3%	60%	Office
Shenzhen	Shenzhen Poly Cultural Plaza (partial)	135	97.0%	95.2%	100%	Shopping mall, cinema and theatre, etc.
Wuhan	Hubei Poly White Rose Hotel	34	55.7%	56.7%	100%	Hotel
Guiyang	Regal Poly Guiyang Hotel	39	42.1%	47.7%	66.5%	Hotel
<b>Total</b>		<b>470</b>				

<sup>\*</sup> The occupancy rate in 2011 was based on a gross floor area of 72,000 square metres.

## Review of Property Management Business

The Group has several property management companies providing hotel management and high-quality property services and they have been awarded for their quality services and creditability.

In 2012, the Group's property management services realised an income of RMB204,140,000 with a total of 102 properties with a gross floor area of about 14,770,000 square metres subscribed to the Group's property management services which marked an increase of 15 properties compared with 2011. The managed area also grew by 11% entailing office buildings, hotels, shopping centers, villas and residences.

## 2013 Outlook

Property policies are expected to remain in place and unwavering. Current market conditions suggest fundamental changes will be unlikely and the direction of any property market developments will be stable. The Group's objectives remain focused on achieving solid and stable growth and endeavours on achieving main operating targets in 2013, namely commence new construction work of a gross floor area of approximately 4,000,000 square metres, planned contract area to be 2,700,000 square metres and contract sales of approximately RMB26 billion.

## Summary for Major Project Developments

### 1. Yangtze River Delta Region

The land bank in Yangtze River Delta Region amounted to an aggregate gross floor area of approximately 4,572,000 square metres and served 21% of the Group's property development portfolio as at 31st December, 2012. A total of 11 projects were under development that accounted for a gross floor area of 2,574,000 square metres, and a gross floor area of approximately 1,998,000 square metres of land bank was reserved for future development. All projects are currently under construction.

In Shanghai, there are six development projects, four of which are currently under development, namely Shanghai Poly Town, Shanghai Poly Deluxe Mansion, Shanghai Poly Elegant Mansion and Shanghai Poly Star Island are located in the prime area of Jiading Xincheng of Jiading District. The projects offer easy accessibility to the downtown area with the extension of the Shanghai Railway Line 11. These developments are multifaceted comprising residential, commercial, office buildings, theatre and a hotel. The distinctive products are currently underway including various types of residences, office, commercial buildings and public facilities, meeting different lifestyles. Shanghai Poly Felicity is located in Baoshan District, featuring simple European-style garden villas, and is highly accessible while leveraging the well-established Songnan area. Standing in the prime location in Tangzhen of Pudong New District, Shanghai Poly Royal Garden is a residential development comprising high-rise apartments and villas, and is well-served by a full range of commercial and community amenities.



## MANAGEMENT DISCUSSION AND ANALYSIS

Apart from Shanghai, the Group also holds five other projects in the Yangtze River Delta, of which two are located in Suzhou, two in Ningbo and one in Hangzhou. Suzhou Poly West Bank Villa is located in the economic development zone of the Wuzhong District in Suzhou. The project stands at a peninsula of Dushu Lake, offering the residential development with panoramic lake views. Suzhou Poly Lake Mansion also shares the neighbourhood of Suzhou Poly West Bank Villa settling at the northern tip of Yishan Lake, and also boasts its unparalleled lake views. Hangzhou Poly Origin resides at natural scenery in the east of Deqing County. The project is conveniently connected to the Deqing Jineshan Station of the Hangzhou-Nanjing Passenger Railway, which is only 5 minutes away. Ningbo Poly City is one of the biggest lakeside mixed-use developments situated in the prime location of Zhenhai Xincheng, facing the new administrative and cultural centre of Zhenhai. Ningbo Poly Jordan International is an integrated development comprising residential, commercial, leisure and entertainment establishments in Yuyao and is expected to be a landmark in the area.

### 2. Pearl River Delta Region

The property development portfolio in Pearl River Delta Region had a total gross floor area of approximately 2,289,000 square metres (around 10.5% of the Group's entire land bank) as at 31st December, 2012. Seven projects that are under construction covered a total gross floor area of about 1,525,000 square metres with the remaining gross floor areas to be developed measured at a total gross floor area of around 764,000 square metres.

Guangzhou Poly Golf Shire is located in the Huadu District of Guangzhou. It is adjacent to the Asian Games New Stadium at Fengshen Avenue and the Fei'eling Station of Guangzhou Metro Line 9, which is currently underway. The project offers comprehensive ancillary facilities and magnificent views over Fengshen Golf Course. Situated in the Xinhua Town of Huadu District and east to the district government, Guangzhou Poly Zephyr City features a residential community with high-rise apartments. Standing in the centre of Chancheng District and neighbours Asia Arts Park in the west, Foshan Poly Cullinan Garden is equipped with a full range of community facilities and is an exceptional new development in the city district of Foshan. Foshan Poly Prestige City is located in Longjiang Town of Shunde District in Foshan, which is supported by an extensive transportation network and is reputed for its robust home furniture business. Shenzhen Poly Up Town resides in the prime commercial location of Longgang District in Shenzhen and is easily accessible by means of the Shenzhen Metro Line 3. The project is also complemented with ancillary facilities including schools. Huizhou Poly Sunshine Town enjoys an environment of natural scenery and boasts a prime location next to the Shenshan Expressway and Palm Island Golf Course. Huizhou Poly Deutch Kultur is a low density residential development designed with a simple European architectural style and is only a 10 minute drive away from Huizhou Poly Sunshine Town. Each of these projects has its own unique features meeting different residential needs.

### 3. Southwestern Region

Genuine end-user demand has been relatively strong across cities in the southwestern region. The combined land bank of 14 projects in the Southwestern region amounted to a gross floor area of approximately 10,402,000 square metres that accounted for about 47.7% of the Group's development portfolio as at 31st December, 2012. 14 projects under development accounted for an approximate total gross floor area of about 4,582,000 square metres. The gross floor area of about 5,820,000 square metres of land bank is yet to be developed. All projects are currently under construction.

The Group has six property development projects in Guizhou Province, including five in Guiyang and one in Zunyi. Guiyang Poly Hot Spring Newisland is located in Wudang District, Guiyang and is being developed as a comprehensive residential establishment with hot spring facilities. Construction work for phase four is currently underway. Guiyang Poly International Center is settled in the heart of Nanming District in Guiyang City. Standing on the bank of Nanming River with a shoreline line of approximately 300 metres, the project is an exceptionally high-end commercial and residential development comprising residential buildings, shopping centre and office building. Located at the south of Wudang District and is only less than a kilometre away from the centre of the district, Guiyang Poly Spring Street offers various types of residences and is well-served by a full range of community amenities, offering an ideal living environment. Standing against the backdrop of Huaxi National Wetland Park, Guiyang Poly of A Place is situated in the prime location within the scenic eco-tour zone in Huaxi District offering a fascinating environment. Guiyang Poly Park 2010 is located in Wudang District and is in close proximity to the district administration centre. The project incorporates an 18-hole international standard golf course and enjoys the established community facilities in the neighbourhood. The Group's projects are strategically placed in Guiyang with defined product positioning including apartments, villas, and high-rise apartments that cater for genuine home user demand. Zunyi Poly Metropolis of Future is situated in Zunyi City of Guiyang and is a large-scale integrated development featuring residential, commercial, office buildings, cultural and entertainment establishments.

Furthermore, the Group has four projects located in Nanning, one project located in Liuzhou, two projects located in Kunming and one project located in Chongqing. Nanning Poly Crescendo is located in the north of Nanning City and is approximately 20 minutes away from the city centre. It encompasses a residential community of mostly low-density residences, high-rise residential units and serviced apartments. Nanning Poly Sincere Garden is situated in the Qingxiu District of Nanning, approximately 2 kilometres away from the Nanning International and Exhibition Center. Within close proximity to the Nanning Light Rail Line 1 being currently built, the project is easily accessible and is well-equipped with community amenities. Nanning Poly City is a high-rise residential development residing at the emerging new community in Jiangnan District and is only 10-15 minutes driving distance to the city centre. Nanning Poly Aegean Sea is located in Xiuxiang main road in Nanning city and neighbours the Lion Hill Park. The project is well served by convenient transportation and community facilities. The Group's premium brand is highly recognised, which contributes to the prominent market share of property in Nanning, and given its high quality properties and professional property services, the Group's development has been well accepted.

## MANAGEMENT DISCUSSION AND ANALYSIS

Standing on the Liu River bank and with a shoreline of more than 200 metres, Liuzhou Poly Merization World boasts its prime location at Baisha Road and natural scenery in north Liuzhou City. Neighbouring to the Liubei old town on the west and business district on the south, the project enjoys the established facilities and amenities of both old town and new business area. Kunming Poly Lakeside Mansion is located in Ninghu Xincheng of Datun District in Anning City. The project also shares the same neighbourhood being one block away from Kunming Poly Sunny Lake & Splendid Life and Ninghu Park, and is well supported by the community facilities. Kunming Poly Liu He Tian Cheng was acquired in 2012 and commenced construction in the same year. The project is situated in the prime area of Renmin Road in the downtown, and is next to the City Stadium Station serviced by Kunming Metro Line 3 being currently built. The neighbouring area offers comprehensive ancillary facilities including schools, medical and leisure establishments. Chongqing Poly Spring Villa resides in the scenic zone of Southern Hot Spring Park, which is listed as a Chongqing top-ten scenic spot. The project boasts its onsite hot spring and is designed as a high-end villa community.

### 4 Other Regions

In addition to the development portfolios in the Yangtze River Delta Region, Pearl River Delta Region and the southwestern region, the Group has 12 projects based in area namely, Wuhan, Harbin, Jinan and Hainan as at 31st December, 2012. Land bank amounted to a gross floor area of approximately 4,522,000 square metres that contributed to roughly 20.8% of the Group's property development portfolio. Projects under development accounted for a total gross floor area of 1,969,000 square metres and an approximate gross floor area of 2,553,000 square metres reserved for future development. Eleven of the projects are currently under construction.

The Group has four property development projects in Wuhan. Wuhan Poly Blue Ocean inhabits in the northern tip of South Lake, which is also the prime area in Wuchang District, boasting the unparalleled panoramic lakeside views. The project enjoys an excellent transportation network being close to the Yangjiawan Station on Wuhan Metro Line 2. Wuhan Yangyuan Project is located in the main area of the Central District of Wuhan City near to the Yangtze River. Wuhan Poly Park is located at Hongtu Avenue in Dongxihu District, which stands on Wuhan Metro Line 2. Surrounded by numerous ancillary facilities, the project is being developed as high-rise apartments. Wuhan Poly City is a large residential development in Hongshan District, which is complemented by a full range of educational and community facilities.

Harbin Poly The Water's Fragrant Dike neighbours major provincial government offices in Harbin. It is a large-scale residential development focusing on low density, high-end residences. Harbin The Tsinghua Summer Palace of Poly is situated in the Nangang District, which is the cultural and education base for higher education, which also benefits from the established community amenities.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group also owns three projects in Jinan. Jinan Poly Hyde Mansion is located in the Honglou business area of Licheng District, featuring both high and mid-rise residential communities. The Group acquired another two projects in 2012. Situated in Huaiyin District, the west of Jinan City, Jinan Poly Center is adjacent to the Jinan West Market that is renowned as the hundred-year-old commercial port. The project is an integrated development comprising residential, offices and commercial buildings. The current acquired portion, Phase 1, is debuted for pre-sale in January, 2013. Neighbouring Honglou business area, Jinan Poly Hua Ting is settled in Lixia district and is linked by convenient transportation. Phase one of development has commenced in January 2013. Yantai Poly Champs Elysees Mansion is located next to the Fenghuang Shan River Reservoir Wetland Park in Yantai, Shandong Province. The project enjoys convenient transportation network with only minutes away from the downtown area. It is a residential project featuring high and mid-rise residences. Weihai Poly Triumph Mansion is situated in Cuihuan District of Weihai. It is close to the Xianguding Scenic Spot and east to the ocean offering unparalleled sea views. The project will be developed into a residential community with high-rise apartments and low-density residences.

Hainan Poly Peninsula No. 1 is located in the resort district of Shenzhou Peninsula in Wanning City, Hainan Province. Leveraging the beautiful coastal resources, it is designed to be a large-scale mix-used development featuring high-rise apartments and villas, an international yachting community and a resort-style marina club. Phase one of development comprises high-rise apartments offering sea views and villas scattered along the shore, which is under construction and pre-sales is expected to debut in 2013.

## Financial Review

### Liquidity and Capital Structure

As at 31st December, 2012, total equity attributable to shareholders of the Company amounted to HK\$27,072,586,000 (2011: HK\$24,670,940,000), while the net asset value per share was HK\$7.50 (2011: HK\$6.84). As at 31st December, 2012, the Group's gearing ratio (on the basis of the amount of total liabilities divided by the amount of total assets) was 72% (2011: 72%).

As at 31st December, 2012, the Group had an outstanding bank and other borrowings of HK\$40,715,294,000. In terms of maturity, the outstanding bank and other borrowings can be divided into HK\$14,845,813,000 (37%) to be repaid within one year, HK\$15,997,795,000 (39%) to be repaid after one year but within two years, HK\$9,087,736,000 (22%) to be repaid after two years but within five years, HK\$783,950,000 (2%) to be repaid after five years. In terms of currency denomination, the outstanding bank and other borrowings can be divided into HK\$39,038,294,000 (96%) in Renminbi, and HK\$1,677,000,000 (4%) in United States dollars.

32% of the bank and other borrowings of the Group are subject to fixed interest rates and the remaining 68% 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 31st December, 2012, the Group had a net current assets of HK\$46,264,249,000 and total bank balances of HK\$15,270,137,000 (2011: HK\$39,576,303,000 and HK\$12,621,765,000 respectively).



# MANAGEMENT DISCUSSION AND ANALYSIS





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. On the other hand, the Board believes that Renminbi will only fluctuate by a small percent in the foreseeable future. In this regard, the management believes that the exposure of the Group to foreign exchange risks is minimal.

### **Pledge of Assets**

As at 31st December, 2012, certain of the Group's investment properties of approximately HK\$3,315,988,000 (2011: HK\$2,729,734,000), hotel properties of approximately HK\$1,150,987,000 (2011: HK\$685,555,000), buildings of approximately HK\$258,963,000 (2011: HK\$791,167,000), leasehold land of approximately HK\$78,455,000 (2011: 80,759,000), prepaid lease payments of approximately HK\$386,031,000 (2011: HK\$391,989,000), properties under development of approximately HK\$22,896,952,000 (2011: HK\$16,842,914,000), bank deposits of approximately HK\$962,274,000 (2011: HK\$326,131,000) and properties held for sales of approximately HK\$2,690,794,000 (2011: HK\$1,298,174,000) and shares in certain subsidiaries were pledged to secure credit facilities granted to the Group.

### **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\$17,035,016,000 as at 31st December, 2012 (2011: HK\$10,378,907,000). Such guarantees terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgage loans by the buyers of the properties. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default payments to the banks.

At 31st December, 2012, the Company had given guarantees to certain banks and a fellow subsidiary in respect of credit facilities granted to certain subsidiaries of the Company amounted to HK\$6,246,543,000 (2011: HK\$6,782,716,000), of which HK\$6,202,469,000 (2011: HK\$6,710,740,000) had been utilised by subsidiaries.

### **Staff**

As at 31st December, 2012, the Group employed about 7,965 staffs with remuneration for the year amounted to HK\$694,120,000. The Group provides its staff with various benefits including year-ended double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.



Guiyang  
Poly The Place of A Lake

Zunyi  
Poly Metropolis of Future

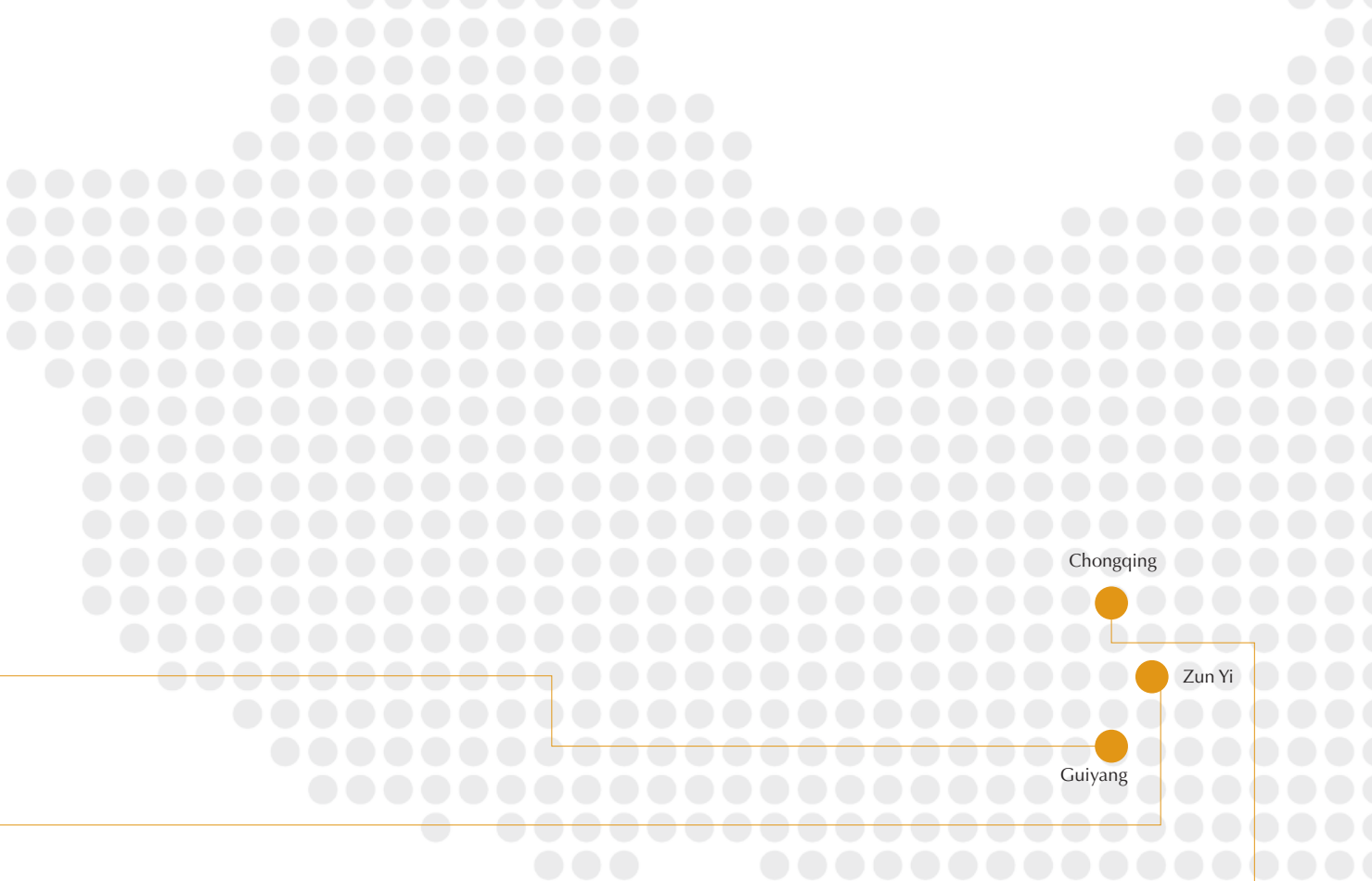


Kunming  
Poly Lakeside Mansion



## Southwestern Region

Guiyang Poly The Place of A Lake is located in the centre of the ecological tourism area in Huaxi District of Guiyang. It is adjacent to the Huaxi District Administration Center and State Guesthouse, as well as the Luo Ping River Reservoir Wetland Park. It enjoys convenient transportation networks with only 15 minutes ride to the downtown of Guiyang and the planned Guiyang Light Rail No.3 Link is also nearby. The project covers a site area of approximately 291,000 square metres with a planned gross floor area of approximately 830,000 square metres. It is planned to be developed into residential community mainly comprising garden villas and high-rise buildings.



Chongqing

Zun Yi

Guiyang

Kunming

Nanning

Liuzhou



Nanning  
Poly Aegean Sea



Liuzhou  
Poly Merization World



Chongqing  
Poly Spring Villa



# CORPORATE GOVERNANCE REPORT

This corporate governance report (“CG Report”) presents the corporate governance matters during the period covering the financial period ended 31st December, 2012 and up to the date of the Annual Report to which this CG Report is inscribed (“CG Period”) required to be disclosed under the Rules Governing the Listing of the Securities of The Stock Exchange of Hong Kong Limited (“Listing Rules”).

## Adoption of corporate governance principles

The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) made various amendments to the Code on Corporate Governance Practices (the “Old Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and renamed it the Corporate Governance Code (the “CG Code”). The CG Code took effect on 1st April, 2012.

The Company has fully complied with all code provisions of the Old Code during the period from 1st January, 2012 to 31st March, 2012. It has also fully complied with the CG Code during the period from 1st April, 2012 to 31st December, 2012, other than code provisions A.2.1, A.5.1 to A.5.4 and E.1.2 of the CG Code. The reasons for deviation are explained below:

### Code Provision A.2.1 of the CG Code – Role of Chairman and Chief Executive Officer

The roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the roles of Chairman and Chief Executive Officer of the Company have been performed by Mr. Xue Ming since 29th April, 2010. The Board believes that the roles of Chairman and Chief Executive Officer performed by Mr. Xue Ming would provide the Group with strong and consistent leadership and are beneficial to the Group especially in planning and execution of business strategies. The Board also believes that the present arrangement is beneficial to the Company and the shareholders as a whole.

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

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 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 30th May, 2012.

The Board has adopted a set of corporate governance principles (“Principles”) which aligns with the requirements set out in the CG Code and Appendix 10 of the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”). During the CG Period, the Principles had been duly complied with.

## Securities transactions

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard set out in Appendix 10 the Model Code. Having made specific enquiry of all Directors, all Directors have complied with the Model Code for the year ended 31st December, 2012.

## Board of directors

For the year ended 31st December, 2012, the Board had held 4 physical meetings of the full Board of Directors. Out of the 4 full Board meetings, 2 of them were held to discuss and/or approve the annual and interim results of the Group and 2 meetings for considering the business and development of the Group.

For the year ended 31st December, 2012, the composition of the Board, and the respective attendances of the Directors at the above Directors' meetings are presented as follows:

Director	Board capacity	Attendance Full Board meetings
Mr. Chen Hong Sheng	Executive Director ("ED")	4/4
Mr. Wang Xu	ED	4/4
Mr. Xue Ming	ED, Chairman & Managing Director	4/4
Mr. Zhang Wan Shun	ED	4/4
Mr. Ye Li Wen	ED	4/4
Mr. Ip Chun Chung, Robert	Non-Executive Director ("NED")	4/4
Mr. Yao Kang, J.P.	Independent Non-Executive Director ("INED")	4/4
Mr. Choy Shu Kwan	INED	4/4
Ms. Leung Sau Fan, Sylvia	INED	4/4
Mr. Wong Ka Lun (Appointed on 23rd November, 2012)	INED	2/2

The Company has received from each of the INEDs a written confirmation of his independence pursuant to the requirements of the Listing Rules and considered that all of the INEDs are independent in accordance with the independence guidelines set out in the Listing Rules. The four INEDs representing over one-third of the Board, constituted a proper balance of power maintaining full and effective control of both the Group and its management.

During the CG Period, none of the Directors above has or maintained any financial, business, family or other material/relevant relationship with any of the other Directors.

The appointment of the directorship were subject to, as to EDs, retirement, rotation and re-election at least once every 3 financial years and, as to NEDs and INEDs, their specific term of office or their retirement by rotation at annual general meeting of the Company, at which they being eligible can offer themselves for re-election.

The Board of Directors of the Company takes responsibility for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies, internal control and risk management systems, financial information, appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the Managing Director and the senior management. Approval has to be obtained from the Board prior to any significant transactions entered into by the officers.



### Remuneration committee

Since the Adoption Date, the Company had maintained a Remuneration Committee. The role and function of the Remuneration Committee includes:

- formulate remuneration policy;
- recommendation to the Board on the remuneration policy for the Directors;
- review of, approval of and recommendation for (if any) the remuneration package of each Director including benefits in kind, pension right, performance bonus payment and compensation payable;
- review and approval of the compensation payment to any Director upon his/her cessation of directorship in or employment with the Company; and
- engagement of external professional advisors to assist and/or advise the Remuneration Committee on its duties when necessary and reasonable.

Terms of reference of the Remuneration Committee had been compiled since the establishment of the Remuneration Committee and were endorsed and adopted by the Board of Directors of the Company.

During the CG Period, the Remuneration Committee held one committee meeting.

The composition of the Remuneration Committee is as follows:

Member	Board capacity	Attendance
Mr. Yao Kang, <i>J.P.</i>	INED	1/1
Mr. Wang Xu	ED	1/1
Mr. Xue Ming	Chairman and Managing Director	1/1
Mr. Choy Shu Kwan	INED	1/1
Ms. Leung Sau Fan, Sylvia	INED	1/1
Mr. Wong Ka Lun	INED	1/1

(Appointed on 23rd November, 2012)

The chairman of the Remuneration Committee since its establishment has been Mr. Yao Kang, *J.P.*.

The summary of the work performed by the Remuneration Committee for the financial period under review included:

- endorsement to the remuneration policy for the Directors;
- review and approval of the remuneration package of each Director including benefits in kind, pension right, bonus payment and compensation payable.

### Directors' emoluments

The remuneration paid to and/or entitled by each of the Directors for the financial period under review is set out in note 11 to the consolidated financial statements in the Annual Report.

The share options granted to and/or entitled by the Directors during the financial period under review are set out in the section headed "Directors' Interests in Securities" in the Directors' Report of the Annual Report.

### Nomination of directors

The Board shall be composed of members with mixed skills and experience with appropriate weights necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. Each member of the Board shall possess, be recognised for and be able to exhibit high and professional standard of a set of core criteria of competence.

The Company had adopted a nomination policy for the criteria, procedures, and process of the appointment and removal of Directors.

Under the nomination policy, the board of EDs has been delegated the full power to the administration of the nomination policy and the appointment and the termination of Directors, where the full Board remains to have the full and overriding power and absolute right thereover.

During the CG Period, the EDs held one meeting for the appointment and resignation of directors of the Company.

### Audit committee

Throughout the CG Period, the Company had maintained an Audit Committee. The major role and function of the Audit Committee includes:

- monitoring the integrity of the financial statements of the Group;
- providing independent review and supervision of the effectiveness of the internal control of the Group;
- review of the adequacy of the external audits;
- review on the compliance issues with the Listing Rules and other compliance requirements;
- providing independent views on connected transactions and transactions involving materially conflicted interest;
- considering and reviewing the appointment of the Auditor and the audit fee.

Terms of reference of the Audit Committee had been compiled since the establishment of the Audit Committee and revised by the Board of Directors of the Company on 21st January, 2009.

During the CG Period, the Audit Committee had held 4 physical meetings for discussing and/or approving the final/interim results of the Group and for discussing the internal control of the Group.

## CORPORATE GOVERNANCE REPORT

The composition of the Audit Committee, and the respective attendances of the committee members are presented as follows:

Member	Board capacity	Attendance
Mr. Yao Kang, <i>J.P.</i>	INED	4/4
Mr. Choy Shu Kwan	INED	4/4
Ms. Leung Sau Fan, Sylvia	INED	4/4
Mr. Ip Chun Chung, Robert	NED	4/4
Mr. Wong Ka Lun (Appointed on 23rd November, 2012)	INED	1/1

The chairman of the Audit Committee is Mr. Yao Kang, *J.P.*.

The report of the work performed by the Audit Committee for the financial period under review is set out in the section headed "Audit Committee Report" of this Annual Report.

### Auditor's remuneration

The analysis of the Auditor's remuneration for the financial period under review is presented as follows:

	Fee amount HK\$'000
Audit services	6,684
Non-audit services	—
Total	<u>6,684</u>

### Acknowledgement of responsibility for the financial statements

The Directors acknowledged their responsibilities for preparing the financial statements of the Group. In preparing the accounts for the financial period under review, the Directors have:

- based on a going concern basis;
- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were prudent, fair and reasonable.

## **Review of internal control**

During the financial period under review, the Directors had arranged to conduct a review over the effectiveness of the internal control system of the Group including functions of financial, operation, compliance and risk management. The review showed a satisfactory control system. The review had been reported to the Audit Committee. The Directors had also, where necessary, initiated necessary improvement and reinforcement to the internal control system.

## **Professional training for directors**

All Directors, including independent non-executive Directors, should always know their collective responsibilities as Directors and of the businesses and activities of the Group. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills, and updates all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance practices.

During the year ended 31st December, 2012, all existing Directors have received relevant trainings on the topics relating to corporate governance and regulations and have provided their training records.

## **Company secretary**

The company secretary of the Company (the "Company Secretary") is responsible for keeping detailed minutes of each meeting of the Board and the Committees including any dissenting views expressed by the Directors, which should be available to all Directors for inspection. She is also responsible for ensuring that the Board procedures comply with all applicable laws, rules and regulations and advising the Board on corporate governance matters. All agenda, relevant materials and document are required to be sent out at least 3 days prior to the intended dates of the Board meetings or meetings of the Board committees. It is the responsibility of the Company Secretary to send the draft minutes of the meetings of the Board or the Board committees to all Directors for comments within a reasonable time after the aforesaid meetings. Final versions of minutes of meetings of the Board and the Committees are also required to be sent to all Directors for record. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws are followed. Moreover, the Company Secretary is responsible for keeping all Directors updated on the Listing Rules, regulatory requirements, as well as internal codes of conduct of the Company.

During the year, the Company Secretary had confirmed that she had taken no less than 15 hours of relevant professional training.

### Shareholders' rights

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed pursuant to the mandatory disclosure requirements under Paragraph O of the Revised CG Code which is effective from 1st April, 2012.

#### (a) Procedures for convening an extraordinary general meeting (the "EGM")

Shareholder(s) holding not less than one-twentieth of the Company's paid-up capital can submit a written requisition to convene an EGM pursuant to Section 113 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

The written requisition must –

- (a) state the objects of the EGM;
- (b) contain the signatures of all the requisitionists (which may be contained in one document or in several documents in like form); and
- (c) be deposited at the Company's registered office (Room 2503, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong) for the attention of the Company Secretary.

If Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of 3 months from the said date.

#### (b) Shareholders' enquiries

Shareholders may at any time send their enquires to the board by addressing them to the Company Secretary through the following methods:–

- (i) in writing to the Company's registered office at Room 2503, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong; or
- (ii) fill in the enquiry form set out in the "Contact Us" section of the Company's website at <http://www.polyhongkong.com.hk/en/contact.php>.



**(c) Proposing Directors for election at general meetings**

The provisions for a shareholder to propose a person for election as a director of the Company are laid down in Article 120 of the Company's Articles of Association.

Extract of Article 120 is set out below:

No person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting, unless there shall have been lodged at the registered office of the Company a notice signed by a member (other than the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected. The period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and no later than seven days prior to the date of such general meeting.

Accordingly, if a shareholder wishes to nominate a person to stand for election as a director of the Company at the general meeting, the following documents must be validly served on the Company Secretary at the registered office of the Company:

- (i) his/her notice of intention to propose a resolution at the general meeting; and
- (ii) a notice executed by the nominated candidate of the candidate's willingness to be appointed together with:
  - (a) that candidate's information as required to be disclosed under rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and such other information; and
  - (b) the candidate's written consent to the publication of his/her personal data.

Shareholders' Communication Policy and other Corporate Governance Principles of the Company could be reviewed at Company's website: <http://www.irasia.com/listco/hk/polyhk/governance.htm>.

On behalf of the Board

**XUE Ming**

*Chairman and Managing Director*

20th March, 2013

### **Audit committee report**

The Audit Committee of the Company was established on 19th March, 1999. Its composition shall be a minimum of 3 members of NEDs with a NED majority being INEDs. For the financial period under review, the Audit Committee comprised all the NED and INEDs of the Company at all times.

For the financial period under review, the Audit Committee had performed the following duties:

- reviewed and commented on the audited full year financial statements and the unaudited interim financial results of the Group of the financial period under review before submission to the Board for adoption and publication;
- endorsed the policy on the engagement of external auditor for non-audit services;
- met with the Auditor to discuss the financial matters of the Group that arose during the course of the audit process, and reviewed the findings, recommendations and representations of the Auditor;
- reviewed and approved the remuneration and the terms of engagement of the Auditor for both audit services and non-audit services for the financial period under review;
- reviewed the internal audit reports and the Company's statement on internal control.

After due and careful consideration of the reports from the management of the Group and the Auditor, the Audit Committee was of the view that no suspected irregularities, internal control deficiencies, or breach of regulations had been found. The Company has taken necessary measures to strengthen its system of internal control so as to ensure that it is adequate and effective.

## CORPORATE GOVERNANCE REPORT

Based on the reviews and discussions performed by the Audit Committee, the Audit Committee had:

- recommended to the Board for the approval of the audited financial statements of the financial period under review together with the Auditor's Report there attached, before the announcement of the annual results;
- recommended to the Board for the approval of the unaudited financial statements of the financial period under review before the announcement of the interim results; and
- recommended to the Board for the proposal for the re-appointment of PKF as the Auditor of the Company for the ensuing year in the forthcoming annual general meeting of the Company.

Audit Committee Members:

YAO Kang, *J.P. (Chairman of the Audit Committee)*

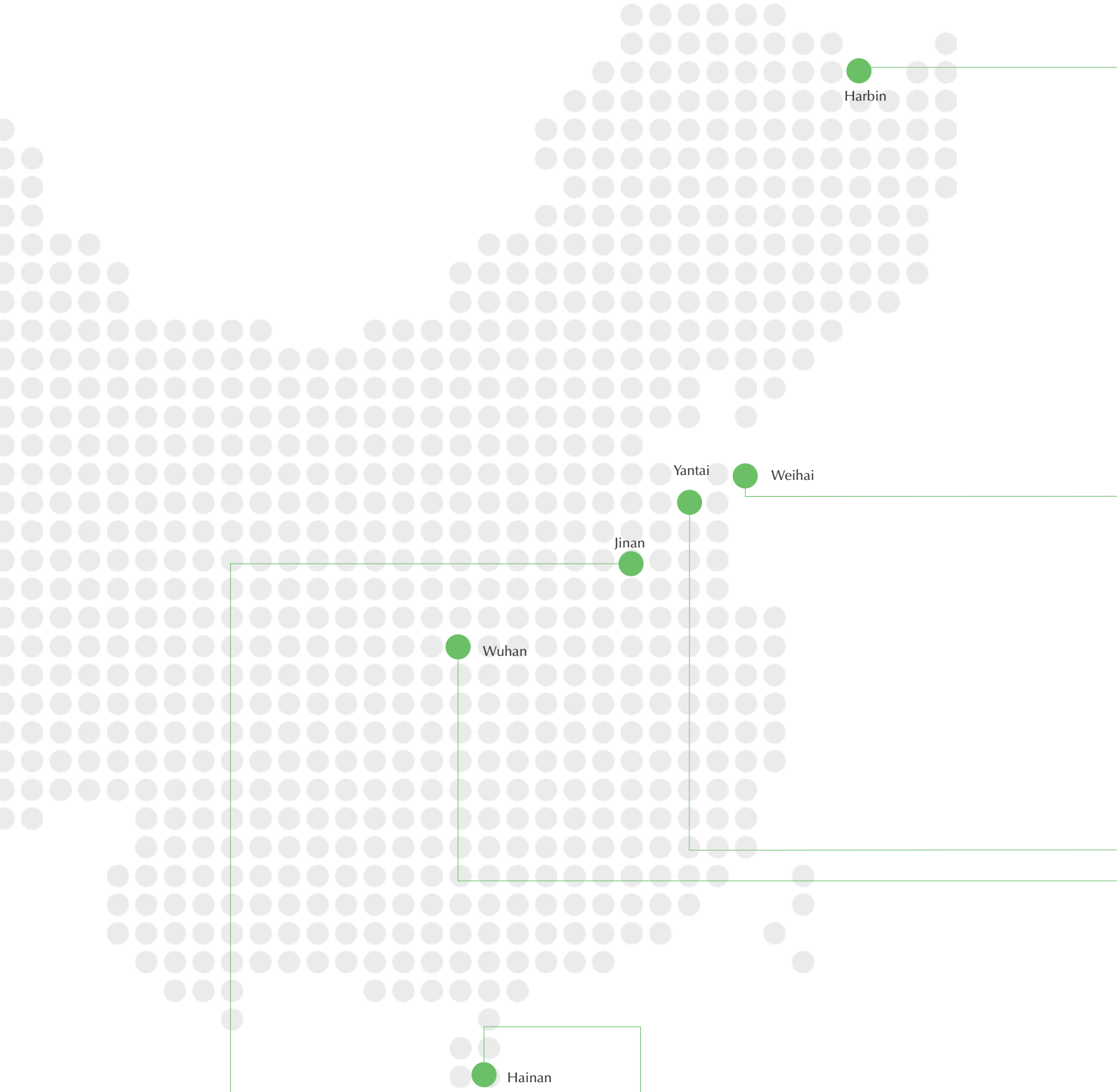
CHOY Shu Kwan

LEUNG Sau Fan, Sylvia

IP Chun Chung, Robert

WONG Ka Lun (Appointed on 23rd November, 2012)

Hong Kong, 20th March, 2013



Harbin

Weihai

Yantai

Jinan

Wuhan

Hainan

Jinan Poly Center



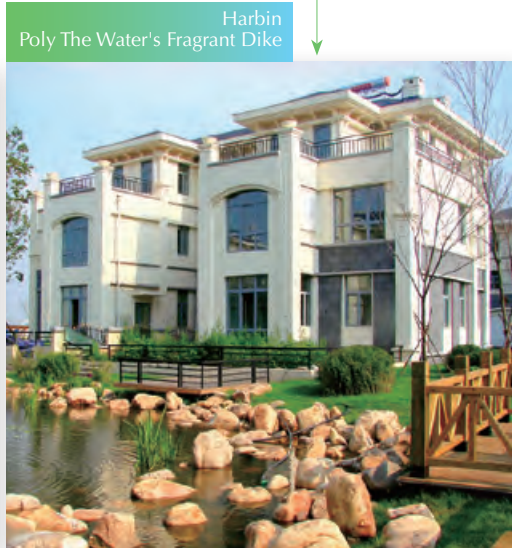
Hainan Poly Peninsula No.1







Weihai  
Poly Triumph Mansion



Harbin  
Poly The Water's Fragrant Dike

### Other Regions

Yantai Poly Champs Elysees Mansion is located in Laishan District of Yantai city, Shandong Province, right next to the Feng Huang Shan River Reservoir Wetland Park. It enjoys a convenient transport network with only minutes away from the downtown area. The project covers a site area of about 100,000 square metres with a planned gross floor area of about 288,000 square metres, comprising both high-rise and mid-rise residential units.



Wuhan  
Poly Plaza



Yantai  
Poly Champs Elysees Mansion



# DIRECTORS' PROFILE

## Executive Directors

**CHEN Hong Sheng**, aged 63, has joined the Board since January 2004. He graduated from Beijing Aviation Institute in the People's Republic of China ("PRC"). Mr. Chen is also the Chairman of China Poly Group Corporation ("China Poly") and a Director of Poly (Hong Kong) Holdings Limited ("Poly Holdings"). China Poly and Poly Holdings are substantial shareholders of the Company. He is very experienced in management and trading.

**WANG Xu**, aged 53, had been the Managing Director of the Company during the period from October 2007 to July 2009. He is a Deputy General Manager of China Poly and the Chairman of Poly Holdings. Mr. Wang had been the Chairman of Poly Southern Group Limited ("Poly Southern", a wholly-owned subsidiary of China Poly) during the period from March 2003 to September 2007.

**XUE Ming**, aged 51, was appointed as a Director of the Company since April 2006. He is the Chairman and the Managing Director of the Company. He holds a master's degree in Economics from Renmin University of China in the PRC. Mr. Xue is a senior economist with over 32 years' experience in management. He was the Deputy General Manager, the General Manager of Poly Property Group Co., Ltd. ("Poly Shanghai") for the period from 2003 to 2005 and was the General Manager of Poly Shanghai in 2006. He is also a Deputy General Manager of China Poly and a Director and the General Manager of Poly Holdings.

**ZHANG Wan Shun**, aged 48, was appointed as the Deputy Managing Director of the Company since August 2011. He holds a Master degree in Applied Mechanics and Engineering from Zhongshan University and a MBA from Jinan University. He had worked for Guangdong Province Foundation Engineering Company from 1990 to 1995. Mr. Zhang was the Deputy General Manager of Poly Real Estate Group Co., Ltd., the shares of which are listed on Shanghai Stock Exchange (Stock code: 600048) from 1995 to 2007. Since 2007, he was a senior officer of China Poly Group Corporation and served as Deputy Chief Economist, Assistant General Manager and Senior Officer in Real Estate Department. He is a Registered Construction Engineer and Supervising Engineer and has over 23 years' experience in real estate development and construction.

**YE Li Wen**, aged 42, holds a bachelor degree from Dongbei University of Finance & Economics and a Master of Business Administration degree from Beijing University in the PRC. He had worked with China Poly as a senior officer for the period from 1994 to 2001. Mr. Ye has joined the Company since 2001 and is the Deputy General Manager of the Company.

## Non-Executive Director

**IP Chun Chung, Robert**, aged 56, has joined the Board since January 2001 and is a member of the Audit Committee of the Company. Mr. Ip is a practising solicitor. Mr. Ip is also an Independent Non-Executive Director of China Data Broadcasting Holdings Limited (Stock code: 8016) and Value Convergence Holdings Limited (Stock code: 821).

## Independent Non-Executive Directors

**YAO Kang, J.P.**, aged 88, has joined the Board since March 1999 and is the Chairman of the Audit Committee and Remuneration Committee of the Company. Mr. Yao was a Director of John Swire & Sons (Hong Kong) Limited and Cathay Pacific Airways Limited. He was also Chairman of Paofong Insurance Co., (HK) Ltd. and Taikoo Royal Insurance Co., Ltd.

**CHOY Shu Kwan**, aged 58, holds a Master degree in Business Administration and has over 34 years' extensive experience in financial business and investment management. Mr. Choy is also an Independent Non-Executive Director of Skyfame Realty (Holdings) Limited (Stock code: 59).

**LEUNG Sau Fan, Sylvia**, aged 49, holds a Bachelor degree in Accountancy from City University of Hong Kong and a Bachelor of Laws degree from University of London. She is a chartered secretary and has over 20 years of experience in dealing with listing related and corporate finance areas. Ms. Leung is also an Independent Non-Executive Director of China Aerospace International Holdings Limited (Stock code: 31).

**WONG Ka Lun**, aged 63, holds a Bachelor degree in Social Sciences majoring in Economics and Psychology from The University of Hong Kong. During his career, he had held various executive and management positions with Cathay Pacific Airways, John Swire & Sons (China) Limited and Swire Travel Limited. Mr. Wong retired in August 2010 and is currently Executive Board Member of Hong Kong Air Cadet Corps, Council Member of Hong Kong Chinese Orchestra and Director of the Board of The Hong Kong International Film Festival Society Limited.

# DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of Poly Property Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2012.

## Principal activities

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 54 to the consolidated financial statements.

## Results and appropriations

The results of the Group for the year ended 31st December, 2012 are set out in the consolidated income statement on page 59 of the annual report.

No interim dividend was paid during the year. The directors recommend the payment of a final dividend of HK\$0.218 per share for the year ended 31st December, 2012 (2011: HK\$Nil).

## Share capital

Details of movements during the year in the share capital of the Company are set out in note 37 to the consolidated financial statements.

## Investment properties

At 31st December, 2012, the investment properties of the Group were revalued by an independent firm of professional surveyor and property valuer on an open market value basis at HK\$7,085,190,000.

Details of these and other movements during the year in the investment properties of the Group are set out in note 17 to the consolidated financial statements.

## Property, plant and equipment

Details of movements during the year in the property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

## Distributable reserves of the Company

The Company's reserve available for distribution to shareholders as at 31st December, 2012 represented the accumulated profits of HK\$1,336,461,000.

## Directors and directors' service contracts

The directors of the Company during the year and up to the date of this report were:

### Executive directors:

Chen Hong Sheng  
Wang Xu  
Xue Ming (*Chairman and Managing Director*)  
Zhang Wan Shun  
Ye Li Wen

### Non-executive director:

Ip Chun Chung, Robert

### Independent non-executive directors:

Yao Kang, *J.P.*  
Choy Shu Kwan  
Leung Sau Fan, Sylvia  
Wong Ka Lun (Appointed on 23rd November, 2012)

In accordance with Article 116 of the Company's Articles of Association, Mr. Xue Ming, Mr. Ye Li Wen and Mr. Yao Kang, *J.P.* will retire and being eligible, they (except Mr. Yao Kang, *J.P.*) offer themselves for re-election.

In accordance with Article 99 of the Company's Articles of Association, Mr. Wong Ka Lun, who was appointed as a director during the year will retire and being eligible, offer himself for re-election.

The term of office of Mr. Ip Chun Chung, Robert, the non-executive director, and Mr. Yao Kang, *J.P.* and Mr. Choy Shu Kwan, the independent non-executive directors, is three years from 6th October, 2011, subject to retirement by rotation as required by the Company's Articles of Association.



## DIRECTORS' REPORT

The term of office of Ms. Leung Sau Fan, Sylvia, an independent non-executive director, is three years from 11th August, 2010, subject to retirement by rotation as required by the Company's Articles of Association.

The term of office of Mr. Wong Ka Lun, the independent non-executive director, is three years from 23rd November, 2012, subject to retirement by rotation as required by the Company's Articles of Association.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The Company has received an annual written confirmation from each of the independent non-executive directors concerning their independence and considered that the independent non-executive directors to be independent in accordance with the independence guidelines set out in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

### Directors' interests in securities

At 31st December, 2012, the interests and short positions of the directors and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

#### Long position

##### Ordinary shares of HK\$0.5 each of the Company

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

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

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

Share options of the Company

Name of director	Capacity	Number of options held	Number of underlying shares
Chen Hong Sheng	Beneficial owner	11,500,000	11,500,000
Wang Xu	Beneficial owner	3,000,000	3,000,000
Xue Ming	Beneficial owner	2,650,000	2,650,000
Ye Li Wen	Beneficial owner	1,600,000	1,600,000
Yao Kang, <i>J.P.</i>	Beneficial owner	500,000	500,000
Choy Shu Kwan	Beneficial owner	600,000	600,000
		19,850,000	19,850,000

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st December, 2012.

## Share options

Particulars of the Company's share option schemes are set out in note 38 to the consolidated financial statements.

## Arrangements to purchase shares or debentures

Other than the option holdings set out in note 38, at no time during the year was the Company or any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' REPORT

### Substantial shareholders

As at 31st December, 2012, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

#### Ordinary shares of HK\$0.5 each of the Company

Name of shareholder	Number of shares				Person having a security interest in shares	Total number of shares	Approximate percentage of the issued share capital of the Company
	Beneficial owner	Investment manager	Held by controlled corporation(s)	Custodian/ Approved lending agent			
<b>Long position</b>							
Congratulations Company Ltd.	1,037,975,080	-	-	-	-	1,037,975,080	28.77%
Source Holdings Limited	228,398,760	-	100,086,800	-	-	328,485,560	9.10%
						<i>(Note 1)</i>	
Ting Shing Holdings Limited	-	-	1,366,460,640	-	-	1,366,460,640	37.87%
			<i>(Note 2)</i>				
Poly (Hong Kong) Holdings Limited	112,410,476	-	1,366,460,640	-	-	1,478,871,116	40.98%
			<i>(Note 3)</i>				
Poly Southern Group Limited	253,788,246	-	-	-	-	253,788,246	7.03%
China Poly Group Corporation	-	-	1,732,659,362	-	-	1,732,659,362	48.02%
			<i>(Note 4)</i>				
Deutsche Bank Aktiengesellschaft	56,026,041	14,185,000	-	-	214,714,095	284,925,136	7.90%
<b>Short position</b>							
Deutsche Bank Aktiengesellschaft	52,225,712	-	-	-	209,538,095	261,763,807	7.25%

#### 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 Limited and Wincall Holding Limited 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 or underlying shares of the Company as at 31st December, 2012.

## Connected transactions

Details of the discloseable connected transactions for the year are set out in note 52 to the consolidated financial statements. In the opinion of the directors who do not have any interest in these transactions, the transactions were carried out on normal commercial terms and in the ordinary and usual course of business of the Group.

The independent non-executive directors of the Company had reviewed the on-going connected transactions set out in note 52 ("Transactions") to the consolidated financial statements and in their opinion:

1. the Transactions were entered into in the ordinary and usual course of business of the Group;
2. the Transactions were conducted on normal commercial terms; and
3. the Transactions were entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company had reviewed the Transactions and provided a letter to the Board in accordance with Rule 14A.38 of the Listing Rules and confirmed, inter alia, that the Transactions have been entered into in accordance with the relevant agreements governing the Transactions and the Transactions have not exceeded their respective annual caps as disclosed in the relevant announcements and circulars.

The Company has complied with the disclose requirements in accordance with Chapter 14A of the Exchange Listing Rules (where applicable) with respect to the connected transactions and continuing connected transactions entered into by the Group during the year.

## Directors' interests in contracts

There were no contracts of significance to which the Company or any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Major customers and suppliers

During the year, both the aggregate sales attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's sales and purchases, respectively.



## DIRECTORS' REPORT

### **Emolument policy**

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 38 to the consolidated financial statements.

### **Pre-emptive rights**

There are no provisions for pre-emptive rights under the Company's Articles of Association, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### **Sufficiency of public float**

The Company has maintained a sufficient public float throughout the year ended 31st December, 2012.

### **Auditor**

A resolution will be submitted at the forthcoming annual general meeting of the Company to re-appoint Messrs. PKF as auditor of the Company.

On behalf of the Board

**XUE Ming**

*Chairman and Managing Director*

Hong Kong, 20th March, 2013

# INDEPENDENT AUDITOR'S REPORT

大信梁學濂(香港)會計師事務所

**PKF**

Accountants &  
business advisers

26/F, Citicorp Centre  
18 Whitfield Road  
Causeway Bay  
Hong Kong

**TO THE SHAREHOLDERS OF POLY PROPERTY GROUP CO., LIMITED  
(PREVIOUSLY KNOWN AS POLY (HONG KONG) INVESTMENTS LIMITED)**

*(Incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Poly Property Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 59 to 170, which comprise the consolidated and Company's statements of financial position as at 31st December, 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **Directors' responsibility for the consolidated financial statements**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

## INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2012 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**PKF**

*Certified Public Accountants*

Hong Kong  
20th March, 2013

# CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2012

	<i>Notes</i>	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
Revenue	8	<b>20,695,429</b>	14,104,913
Cost of sales		<b>(14,408,157)</b>	(8,531,463)
Gross profit		<b>6,287,272</b>	5,573,450
Increase in fair value of investment properties	17	<b>444,503</b>	453,905
Other income	9	<b>232,773</b>	732,268
Selling expenses		<b>(619,864)</b>	(554,399)
Administrative expenses		<b>(1,367,918)</b>	(1,095,399)
Net decrease in fair value of held-for-trading investments		<b>(42)</b>	(782)
Gain on disposal of available-for-sale investments		–	231,482
Gain on disposal of interests in subsidiaries	44	<b>18,654</b>	–
Gain on disposal of interest in an associate		–	96,397
Impairment loss on other receivables		–	(3,676)
Finance costs	10	<b>(417,965)</b>	(440,197)
Share of results of associates	22	<b>12,297</b>	16,352
Share of results of jointly controlled entities	23	<b>(8,500)</b>	(8,030)
Profit before taxation	13	<b>4,581,210</b>	5,001,371
Income tax expense	14	<b>(1,538,500)</b>	(1,778,964)
Profit for the year		<b>3,042,710</b>	3,222,407
Attributable to:–			
Owners of the Company		<b>2,629,820</b>	2,777,119
Non-controlling interests		<b>412,890</b>	445,288
		<b>3,042,710</b>	3,222,407
Earnings per share	16		
– basic		<b>72.88 cents</b>	76.96 cents
– diluted		<b>72.64 cents</b>	76.63 cents

The notes on pages 68 to 170 form part of these consolidated financial statements.

Details of dividends payable to owners of the Company attributed to the profit for the year are set out in note 15.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2012

	<i>Notes</i>	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
Profit for the year		<u><b>3,042,710</b></u>	<u>3,222,407</u>
Other comprehensive income			
Exchange differences arising on translation of financial statements of foreign operations		<b>(123)</b>	663,356
Change in fair value of available-for-sale investments	<i>30(a)</i>	<b>(19,332)</b>	21,423
Surplus (deficit) arising on revaluation of properties		<b>1,863</b>	(8,084)
Investment revaluation reserve released upon disposal of available-for-sale investments		–	(100,276)
Translation reserve released on disposal of interests in subsidiaries		<u><b>(707)</b></u>	<u>–</u>
Other comprehensive (loss) income before tax effect		<b>(18,299)</b>	576,419
Deferred tax (liability) asset arising on revaluation of properties		<u><b>(466)</b></u>	<u>2,020</u>
Other comprehensive (loss) income for the year, net of tax		<u><b>(18,765)</b></u>	<u>578,439</u>
Total comprehensive income for the year		<u><b>3,023,945</b></u>	<u>3,800,846</u>
Attributable to:–			
Owners of the Company		<b>2,612,433</b>	3,222,788
Non-controlling interests		<u><b>411,512</b></u>	<u>578,058</u>
		<u><b>3,023,945</b></u>	<u>3,800,846</u>

The notes on pages 68 to 170 form part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2012

	<i>Notes</i>	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investment properties	17	7,085,190	6,578,020
Property, plant and equipment	18	1,933,484	1,995,829
Prepaid lease payments – non-current portion	19	404,004	411,287
Goodwill	20	553,051	804,890
Interests in associates	22	40,696	102,473
Interests in jointly controlled entities	23	63,144	1,646
Available-for-sale investments	30	129,051	148,383
Club membership		1,226	1,226
Deposits paid for acquisition of land use rights	24	447,593	3,032,591
Deposits paid for acquisition of subsidiaries	25	259,259	246,914
Deferred tax assets	45	288,074	208,671
		<b>11,204,772</b>	<b>13,531,930</b>
<b>CURRENT ASSETS</b>			
Properties under development	26	63,530,405	60,359,693
Properties held for sale		13,373,329	5,895,473
Other inventories	27	64,293	57,071
Trade and other receivables	28	2,879,566	1,604,388
Prepaid lease payments – current portion	19	11,674	11,565
Short-term loan receivables	29	–	185,185
Held-for-trading investments	31	740	782
Deposit paid for acquisition of a property development project	32	190,894	125,236
Amounts due from jointly controlled entities	23	2,296	–
Amounts due from fellow subsidiaries	33(a)	11,313	34,566
Amounts due from non-controlling shareholders of subsidiaries	33(b)	799,989	790,947
Taxation recoverable		396,455	288,631
Pledged bank deposits	34	962,274	326,131
Bank balances, deposits and cash	34	14,307,863	12,295,634
		<b>96,531,091</b>	<b>81,975,302</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	35	8,853,339	6,168,692
Pre-sale deposits		18,520,967	11,944,749
Property rental deposits		99,396	91,248
Amount due to the ultimate holding company	33(a)	427,236	434,064
Amount due to an intermediate holding company	33(a)	770,672	3,873,396
Amounts due to fellow subsidiaries	33(a)	2,453,119	2,535,024
Amounts due to non-controlling shareholders of subsidiaries	33(b)	2,657,543	2,291,217
Amount due to an associate	22	–	74,074
Amount due to a related company	33(c)	–	1,867
Taxation payable		1,638,757	1,882,792
Bank and other borrowings – due within one year	36	14,845,813	13,101,876
		<b>50,266,842</b>	<b>42,398,999</b>
<b>NET CURRENT ASSETS</b>		<b>46,264,249</b>	<b>39,576,303</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>57,469,021</b>	<b>53,108,233</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2012

	<i>Notes</i>	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
<b>CAPITAL AND RESERVES</b>			
Share capital	37	<b>1,804,219</b>	1,804,219
Reserves		<b>25,268,367</b>	22,866,721
Equity attributable to owners of the Company		<b>27,072,586</b>	24,670,940
Non-controlling interests		<b>2,974,768</b>	2,500,812
<b>TOTAL EQUITY</b>		<b>30,047,354</b>	27,171,752
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings – due after one year	36	<b>25,869,481</b>	24,857,356
Amount due to an intermediate holding company	33(a)	<b>370,370</b>	–
Loan from a fellow subsidiary	40	<b>222,222</b>	209,644
Deferred tax liabilities	45	<b>959,594</b>	869,481
		<b>27,421,667</b>	25,936,481
		<b>57,469,021</b>	53,108,233

The notes on pages 68 to 170 form part of these consolidated financial statements.

The consolidated financial statements on pages 59 to 170 were approved and authorised for issue by the Board of Directors on 20th March, 2013 and are signed on its behalf by:

**XUE MING**  
*Chairman and Managing Director*

**YE LI WEN**  
*Director*

# STATEMENT OF FINANCIAL POSITION

As at 31st December, 2012

	<i>Notes</i>	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Interests in subsidiaries	<i>21</i>	<b>182,988</b>	182,988
Amounts due from subsidiaries	<i>33(d)</i>	<b>20,022,492</b>	21,051,340
Available-for-sale investment	<i>30</i>	<b>78,378</b>	78,378
		<b>20,283,858</b>	21,312,706
<b>CURRENT ASSETS</b>			
Other receivables		<b>46,144</b>	19,879
Bank balances, deposits and cash	<i>34</i>	<b>934,156</b>	3,086,732
		<b>980,300</b>	3,106,611
<b>CURRENT LIABILITIES</b>			
Other payables	<i>35</i>	<b>24,463</b>	31,848
Amount due to an intermediate holding company	<i>33(a)</i>	<b>33,563</b>	3,161,486
Amounts due to subsidiaries	<i>33(d)</i>	<b>691,672</b>	691,672
Bank borrowing – due within one year	<i>36</i>	<b>419,250</b>	–
		<b>1,168,948</b>	3,885,006
<b>NET CURRENT LIABILITIES</b>		<b>(188,648)</b>	(778,395)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>20,095,210</b>	20,534,311
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>37</i>	<b>1,804,219</b>	1,804,219
Reserves	<i>39</i>	<b>17,024,115</b>	17,040,236
<b>TOTAL EQUITY</b>		<b>18,828,334</b>	18,844,455
<b>NON-CURRENT LIABILITIES</b>			
Other payables	<i>35</i>	<b>9,126</b>	12,856
Bank borrowing – due after one year	<i>36</i>	<b>1,257,750</b>	1,677,000
		<b>1,266,876</b>	1,689,856
		<b>20,095,210</b>	20,534,311

The notes on pages 68 to 170 form part of these consolidated financial statements.

The consolidated financial statements on pages 59 to 170 were approved and authorised for issue by the Board of Directors on 20th March, 2013 and are signed on its behalf by:–

**XUE MING**  
*Chairman and Managing Director*

**YE LI WEN**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2012

	Attributable to owners of the Company														
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Hotel properties revaluation reserve HK\$'000	Translation reserve HK\$'000	Capital redemption 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	Non-controlling interests HK\$'000	Total HK\$'000
At 1st January, 2011	1,804,219	15,621,564	42,177	80,413	758,525	23,917	291,177	74,502	307,485	21,446	(74,496)	3,059,238	22,010,167	1,819,329	23,829,496
Total comprehensive income for the year	-	-	-	(7,722)	521,078	-	-	(78,853)	-	11,166	-	2,777,119	3,222,788	578,058	3,800,846
Share issue expenses	-	(4)	-	-	-	-	-	-	-	-	-	-	(4)	-	(4)
Transfer	-	-	-	-	-	-	266,174	-	-	-	-	(266,174)	-	-	-
Dividends paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(43,407)	(43,407)
Dividends paid (note 15)	-	-	-	-	-	-	-	-	-	-	-	(559,308)	(559,308)	-	(559,308)
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	136,579	136,579
Acquisition of additional interests in subsidiaries (note 41)	-	-	-	-	-	-	-	-	-	-	(73)	-	(73)	73	-
Acquisition of subsidiaries (note 42)	-	-	-	-	-	-	-	-	-	-	-	-	-	7,550	7,550
Partial disposal of interest in a subsidiary without loss of control (note 43)	-	-	-	-	-	-	-	-	-	-	(2,630)	-	(2,630)	2,630	-
At 31st December, 2011	1,804,219	15,621,560	42,177	72,691	1,279,603	23,917	557,351	(4,351)	307,485	32,612	(77,199)	5,010,875	24,670,940	2,500,812	27,171,752
At 1st January, 2012	1,804,219	15,621,560	42,177	72,691	1,279,603	23,917	557,351	(4,351)	307,485	32,612	(77,199)	5,010,875	24,670,940	2,500,812	27,171,752
Total comprehensive income for the year	-	-	-	2,775	(830)	-	-	(19,332)	-	-	-	2,629,820	2,612,433	411,512	3,023,945
Transfer	-	-	-	-	-	-	345,753	-	-	-	-	(345,753)	-	-	-
Dividends paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,457)	(3,457)
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	50,617	50,617
Acquisition of additional interests in subsidiaries (note 41)	-	-	-	-	-	-	-	-	-	-	(213,596)	-	(213,596)	16	(213,580)
Partial disposal of interest in a subsidiary without loss of control (note 43)	-	-	-	-	-	-	-	-	-	-	2,809	-	2,809	15,339	18,148
Release upon disposal of subsidiaries (note 44)	-	-	-	-	-	-	-	-	-	-	-	-	-	(71)	(71)
At 31st December, 2012	1,804,219	15,621,560	42,177	75,466	1,278,773	23,917	903,104	(23,683)	307,485	32,612	(287,986)	7,294,942	27,072,586	2,974,768	30,047,354

Included in other capital reserve at 31st December, 2012 is deemed capital contribution arising on acquisition of subsidiaries of HK\$244,221,000 (2011: HK\$244,221,000) and deemed capital contribution arising from interest-free loans provided by a fellow subsidiary of HK\$62,678,000 (2011: HK\$62,678,000).

The People's Republic of China, other than Hong Kong, (the "PRC") statutory reserves are reserves required by the relevant PRC laws applicable to the Group's PRC subsidiaries and associates.

Other reserve represents the difference between the fair value of consideration paid and payable and the carrying amount of net assets attributable to the changes in ownership interests in the subsidiaries being acquired/disposed from non-controlling interests without change of control during the year.

The notes on pages 68 to 170 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2012

<i>Notes</i>	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	<b>4,581,210</b>	5,001,371
Adjustments for:–		
Reversal of impairment loss previously recognised in respect of other receivables	<b>(20,247)</b>	(24,720)
Reversal of impairment loss previously recognised in respect of trade receivables	<b>(223)</b>	(116)
Reversal of impairment loss previously recognised in respect of short-term loan receivables	<b>(200)</b>	–
Impairment loss on goodwill	<b>251,839</b>	4,657
Impairment loss on trade receivables	<b>157</b>	–
Impairment loss on other receivables	<b>–</b>	3,676
Amortisation of prepaid lease payments	<b>11,565</b>	12,918
Bank interest income	<b>(96,311)</b>	(95,743)
Dividend income from investment in securities	<b>(4,201)</b>	(7,806)
Depreciation of property, plant and equipment	<b>127,670</b>	117,898
Finance costs	<b>405,386</b>	428,617
Gain on disposal of available-for-sale investments	<b>–</b>	(231,482)
Gain on disposal of investment properties	<b>(40,246)</b>	(1,442)
Loss on disposal of property, plant and equipment	<b>7,693</b>	2,008
Gain on disposal of interests in subsidiaries	<b>(18,654)</b>	–
Gain on disposal of interest in an associate	<b>–</b>	(96,397)
Gain on disposal of held-for-trading investments	<b>–</b>	(3,512)
Imputed interest expense	<b>12,579</b>	11,580
Net decrease in fair value of held-for-trading investments	<b>42</b>	782
Increase in fair value of investment properties	<b>(444,503)</b>	(453,905)
Share of results of associates	<b>(12,297)</b>	(16,352)
Share of results of jointly controlled entities	<b>8,500</b>	8,030
Exchange difference	<b>–</b>	(476,343)
Interest income from non-controlling shareholders of subsidiaries	<b>–</b>	(52,362)
Operating cash flows before movements in working capital	<b>4,769,759</b>	4,131,357
Increase in properties under development and properties held for sale	<b>(3,949,459)</b>	(14,144,555)
Increase in other inventories	<b>(7,222)</b>	(12,748)
Increase in trade and other receivables	<b>(1,259,624)</b>	(148,816)
Decrease in short-term loan receivables	<b>82,853</b>	–
Increase in deposit paid for acquisition of a property development project	<b>(65,658)</b>	(125,235)
Increase (decrease) in trade and other payables	<b>635,969</b>	(258,943)
Increase in pre-sale deposits	<b>6,576,218</b>	2,621,169
Increase in property rental deposits	<b>8,148</b>	21,223
Net cash generated from (used in) operations	<b>6,790,984</b>	(7,916,548)
PRC income tax paid	<b>(1,880,115)</b>	(1,274,977)
Interest paid	<b>(4,021,676)</b>	(3,363,834)
<b>NET CASH GENERATED FROM (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>	<b>889,193</b>	(12,555,359)



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2012

	<i>Notes</i>	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		<b>(46,463)</b>	(104,790)
Deposits paid for acquisition of land use rights		–	(420,291)
Deposits paid for acquisition of subsidiaries		<b>(12,345)</b>	–
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	42	–	(39,917)
Acquisition of additional interests in subsidiaries	41	<b>(16,049)</b>	–
Repayments from fellow subsidiaries		<b>22,635</b>	1,129
Purchase of investment properties		<b>(14,988)</b>	(104)
Increase in interests in jointly controlled entities		<b>(70,371)</b>	(8,642)
Increase in available-for-sale investments		–	(45,891)
Net proceeds from disposal of subsidiaries	44	<b>18,492</b>	–
Partial disposal of a subsidiary	43	<b>18,148</b>	–
Proceeds from disposal of an associate		–	151,490
Increase in pledged bank deposits		<b>(636,143)</b>	(144,267)
Repayments from related companies		–	10,373
Bank interest income received		<b>96,311</b>	95,743
Dividend income received from investment in securities		<b>4,201</b>	7,806
Dividend received from an associate		<b>74,074</b>	–
(Advance to) repayments from a jointly controlled entity		<b>(2,296)</b>	2,709
Advances to non-controlling shareholders of subsidiaries		<b>(9,042)</b>	(109,863)
Dividends received from a jointly controlled entity		<b>373</b>	358
Proceeds from disposal available-for-sales investments		–	469,362
Proceeds from disposal of investment properties		<b>199,994</b>	10,088
Proceeds from disposal of property, plant and equipment		<b>870</b>	3,477
Proceeds from disposal of held-for-trading investments		–	12,950
		<b>(372,599)</b>	(108,280)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>			
<b>FINANCING ACTIVITIES</b>			
Borrowings raised		<b>24,836,875</b>	22,809,806
(Repayments to) advances from the ultimate holding company		<b>(6,828)</b>	323,731
(Repayments to) advances from an intermediate holding company		<b>(2,757,552)</b>	1,169,984
Advances from (repayments to) fellow subsidiaries		<b>1,286,179</b>	(200,006)
Advances from non-controlling shareholders of subsidiaries		<b>246,678</b>	715,969
(Repayments to) advances from related companies		<b>(1,867)</b>	1,867
Repayments to an associate		<b>(74,074)</b>	–
Capital contribution by non-controlling shareholders		<b>50,617</b>	136,579
Repayments of borrowings		<b>(22,080,813)</b>	(15,973,264)
Dividends paid		–	(559,308)
Dividends paid to non-controlling shareholders of subsidiaries		<b>(3,457)</b>	(43,407)
Share issue expenses		–	(4)
		<b>1,495,758</b>	8,381,947
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>			

## CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31st December, 2012*

	<i>Notes</i>	<b>2012</b>	2011
		<b>HK\$'000</b>	HK\$'000
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>2,012,352</b>	(4,281,692)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>12,295,634</b>	15,872,810
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGE</b>		<u>(123)</u>	<u>704,516</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b><u>14,307,863</u></b>	<u>12,295,634</u>
<b>ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS</b>			
Represented by:–			
– bank balances, deposits and cash		<b><u>14,307,863</u></b>	<u>12,295,634</u>

The notes on pages 68 to 170 form part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

## 1. General

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

In the opinion of the directors, the Company’s ultimate holding company is China Poly Group Corporation (“China Poly”), a state-owned enterprise established in the People’s Republic of China (the “PRC”). Its parent is Poly (Hong Kong) Holdings Limited (“Poly Holdings”), a company incorporated in Hong Kong. China Poly and its affiliated companies, other than members of the Group, are hereinafter collectively referred to as China Poly Group. The addresses of the registered office and principal place of business of the Company are disclosed in the section of “Corporate Information” to the annual report.

The Company is an investment holding company. Its subsidiaries are engaged in property development, property investment and management, hotel operations and its related services, securities investment and construction services.

## 2. Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 3. Basis of preparation

#### (a) Initial application of Hong Kong Financial Reporting Standards

In the current year, the Group initially applied the following new or revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2012:–

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets

The initial adoption of the new HKFRSs had no material impact on the Group's consolidated financial statements for the current or prior accounting periods.

#### (b) Hong Kong Financial Reporting Standards in issue but not effective

The following HKFRSs in issue at 31st December, 2012 have not been applied in the preparation of the consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1st January, 2012:–

HKAS 19 (Revised 2011)	Employee Benefits <sup>2</sup>
HKAS 27	Separate Financial Statements <sup>2</sup>
HKAS 28	Investments in Associates and Joint Ventures <sup>2</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income <sup>1</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
Amendments to HKFRS 10	Investment Entities <sup>3</sup>
Amendments to HKFRS 7(2011)	Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
Annual improvements to HKFRSs (2009-2011)	Amendments to HKAS 1, HKAS 16 and HKAS 32 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st July, 2012

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2013

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2014

<sup>4</sup> Effective for annual periods beginning on or after 1st January, 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 4. Significant accounting policies

#### Measurement basis

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, hotel properties, available-for-sale investments and held-for-trading investments, which are measured at their fair values or revalued amounts, as explained in the accounting policies set out below.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date that control commenced or up to the date that control ceased. When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at that date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of an investment in an associate or jointly controlled entity or other investment.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.



## 4. Significant accounting policies (Continued)

### **Basis of consolidation** (Continued)

Non-controlling interests represent the equity or deficiency in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

### **Business combinations and goodwill**

#### **Business combinations from 1st January, 2010**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 4. Significant accounting policies (Continued)

#### Business combinations and goodwill (Continued)

##### Business combinations from 1st January, 2010 (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### 4. Significant accounting policies (Continued)

#### Business combinations and goodwill (Continued)

##### Business combinations prior to 1st January, 2010 but after 1st January, 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1st January, 2010:–

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

#### Interests in subsidiaries

Interests in subsidiaries is included in the Company's statement of financial position at cost less any identified impairment loss.

#### Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 4. Significant accounting policies (Continued)

#### Associates and jointly controlled entities (Continued)

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date fair value excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

## 4. Significant accounting policies (Continued)

### Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

### Financial guarantees issued, provisions and contingent liabilities

#### (i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, except for the case of the guarantee issued by the Company to its subsidiary in which the fair value of such guarantee is recognised as an additional cost of investment in a subsidiary, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

#### (ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with (iii) below. Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with (iii) below.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 4. Significant accounting policies (Continued)

#### Financial guarantees issued, provisions and contingent liabilities (Continued)

##### (iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable from sales of properties and goods, hotel operations, investments, services provided and subsidies received or receivable, net of discounts and sales related taxes.

- (a) Income from sale of properties is recognised upon the execution of a binding sale agreement, the issue of an occupation permit and a completion certificate by the relevant government authorities and fulfilling the terms of the binding sale agreements. Payments received from the purchasers prior to this stage are recorded as pre-sale deposits and presented as current liabilities.
- (b) Sales of goods are recognised when goods are delivered and title has passed.
- (c) Building management service income is recognised over the relevant period in which the services are rendered.
- (d) Revenue from hotel operations and related services is recognised when the relevant services are provided.

### 4. Significant accounting policies (Continued)

#### Revenue recognition (Continued)

- (e) Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- (f) Dividend income from investments is recognised when the Group's rights to receive payment have been established.
- (g) Rental income under operating leases are recognised on a straight-line basis over the term of the relevant lease.
- (h) Construction revenue is recognised on the percentage of completion method, measured by reference to (a) the proportion that contract costs incurred for work performed to date to estimated total contract cost or (b) the amount of work certified by independent engineer with reference to the completion of physical proportion of the contract work.

#### Investment properties

Investment properties are properties held to earn rentals and/or capital appreciation. These include properties that are being constructed or developed for future use as investment properties.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year in which the asset is derecognised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 4. Significant accounting policies (Continued)

#### Property, plant and equipment

Property, plant and equipment including buildings and leasehold land held for use in the production or supply of goods or services, or for administrative purposes, other than hotel properties and construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "Property, Plant and Equipment" from the requirement to make regular revaluations of the Group's buildings which had been carried at revalued amounts prior to 30th September, 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30th September, 1995, the revaluation increase arising on the revaluation of these assets was credited to the revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to accumulated profits.

Hotel properties are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using the fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of hotel properties is generally dealt with in other comprehensive income and accumulated as a separate component of equity (hotel properties revaluation reserve), except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on the revaluation of such buildings is dealt with as an expense to the extent that it exceeds the balance, if any, held on the hotel properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued hotel properties is charged to profit or loss. On the subsequent sale or retirement of a revalued hotel property, the attributable revaluation surplus remaining in the hotel properties revaluation reserve is transferred directly to accumulated profits.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment, other than construction in progress, over their estimated useful lives or lease terms and after taking into account of their estimated residual values, using the straight-line method.

## 4. Significant accounting policies (Continued)

### Property, plant and equipment (Continued)

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

### Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by (a) the proportion that contract costs incurred for work performed to date to the estimated total contract costs or (b) the amount of work certified by independent engineer with reference to the completion of physical proportion of contract work. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the remaining period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

### Club membership

Club membership with indefinite life are stated at cost less identified impairment loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 4. Significant accounting policies (Continued)

#### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

#### The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

#### Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and account for as property, plant and equipment.

#### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

### **4. Significant accounting policies (Continued)**

#### **Foreign currencies (Continued)**

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

#### **Retirement benefits scheme contributions**

Payments to Group's defined contribution retirement benefits schemes and Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefits schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 4. Significant accounting policies (Continued)

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interests in associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

When investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

## 4. Significant accounting policies (Continued)

### Properties under development

Properties under development developed for future sale in the ordinary course of business are included in current assets at the lower of cost and net realisable value. It comprises the consideration for development expenditure (which includes cost of land use rights, construction costs and capitalised interest) directly contributable to the development of the properties.

### Other inventories

Other inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

### Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 4. Significant accounting policies (Continued)

#### Financial instruments (Continued)

#### Financial assets (Continued)

##### *Financial assets at fair value through profit or loss*

Financial assets at FVTPL represents financial assets held for trading.

A financial asset is classified as held for trading if:–

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At the end of each reporting period subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend earned on the financial assets.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, short-term loan receivables, amounts due from subsidiaries, fellow subsidiaries, jointly controlled entities, non-controlling shareholders of subsidiaries, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. (See accounting policy on impairment loss on financial assets below).

## 4. Significant accounting policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are designated as available for sale or not classified as financial assets at FVTPL and loans and receivables.

At the end of each reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated as a separate component of equity (investment revaluation reserve), until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 4. Significant accounting policies (Continued)

#### Financial instruments (Continued)

##### Financial assets (Continued)

##### *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:-

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables and short-term loan receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments of trade receivables in the portfolio past the average credit period of 30 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

### 4. Significant accounting policies (Continued)

#### Financial instruments (Continued)

##### Financial assets (Continued)

##### *Impairment of financial assets (Continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and loan receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or a loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income.

##### Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial liabilities.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 4. Significant accounting policies (Continued)

#### Financial instruments (Continued)

#### Financial liabilities and equity (Continued)

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

#### Other financial liabilities

Other financial liabilities including trade payables, property rental deposits, amounts due to subsidiaries, the ultimate holding company, intermediate holding company, fellow subsidiaries, non-controlling shareholders of the subsidiaries, associates and a related company, bank and other borrowings and loan from a fellow subsidiary are subsequently measured at amortised cost, using the effective interest method.

#### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue cost.

##### *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### **4. Significant accounting policies (Continued)**

#### **Equity-settled share-based payment transactions**

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

#### **Government grants**

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant asset and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as other income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 4. Significant accounting policies (Continued)

#### **Impairment losses other than goodwill (see the accounting policy in respect of goodwill above)**

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

#### **Related parties**

A party is considered to be related to the Group if:

- (a) the party, is a person or a close member of that person's family and that person,
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

### 4. Significant accounting policies (Continued)

#### Related parties (Continued)

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

### 5. Key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 5. Key sources of estimation uncertainty (Continued)

#### Estimated net realisable value of properties under development and held for sale

Management reviews the net realisable value of the Group's properties under development of HK\$63,530,405,000 (2011: HK\$60,359,693,000) and held for sale of HK\$13,373,329,000 (2011: HK\$5,895,473,000) with reference to its estimated costs to completion, intended use and current market environment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its net realisable value. Appropriate write-off to estimated net realisable value is recognised in profit or loss when there is objective evidence that the asset is impaired.

In determining whether write-off properties under development and held for sale is required, the Group takes into consideration the intended use of the properties, the estimated costs to completion, the current market environment, the estimated market value of the properties and/or the present value of future cash flows expected to receive. Write-off is recognised based on the higher of estimated future cash flows and estimated market value. If the market environment/circumstances or estimated costs to completion changes significantly, resulting in a decrease in the net realisable value of these properties interest, additional write-off loss may be required. No write-off was made on properties under development and properties held for sale for the years ended 31st December, 2012 and 31st December, 2011.

#### Estimated impairment of short-term loan receivables and other receivables

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2012, the carrying amounts of short-term loan receivables and other receivables are HK\$Nil (2011: HK\$185,185,000) (net of allowance for doubtful debts of HK\$26,840,000 (2011: HK\$27,040,000)) and HK\$1,800,002,000 (2011: HK\$1,111,424,000) (net of allowance for doubtful debts of HK\$32,549,000 (2011: HK\$40,897,000)), respectively.

## 5. Key sources of estimation uncertainty (Continued)

### Estimation of fair value of investment properties

Investment properties were revalued as at 31st December, 2012 based on the appraised market value by independent professional valuer. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:–

- (a) current prices in an active market for properties of a different nature, condition or location or subject to different leases or other contracts, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (c) discounted cash flows projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31st December, 2012 was HK\$7,085,190,000 (2011: HK\$6,578,020,000).

### Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discounted rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31st December, 2012 was HK\$553,051,000 (2011: HK\$804,890,000). More details are given in note 20.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 5. Key sources of estimation uncertainty (Continued)

#### PRC enterprise income tax

The Group is subject to income taxes in Mainland China. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgment based on currently enacted tax laws, regulations and other related policies are required in determining the provision of income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will have impact on the income tax and tax provisions in the period in which the differences realise.

#### PRC land appreciation tax ("LAT")

The Group is subject to LAT in Mainland China. The provision of LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for its certain property development projects. The final outcome could be different from the amounts that were initially recorded.

### 6. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 36, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank and other borrowings less bank balances, deposits and cash. Total capital is calculated as "equity", as shown in the consolidated statement of financial position, plus net debt.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 6. Capital risk management (Continued)

During 2012, the Group's strategy, which was unchanged from 2011 and the gearing ratios at 31st December, 2012 and 2011 were as follows:–

	2012 HK\$'000	2011 HK\$'000
Total bank and other borrowings ( <i>note 36</i> )	40,715,294	37,959,232
Less: bank balances, deposits and cash	<u>(14,307,863)</u>	<u>(12,295,634)</u>
Net debt	26,407,431	25,663,598
Total equity	<u>30,047,354</u>	<u>27,171,752</u>
Total capital	<u>56,454,785</u>	<u>52,835,350</u>
Gearing ratio	<u>47%</u>	<u>49%</u>

### 7. Financial instruments

#### (a) Categories of financial instruments

	2012 HK\$'000	2011 HK\$'000
<b>The Group</b>		
<b>Financial assets</b>		
Held-for-trading investments	740	782
Loans and receivables (including cash and cash equivalents)	18,835,420	15,109,799
Available-for-sale investments	129,051	148,383
<b>Financial liabilities</b>		
Amortised cost	<u>56,439,127</u>	<u>53,580,312</u>
<b>The Company</b>		
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	20,994,145	24,144,314
Available-for-sale investments	78,378	78,378
<b>Financial liabilities</b>		
Amortised cost	<u>2,411,445</u>	<u>5,545,125</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 7. Financial instruments (Continued)

#### (b) Financial risk management objectives and policies

The Group's major financial instruments include held-for-trading investments, available-for-sale investments, trade and other receivables, short-term loan receivables, amounts due from jointly controlled entities, amounts due from fellow subsidiaries, amounts due from non-controlling shareholders of subsidiaries, pledged bank deposits, bank balances, deposits and cash, trade and other payables, property rental deposits, amount due to the ultimate holding company, amount due to an intermediate holding company, amounts due to fellow subsidiaries, amounts due to non-controlling shareholders of subsidiaries, amount due to an associate, amount due to a related company, loan from a fellow subsidiary and bank and other borrowings. The Company's major financial instruments include available-for-sale investments, amounts due from subsidiaries, other receivables, bank balances, deposits and cash, other payables, amounts due to subsidiaries, amount due to an intermediate holding company and bank borrowing. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates, foreign currency rates and equity security prices. Market risk exposures are further measured by sensitivity analysis. There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk. Details of each type of market risks are described as follows:—

##### (i) Currency risk

The Group's revenue are mostly denominated in RMB, however, the Group also undertakes certain transactions denominated in foreign currencies, hence exposures to currency risk. In addition, the currency risk also arises from funding to its subsidiaries in the PRC. These loans to its subsidiaries are normally denominated in RMB while the sources of funding are usually denominated in Hong Kong dollars and United States dollars ("US\$").

Since Hong Kong dollars is being pegged to US\$, material fluctuations in exchange rates of Hong Kong dollars against US\$ are remote.

The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its currency risk by closely monitoring the movement of the foreign currency rate and consider hedging significant foreign currency exposure should the need arise.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 7. Financial instruments (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### Market risk (Continued)

##### (i) Currency risk (Continued)

Apart from the bank loan of HK\$1,677,000,000 which was denominated in US\$, the following table details the Group's exposure as at 31st December, 2012 that the currency risk arising from recognised assets denominated in a currency other than the functional currency and US\$ of the entity to which they relate.

	2012 RMB'000	2011 RMB'000
Bank balances, deposits and cash	533,538	2,138,417
Short-term loans to subsidiaries	<u>7,650,197</u>	<u>8,099,396</u>
Gross exposure arising from recognised assets	<u><b>8,183,735</b></u>	<u>10,237,813</u>

Apart from the bank loan of HK\$1,677,000,000 which was denominated in US\$, the Company did not have any exposure to currency risk as all the financial assets and liabilities were denominated in its functional currency as at 31st December, 2012 and 2011.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 7. Financial instruments (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### Market risk (Continued)

##### (i) Currency risk (Continued)

The following table indicates the approximate change in the Group's profit after tax and accumulated profits in response to reasonably possible changes in foreign exchange rates. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or borrower.

	2012		2011	
	Appreciation (depreciation) in foreign exchange rate	Increase (decrease) in profit after tax and accumulated profits HK\$'000	Appreciation (depreciation) in foreign exchange rate	Increase (decrease) in profit after tax and accumulated profits HK\$'000
Renminbi	5%	505,169	5%	631,964
	(5%)	(505,169)	(5%)	(631,964)

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at the end of the reporting period and had been applied to each of the Group's entities' exposure to currency risk for financial instruments in existence at that date, with all other variables remain constant.

## 7. Financial instruments (Continued)

### (b) Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

##### (ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits and fixed-rate bank and other borrowings (see notes 34 and 36 for details of these deposits and borrowings). The Group aims at keeping borrowings at variable rates. Currently, the Group does not have hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to amounts due from non-controlling shareholders of subsidiaries, amount due to the ultimate holding company, amount due to an intermediate holding company, amounts due to fellow subsidiaries, amounts due to non-controlling shareholders of subsidiaries, bank balances and variable-rate bank and other borrowings (see notes 33, 34 and 36 for details of these balances, bank balances and borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the cash flows interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR and benchmark rate in the PRC arising from the Group's US\$ and RMB borrowings.

#### Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31st December, 2012 would decrease/increase by HK\$61,606,000 (2011: decrease/increase by HK\$69,799,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings and bank balances.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 7. Financial instruments (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### Market risk (Continued)

##### (iii) Other price risk

The Group is exposed to equity price risk through its investments in held-for-trading investments and listed available-for-sale investments. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on listed equity instruments quoted in the Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

##### Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 5% higher/lower:–

- Profit for the year ended 31st December, 2012 would increase/decrease by HK\$28,000 (2011: increase/decrease by HK\$29,000) for the Group a result of the changes in fair value of held-for-trading investments; and
- Investment valuation reserve would increase/decrease by HK\$2,472,000 (2011: increase/decrease HK\$3,438,000) for the Group as a result of the changes in fair value of listed available-for-sale investments.

##### Credit risk

As at 31st December, 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

## 7. Financial instruments (Continued)

### (b) Financial risk management objectives and policies (Continued)

#### Credit risk (Continued)

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

#### Liquidity risk

The Group has net current assets amounting to approximately HK\$46,264,249,000 at 31st December, 2012.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The Group relies on bank and other borrowings as a significant source of liquidity. As at 31st December, 2012, the Group has available unutilised bank loan facilities of approximately HK\$8,789,625,000 (2011: HK\$10,072,346,000). Details of which are set out in note 36.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 7. Financial instruments (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

##### The Group

	Weighted average effective interest rate %	Less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	5+ years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2012 HK\$'000
<b>2012</b>								
<b>Non-derivative financial liabilities</b>								
Trade and other payables		1,694,860	563,620	4,724,025	1,729,647	11,123	8,723,275	8,723,275
Property rental deposits		-	-	-	85,743	13,653	99,396	99,396
Amount due to ultimate holding company								
– interest-free		-	-	23,651	-	-	23,651	23,651
– variable rate	6.27	-	-	419,391	-	-	419,391	403,585
Amount due to an intermediate holding company								
– interest-free		-	33,450	72,730	-	-	106,180	106,180
– fixed rate	7.20	-	-	-	456,269	-	456,269	370,370
– variable rate	6.55	-	-	691,709	-	-	691,709	664,492
Amounts due to fellow subsidiaries								
– interest-free		2,458	36,437	2,043,854	-	-	2,082,749	2,082,749
– fixed rate	9.30	-	-	391,898	-	-	391,898	370,370
Amounts due to non-controlling shareholders of subsidiaries								
– interest-free		-	-	742,962	-	-	742,962	742,962
– variable rate	6.51	-	-	1,992,515	-	-	1,992,515	1,914,581
Bank and other loans								
– fixed rate	10.71	111,607	-	7,652,568	7,572,442	-	15,336,617	12,863,741
– variable rate	6.67	121,726	734,066	6,994,838	23,674,022	1,386,412	32,911,064	27,851,553
Loan from a fellow subsidiary	6.00	-	-	-	222,222	-	222,222	222,222
		<u>1,930,651</u>	<u>1,367,573</u>	<u>25,750,141</u>	<u>33,740,345</u>	<u>1,411,188</u>	<u>64,199,898</u>	<u>56,439,127</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

## 7. Financial instruments (Continued)

### (b) Financial risk management objectives and policies (Continued)

#### Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

#### The Group (Continued)

	Weighted average effective interest rate %	Less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	5+ years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2011 HK\$'000
2011								
<b>Non-derivative financial liabilities</b>								
Trade and other payables		1,867,719	310,603	3,060,097	868,723	3,404	6,110,546	6,110,546
Property rental deposits		–	160	–	77,610	13,478	91,248	91,248
Amount due to ultimate holding company								
– interest-free		–	–	30,478	–	–	30,478	30,478
– variable rate	7.56	–	–	422,655	–	–	422,655	403,586
Amount due to an intermediate holding company								
– interest-free		–	–	3,208,904	–	–	3,208,904	3,208,904
– variable rate	7.11	–	–	694,035	–	–	694,035	664,492
Amounts due to fellow subsidiaries								
– interest-free		2,268,412	4,119	262,493	–	–	2,535,024	2,535,024
Amounts due to non-controlling shareholders of subsidiaries								
– interest-free		4,321	16,455	671,171	–	–	691,947	691,947
– variable rate	6.93	–	–	1,668,528	–	–	1,668,528	1,599,270
Bank and other loans								
– fixed rate	10.36	–	810,045	6,493,506	4,222,760	–	11,526,311	10,036,667
– variable rate	7.13	308,677	640,449	5,500,912	24,727,252	2,801,333	33,978,623	27,922,565
Amount due to an associate		–	–	74,074	–	–	74,074	74,074
Amount due to a related company		–	1,867	–	–	–	1,867	1,867
Loan from a fellow subsidiary	6.00	–	–	–	222,222	–	222,222	209,644
		<u>4,449,129</u>	<u>1,783,698</u>	<u>22,086,853</u>	<u>30,118,567</u>	<u>2,818,215</u>	<u>61,256,462</u>	<u>53,580,312</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

## 7. Financial instruments (Continued)

### (b) Financial risk management objectives and policies (Continued)

#### Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

#### The Company

	Weighted average effective interest rate %	Less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	5+ years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2012 HK\$'000
<b>2012</b>								
<b>Non-derivative financial liabilities</b>								
Other payables		-	-	9,210	-	-	9,210	9,210
Amounts due to subsidiaries		-	-	691,672	-	-	691,672	691,672
Amount due to an intermediate holding company		-	-	-	-	-	-	-
- interest-free		-	-	33,563	-	-	33,563	33,563
Bank loan		-	-	-	-	-	-	-
- variable rate	2.91	-	84,256	341,498	1,370,738	-	1,796,492	1,677,000
		-	84,256	1,075,943	1,370,738	-	2,530,937	2,411,445
								HK\$'000
Financial guarantee issued:								
- Maximum amount guaranteed (note 48)								6,202,469
- Carrying amount at 31.12.2012								12,856
								HK\$'000
<b>2011</b>								
<b>Non-derivative financial liabilities</b>								
Other payables		-	-	14,967	-	-	14,967	14,967
Amounts due to subsidiaries		-	-	691,672	-	-	691,672	691,672
Amount due to an intermediate holding company		-	-	-	-	-	-	-
- interest-free		-	-	3,161,486	-	-	3,161,486	3,161,486
Bank loan		-	-	-	-	-	-	-
- variable rate	3.14	-	-	-	1,839,718	-	1,839,718	1,677,000
		-	-	3,868,125	1,839,718	-	5,707,843	5,545,125
								HK\$'000
Financial guarantee issued:								
- Maximum amount guaranteed (note 48)								6,710,740
- Carrying amount at 31.12.2011								21,094
								HK\$'000

## 7. Financial instruments (Continued)

### (c) Fair values

#### (i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at 31st December, 2012 across the three levels of the fair value hierarchy defined in HKFRS 7, "Financial Instruments: Disclosures", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:–

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

At 31st December, 2012, the Group had following financial instruments carried at fair value all of which are based on the Level 1 of the fair value hierarchy:–

	2012 HK\$'000	2011 HK\$'000
Assets		
Available-for-sale investments		
– Listed	49,438	68,770
Held-for-trading investments		
– Listed	740	782
	<b>50,178</b>	<b>69,552</b>

At 31st December, 2012 and 2011, the Company did not have any financial instruments carried at fair value.

During the year ended 31st December, 2012, there were no significant transfers between financial instruments in Level 1 and Level 2.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 7. Financial instruments (Continued)

#### (c) Fair values (Continued)

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31st December, 2012 and 2011 except for the loan from a fellow subsidiary of which the carrying amount and fair value were HK\$222,222,000 (2011: HK\$209,644,000) and HK\$222,222,000 (2011: HK\$209,762,000) respectively.

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

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

### 8. Revenue

Revenue represents the aggregate of the net amounts received and receivable from third parties, net of business tax payable in the PRC. An analysis of the Group's revenue for the year is as follows:–

	2012 HK\$'000	2011 HK\$'000
Sales of properties	19,670,368	13,265,798
Rental income and building management service income	687,068	499,507
Income from hotel operations	202,468	200,149
Sales of goods	130,380	126,136
Construction revenue	5,145	13,323
	<b>20,695,429</b>	<b>14,104,913</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 9. Other income

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Reversal of impairment loss previously recognised in respect of other receivables	<b>20,247</b>	24,720
Reversal of impairment loss previously recognised in respect of trade receivables ( <i>note 28</i> )	<b>223</b>	116
Reversal of impairment loss previously recognised in respect of short-term loan receivables ( <i>note 29</i> )	<b>200</b>	–
Exchange gains	–	476,343
Interest income from non-controlling shareholders of subsidiaries	–	52,362
Bank interest income	<b>96,311</b>	95,743
Gain on disposal of investment properties	<b>40,246</b>	1,442
Gain on disposal of held-for-trading investments	–	3,512
Government subsidy	<b>32,321</b>	36,441
Dividend income	<b>4,201</b>	7,806
Others	<b>39,024</b>	33,783
	<b>232,773</b>	732,268

### 10. Finance costs

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Interest on bank and other borrowings:–		
– wholly repayable within five years	<b>3,972,940</b>	3,171,343
– not wholly repayable within five years	<b>139,730</b>	125,413
Imputed interest expense on loan from a fellow subsidiary	<b>12,579</b>	11,580
Total borrowing costs	<b>4,125,249</b>	3,308,336
Less: amounts capitalised ( <i>note 26</i> )	<b>(3,707,284)</b>	(2,868,139)
	<b>417,965</b>	440,197

Borrowing cost capitalised during the year arose from specific borrowings.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 11. Directors' emoluments

The emoluments paid or payable to each of the ten (2011: ten) directors were as follows:

	Other emoluments				Total emoluments HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	
<b>2012</b>					
Chen Hong Sheng	60	-	-	-	60
Wang Xu	-	3,223	891	14	4,128
Xue Ming	-	2,971	891	14	3,876
Zhang Wan Shun	-	2,164	628	14	2,806
Ye Li Wen	-	2,271	628	14	2,913
Ip Chun Chung, Robert	150	-	-	-	150
Yao Kang, J.P.	200	-	-	-	200
Choy Shu Kwan	150	-	-	-	150
Leung Sau Fan, Sylvia	150	-	-	-	150
Wong Ka Lun	65	-	-	-	65
<b>Total</b>	<b>775</b>	<b>10,629</b>	<b>3,038</b>	<b>56</b>	<b>14,498</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 11. Directors' emoluments (Continued)

	Fees HK\$'000	Other emoluments			Total emoluments HK\$'000
		Salaries and other benefits HK\$'000	Bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	
2011					
Chen Hong Sheng	60	–	–	–	60
Wang Xu	–	3,080	660	12	3,752
Xue Ming	–	3,080	660	12	3,752
Han Qing Tao	–	1,175	–	7	1,182
Zhang Wan Shun	–	964	465	1	1,430
Ye Li Wen	–	2,170	465	12	2,647
Ip Chun Chung, Robert	130	–	–	–	130
Yao Kang, J.P.	180	–	–	–	180
Choy Shu Kwan	130	–	–	–	130
Leung Sau Fan, Sylvia	130	–	–	–	130
<b>Total</b>	<b>630</b>	<b>10,469</b>	<b>2,250</b>	<b>44</b>	<b>13,393</b>

*Note:–*

In each of the two years ended 31st December, 2012, no emoluments were paid by the Group to the directors, as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors has waived any emoluments during each of the two years ended 31st December, 2012 and 2011.

Bonus was determined with reference to the Group's operating results, individual performances and comparable market statistics.

During the year, Wong Ka Lun was appointed as director on 23rd November, 2012.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 12. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2011: three) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining one (2011: two) highest paid individuals are as follows:–

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	<b>2,250</b>	3,990
Bonuses	<b>628</b>	855
Retirement benefits scheme contributions	<b>14</b>	24
	<b>2,892</b>	4,869

The emoluments of the remaining one (2011: two) highest paid individuals were within the following bands:–

	<b>2012</b>	2011
	<b>Number of employee</b>	Number of employee
Nil to HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	<b>1</b>	1
HK\$3,000,001 to HK\$3,500,000	–	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 13. Profit before taxation

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Profit before taxation has been arrived at after charging and (crediting):–		
Staff costs		
– directors' emoluments ( <i>note 11</i> )	<b>14,750</b>	13,393
– other staff costs	<b>617,866</b>	500,387
– other staff's retirement benefit scheme contributions	<b>61,504</b>	51,278
	<b>694,120</b>	565,058
Amortisation of prepaid lease payments (included in administrative expenses)	<b>11,565</b>	12,918
Depreciation of property, plant and equipment	<b>127,670</b>	117,898
Total depreciation and amortisation	<b>139,235</b>	130,816
Auditor's remuneration		
– current year	<b>6,684</b>	6,235
Cost of inventories recognised as expenses	<b>13,658,004</b>	8,251,677
Operating lease rentals in respect of		
– rented premises	<b>36,636</b>	29,934
– equipment	<b>288</b>	1,455
Impairment loss on goodwill ( <i>note 20</i> )	<b>251,839</b>	4,657
Impairment loss on trade receivables ( <i>note 28</i> )	<b>157</b>	–
Gain on disposal of available for sales investments	–	(231,482)
Gain on disposal of held-for-trading investments	–	(3,512)
Share of tax of associates (included in share of results of associates)	<b>3,495</b>	6,711
Loss on disposal of property, plant and equipment	<b>7,693</b>	2,008
Gain on disposal of interests in subsidiaries	<b>(18,654)</b>	–
Gain on disposal of interest in an associate	–	(96,397)
Gain on disposal of investment properties	<b>(40,246)</b>	(1,442)
Property rental income and building management service income, net of direct expenses of HK\$12,019,000 (2011: HK\$11,694,000)	<b>(675,049)</b>	(487,813)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 14. Income tax expense

	2012 HK\$'000	2011 HK\$'000
The charge comprises:-		
Hong Kong Profits Tax	-	-
PRC Enterprise Income Tax		
- current year	1,201,845	1,023,337
- under-provision in prior year	7,171	19,523
	<u>1,209,016</u>	<u>1,042,860</u>
LAT	<u>319,240</u>	<u>662,460</u>
Deferred taxation		
- current year	23,370	83,763
- over-provision in prior year	(13,126)	(10,119)
	<u>10,244</u>	<u>73,644</u>
	<u>1,538,500</u>	<u>1,778,964</u>

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made as there is no assessable profit for both years.

The PRC statutory enterprise income tax is calculated at 25% based on the estimated assessable profit for the year.

Details of deferred taxation are set out in note 45.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 14. Income tax expense (Continued)

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:–

	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
Profit before taxation	<b>4,581,210</b>	5,001,371
Tax at PRC statutory tax rate of 25% (2011: 25%)	<b>1,145,303</b>	1,250,343
Tax effect of share of results of associates	<b>(3,074)</b>	(4,101)
Tax effect of expenses not deductible for tax purpose	<b>138,470</b>	89,680
Tax effect of income not taxable for tax purpose	<b>(22,019)</b>	(157,097)
Tax effect of tax losses not recognised	<b>73,236</b>	74,311
Tax effect of utilisation of tax losses previously not recognised	<b>(28,137)</b>	(2,624)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(5,278)</b>	(7,460)
Effect of land appreciation tax	<b>(79,810)</b>	(165,615)
Land appreciation tax	<b>319,240</b>	662,460
(Over)/under-provision in prior year	<b>(5,955)</b>	9,404
Others	<b>6,524</b>	29,663
Tax charge for the year	<b>1,538,500</b>	1,778,964

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 15. Dividends

	2012 HK\$'000	2011 HK\$'000
Dividends recognised as distribution during the year:–		
No final dividend was declared for 2011 (2011: HK\$0.155 per share for 2010)	–	559,308

No interim dividend was paid for both years.

A final dividend for the year ended 31st December, 2012 of HK\$0.218 (2011: HK\$Nil) per share has been proposed by the board of directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

### 16. Earnings per share

The calculation of the basic and diluted earnings per share for the year is based on the following data:–

	2012 HK\$'000	2011 HK\$'000
Earnings:–		
Profit for the year attributable to owners of the Company	<u>2,629,820</u>	<u>2,777,119</u>

	2012	2011
Number of shares:–		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>3,608,437,046</u>	3,608,437,046
Effect of dilutive potential ordinary shares on share options	<u>12,065,273</u>	<u>15,656,229</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>3,620,502,319</u>	<u>3,624,093,275</u>

No new shares were issued during the year ended 31st December, 2012 and 31st December, 2011.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 17. Investment properties

	HK\$'000
<b>The Group</b>	
Fair value	
At 1st January, 2011	5,025,391
Exchange adjustments	168,497
Additions	104
Transfer from property, plant and equipment	6,498
Transfer from properties held for sale	656,964
Transfer from properties under development	253,086
Transfer from prepaid lease payments	5,679
Increase in fair value recognised in the consolidated income statement	453,905
Surplus arising on revaluation recognised in the statement of comprehensive income	16,542
Disposals	(8,646)
At 31st December, 2011 and 1st January, 2012	6,578,020
Additions	14,988
Transfer to property, plant and equipment	(9,753)
Transfer from properties held for sale	151,748
Transfer from properties under development	65,432
Increase in fair value recognised in the consolidated income statement	444,503
Disposals	(159,748)
<b>At 31st December, 2012</b>	<b>7,085,190</b>

The fair values of the Group's investment properties at 31st December, 2012 and 2011 have been arrived at on the basis of a valuation carried out on that date 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 by reference to comparable sales transactions as available in the relevant market.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The carrying value of investment properties comprises:-

	2012 HK\$'000	2011 HK\$'000
Properties held under		
– long-term leases in Hong Kong	179,500	163,800
– medium-term land use rights in the PRC	6,905,690	6,414,220
	7,085,190	6,578,020

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

## 18. Property, plant and equipment

	Hotel properties HK\$'000	Leasehold land HK\$'000	Buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>The Group</b>								
Cost or valuation:-								
At 1st January, 2011	1,150,588	115,230	411,712	130,805	98,111	246,970	27,597	2,181,013
Exchange adjustments	57,154	-	19,752	6,282	4,644	12,196	1,365	101,393
Additions	-	-	3,200	31,438	48,155	11,471	10,526	104,790
Acquired on acquisition of subsidiaries (note 42)	-	-	-	345	2,444	-	-	2,789
Transfer	-	-	8,354	7,763	-	2,349	(18,466)	-
Disposals	-	-	-	(10,007)	(4,619)	(15,436)	-	(30,062)
Transfer from properties under development	58,061	-	153,882	-	-	-	-	211,943
Transfer to investment properties	-	-	(6,738)	-	-	-	-	(6,738)
Deficit arising on revaluation	(24,626)	-	-	-	-	-	-	(24,626)
Less: elimination of accumulated depreciation	(45,745)	-	-	-	-	-	-	(45,745)
At 31st December, 2011 and 1st January, 2012	1,195,432	115,230	590,162	166,626	148,735	257,550	21,022	2,494,757
Additions	-	-	1,460	11,306	17,992	4,471	11,234	46,463
Transfer	-	-	(114)	2,785	-	332	(3,003)	-
Disposals	-	-	(1,297)	(15,164)	(4,276)	(5,526)	-	(26,263)
Transfer from investment properties	-	-	9,753	-	-	-	-	9,753
Transfer from properties held for sale	-	-	15,809	-	-	-	-	15,809
Surplus arising on revaluation	1,863	-	-	-	-	-	-	1,863
Less: elimination of accumulated depreciation	(46,308)	-	-	-	-	-	-	(46,308)
<b>At 31st December, 2012</b>	<b>1,150,987</b>	<b>115,230</b>	<b>615,773</b>	<b>165,553</b>	<b>162,451</b>	<b>256,827</b>	<b>29,253</b>	<b>2,496,074</b>
Comprising:-								
At cost	-	115,230	615,773	165,553	162,451	256,827	29,253	1,345,087
At valuation - 2012	1,150,987	-	-	-	-	-	-	1,150,987
	1,150,987	115,230	615,773	165,553	162,451	256,827	29,253	2,496,074
Accumulated depreciation:-								
At 1st January, 2011	-	32,166	114,327	58,530	30,072	194,386	-	429,481
Exchange adjustments	1,103	-	6,077	3,170	1,772	9,989	-	22,111
Charge for the year	44,642	2,305	17,432	19,350	18,355	15,814	-	117,898
Elimination on disposals	-	-	-	(6,610)	(4,070)	(13,897)	-	(24,577)
Transfer to investment properties	-	-	(240)	-	-	-	-	(240)
Elimination on revaluation	(45,745)	-	-	-	-	-	-	(45,745)
At 31st December, 2011 and 1st January, 2012	-	34,471	137,596	74,440	46,129	206,292	-	498,928
Charge for the year	46,308	2,304	21,980	23,316	22,221	11,541	-	127,670
Elimination on disposals	-	-	(921)	(8,302)	(3,675)	(4,802)	-	(17,700)
Elimination on revaluation	(46,308)	-	-	-	-	-	-	(46,308)
<b>At 31st December, 2012</b>	<b>-</b>	<b>36,775</b>	<b>158,655</b>	<b>89,454</b>	<b>64,675</b>	<b>213,031</b>	<b>-</b>	<b>562,590</b>
Carrying values:-								
<b>At 31st December, 2012</b>	<b>1,150,987</b>	<b>78,455</b>	<b>457,118</b>	<b>76,099</b>	<b>97,776</b>	<b>43,796</b>	<b>29,253</b>	<b>1,933,484</b>
At 31st December, 2011	1,195,432	80,759	452,566	92,186	102,606	51,258	21,022	1,995,829

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 18. Property, plant and equipment (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:–

Hotel properties	2%
Leasehold land	over the lease term
Buildings	2% – 18%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Plant and machinery	5% – 23%

	<b>The Group</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
The carrying value of hotel properties, leasehold land and buildings located at:–		
– Long-term leases in Hong Kong	<b>97,725</b>	100,595
– Medium-term land use rights in the PRC	<b><u>1,588,835</u></b>	<u>1,628,162</u>
	<b><u><u>1,686,560</u></u></b>	<u><u>1,728,757</u></u>

The fair value of the Group's hotel properties at 31st December, 2012 was arrived at on the basis of a valuation carried out on that date 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 by the income approach, whereby the income derived from the hotel operations with regard to past trading accounts are capitalised at an appropriate rate of return to arrive at the value of the property interests with due allowance for outgoings and expenses.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 19. Prepaid lease payments

	The Group	
	2012 HK\$'000	2011 HK\$'000
The Group's prepaid lease payments comprise:–		
– Medium-term land use rights in the PRC	<b>415,678</b>	422,852
Analysed for reporting purposes as:–		
– Current asset	<b>11,674</b>	11,565
– Non-current asset	<b>404,004</b>	411,287
	<b>415,678</b>	422,852

### 20. Goodwill

	The Group	
	2012 HK\$'000	2011 HK\$'000
Cost:–		
At 1st January	<b>816,630</b>	792,382
Acquisition of subsidiaries ( <i>note 42</i> )	–	24,248
At 31st December	<b>816,630</b>	816,630
Impairment:–		
At 1st January	<b>11,740</b>	7,083
Impairment loss for the year	<b>251,839</b>	4,657
At 31st December	<b>263,579</b>	11,740
Carrying amount:–		
At 31st December	<b>553,051</b>	804,890

None of the goodwill recognised is expected to be deductible for income tax purpose.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 20. Goodwill (Continued)

#### Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to a specific property development project cash-generating unit for impairment testing. The recoverable amount of the cash-generating unit has been determined based on a value in use calculation. To calculate this, a cash flow projection is prepared for the specific property development project based on the financial budgets approved by management covering 5-year period. The discount rate applied to the cash flow projections beyond a one year period is 10%.

#### Key assumptions used in the value in use calculation

The following describes the key assumptions on which management has based its cash flow projects to undertake impairment testing of goodwill:–

Revenue from the property development project	The selling price is estimated by management by reference to the average selling price of a similar property in the relevant locations
Cost of construction	The cost of construction is estimated by the engineering department based on the projected cost to completion of the project

For the year ended 31st December, 2012, management determines that except for an impairment loss on goodwill of HK\$1,789,000 (2011: HK\$4,657,000) which was charged to cost of sales as a result of the properties sold and an impairment loss on goodwill of HK\$250,050,000 arose from the acquisition of Shenzhen Buji project in 2009 was charged to cost of sales because the project was lapsed during the year, no any other impairment on goodwill based on the estimated recoverable amount of each property development project cash-generating unit is considered necessary. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of units to exceed its aggregate recoverable amount.

### 21. Interests in subsidiaries

	The Company	
	2012 HK\$'000	2011 HK\$'000
Unlisted shares, at cost	<u>182,988</u>	<u>182,988</u>

Details of the Company's principal subsidiaries at 31st December, 2012 are set out in note 54.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 22. Interests in associates/amount due to an associate

#### Interests in associates

	The Group	
	2012 HK\$'000	2011 HK\$'000
Cost of unlisted investments in associates	21,600	21,600
Share of post-acquisition profits and reserves, net of dividends received	<u>19,096</u>	<u>80,873</u>
	<u><b>40,696</b></u>	<u>102,473</u>

The summarised combined financial information in respect of the Group's associates is set out below:–

	2012 HK\$'000	2011 HK\$'000
Total assets	252,677	593,330
Total liabilities	<u>(117,023)</u>	<u>(251,753)</u>
Net assets	<u><b>135,654</b></u>	<u>341,577</u>
Group's share of net assets of associates	<u><b>40,696</b></u>	<u>102,473</u>
Revenue	<u><b>158,171</b></u>	<u>422,005</u>
Profit for the year	<u><b>40,990</b></u>	<u>54,508</u>
Group's share of results of associates for the year	<u><b>12,297</b></u>	<u>16,352</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 22. Interests in associates/amount due to an associate (Continued)

#### Interests in associates (Continued)

Details of the Group's principal associate as at 31st December, 2012 are as follows:–

Name of associate	Place of establishment/ operation	Proportion of ownership interest		Principal activities
		Group's effective interest	Held by the Company Held by a subsidiary	
重慶綠地東原房地產開發有限公司 (“重慶綠地”)	PRC	30%	– 30%	Property development

#### Amount due to an associate

	2012 HK\$'000	2011 HK\$'000
Amount due to an associate	–	74,074

Amount due to an associate is unsecured, interest-free and repayable on demand.

### 23. Interests in jointly controlled entities/amounts due from jointly controlled entities

#### Interests in jointly controlled entities

	The Group	
	2012 HK\$'000	2011 HK\$'000
Cost of unlisted investments in jointly controlled entities	104,217	33,846
Share of post-acquisition losses and reserves, net of dividends received	(41,073)	(32,200)
	<b>63,144</b>	<b>1,646</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 23. Interests in jointly controlled entities/amounts due from jointly controlled entities (Continued)

#### Interests in jointly controlled entities (Continued)

The summarised combined financial information in respect of the Group's jointly controlled entities is set out below:–

	2012 HK\$'000	2011 HK\$'000
Total assets	138,899	7,737
Total liabilities	<u>(12,240)</u>	<u>(4,080)</u>
Net assets	<u>126,659</u>	<u>3,657</u>
Group's share of net assets of jointly controlled entities	<u>63,144</u>	<u>1,646</u>
Revenue	<u>37,259</u>	<u>30,722</u>
Loss for the year	<u>(8,270)</u>	<u>(9,946)</u>
Group's share of results of jointly controlled entities for the year	<u>(8,500)</u>	<u>(8,030)</u>

Details of the Group's jointly controlled entities as at 31st December, 2012 are as follows:–

Name of jointly controlled entities	Place of establishment/operation	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
深圳市保利劇院演出經營有限公司	PRC	45%	–	45%	Theatre management
上海盛衍投資管理有限公司	PRC	50%	–	50%	Investment holding
Profit Maker Holdings Limited	BVI	50%	–	50%	Investment holding

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 23. Interests in jointly controlled entities/amounts due from jointly controlled entities (Continued)

#### Amounts due from jointly controlled entities

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Amounts due from jointly controlled entities	<b>2,296</b>	–

Amounts due from jointly controlled entities are unsecured, interest-free and repayable on demand.

### 24. Deposits paid for acquisition of land use rights

The deposits were paid by the Group to PRC government authority in connection with the bidding of two (2011: two) pieces of land and acquisition of one piece of land in 2011 in the PRC for property development purpose.

### 25. Deposits paid for acquisition of subsidiaries

At 31st December, 2012, the amount represented deposits paid by the Group in connection with the acquisition of subsidiaries which was mainly engaged in property development. The acquisition was not yet completed at 31st December, 2012.

### 26. Properties under development

	<b>The Group</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Properties under development comprises:–		
Land, construction costs and capitalised expenditures	<b>59,076,988</b>	57,390,704
Interest capitalised	<b>4,453,417</b>	2,968,989
	<b>63,530,405</b>	60,359,693

The capitalisation rate of borrowings was 7.93% (2011: 7.51%) for the year ended 31st December, 2012.

During the year, interest of HK\$3,707,284,000 (2011: HK\$2,868,139,000) were capitalised in properties under development.

Properties under development under current assets are expected to realise after twelve months from the end of the reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 27. Other inventories

	The Group	
	2012 HK\$'000	2011 HK\$'000
Raw materials	18,907	31,566
Work in progress	456	379
Finished goods	44,930	25,126
	<b>64,293</b>	<b>57,071</b>

### 28. Trade and other receivables

	The Group	
	2012 HK\$'000	2011 HK\$'000
Trade receivables	1,075,497	506,565
Less: Allowance for doubtful debts	(13,535)	(13,601)
	<b>1,061,962</b>	492,964
Bills receivables	17,602	–
Other receivables (net of allowance of HK\$32,549,000) (2011: HK\$40,897,000)	1,800,002	1,111,424
Total trade and other receivables	<b>2,879,566</b>	<b>1,604,388</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 28. Trade and other receivables (Continued)

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 period of 30 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:–

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
0 to 30 days	<b>828,027</b>	337,947
31 to 90 days	52,977	13,546
More than 90 days	<b>180,958</b>	141,471
	<b>1,061,962</b>	492,964

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK\$180,958,000 (2011: HK\$141,471,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The balance arises from sales of properties and sales of goods of HK\$178,523,000 (2011: HK\$140,947,000) and HK\$2,435,000 (2011: HK\$524,000) respectively. Based on past experience, the directors consider that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

#### Aging of trade receivables which are past due but not impaired

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
91-365 days	<b>180,958</b>	141,471



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 28. Trade and other receivables (Continued)

Movement in the allowance for doubtful debts of trade receivables

	2012 HK\$'000	2011 HK\$'000
Balance at beginning of the year	13,601	13,400
Exchange adjustments	–	317
Impairment loss recognised on trade receivables	157	–
Reversal of impairment loss previously recognised	(223)	(116)
Balance at end of the year	<u>13,535</u>	<u>13,601</u>

### 29. Short-term loan receivables

	The Group	
	2012 HK\$'000	2011 HK\$'000
Other loans (note a)	26,840	27,040
Loan to the People's Government of Huiyang District, Huizhou City (note b)	–	185,185
	<u>26,840</u>	<u>212,225</u>
Less: Impairment loss recognised	(26,840)	(27,040)
	<u>–</u>	<u>185,185</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 29. Short-term loan receivables (Continued)

Movement in the allowance of short-term loan receivables

	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
Balance at beginning of the year	<b>27,040</b>	27,040
Reversal of impairment loss previously recognised	<b>(200)</b>	–
Balance at end of the year	<b>26,840</b>	27,040

Notes:–

- (a) In accordance with loan agreements, the other loans carry interest at 12% (2011: 12%) per annum and repayable on demand. No interest was accrued for the two years ended 31st December, 2011 and 2012.
- (b) The amount was advanced to the People's Government of Huiyang District, Huizhou City for the development of infrastructure of a piece of land located in Huiyang District, Huizhou City, Guangdong Province, the PRC (中國廣東省惠州市惠陽區). The amount was unsecured, interest-bearing at benchmark rate of the People's Bank of China and fully repaid during the year ended 31st December, 2012.

### 30. Available-for-sale investments

	The Group		The Company	
	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
Listed investments:–				
– Interests in equity securities listed in Hong Kong ( <i>note a</i> )	<b>49,438</b>	68,770	–	–
Unlisted securities:–				
– Equity securities ( <i>note b</i> )	<b>79,613</b>	79,613	<b>78,378</b>	78,378
	<b>129,051</b>	148,383	<b>78,378</b>	78,378

Notes:–

- (a) The interests in listed equity securities represent the share consideration received on the disposal of certain subsidiaries in 2007 and are measured at fair value at the end of each reporting period.
- The change in fair value of HK\$19,332,000 (2011: HK\$21,423,000) was charged (2011: credited) to investment revaluation reserve.
- (b) The unlisted equity securities represent investments in unlisted equity securities in the PRC and are measured at cost less impairment at the end of each reporting period because the directors of the Company are of the opinion that their fair values cannot be measured reliably.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 31. Held-for-trading investments

The amounts represent investments in equity securities listed in Hong Kong. The fair values of these securities are based on bid market prices quoted on the Stock Exchange.

### 32. Deposit paid for acquisition of a property development project

At 31st December, 2012, the amount represented deposits paid by the Group in connection with the acquisition of one property development project in the PRC. The property development project was at a preliminary stage.

### 33. Amount(s) due from (to) fellow subsidiaries/the ultimate holding company/an intermediate holding company/non-controlling shareholders of subsidiaries/a related company/subsidiaries

(a) Amount(s) due from (to) fellow subsidiaries/the ultimate holding company/an intermediate holding company

	The Group	
	2012 HK\$'000	2011 HK\$'000
Amounts due from fellow subsidiaries:–		
– Interest-free	<u>11,313</u>	<u>34,566</u>
Amounts due to fellow subsidiaries:–		
– Interest-free	<u>2,082,749</u>	<u>2,535,024</u>
– Fixed rate of 9.3%	<u>370,370</u>	<u>–</u>
	<u>2,453,119</u>	<u>2,535,024</u>

The amounts are unsecured and repayable on demand, except HK\$370,370,000 which is repayable within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

**33. Amount(s) due from (to) fellow subsidiaries/the ultimate holding company/an intermediate holding company/non-controlling shareholders of subsidiaries/a related company/subsidiaries (Continued)**

**(a) Amount(s) due from (to) fellow subsidiaries/the ultimate holding company/an intermediate holding company (Continued)**

	The Group	
	2012 HK\$'000	2011 HK\$'000
Amount due to the ultimate holding company:–		
– Interest-free	23,651	30,478
– 92% of benchmark rate in the PRC	33,215	–
– Benchmark rate in the PRC minus 0.231%	370,370	–
– Benchmark rate in the PRC plus 1%	–	403,586
	<u>427,236</u>	<u>434,064</u>

The amounts are unsecured and repayable within one year except HK\$23,651,000 (2011: HK\$30,478,000) are repayable on demand.

	The Group		The Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Amount due to an intermediate holding company:–				
– Interest-free*	106,180	3,208,904	33,563	3,161,486
– Fixed rate of 7.2%	370,370	–	–	–
– Benchmark rate in the PRC plus 0.5%	593,464	593,464	–	–
– Benchmark rate in the PRC plus 1%	71,028	71,028	–	–
	<u>1,141,042</u>	<u>3,873,396</u>	<u>33,563</u>	<u>3,161,486</u>
Less: Amount due within one year shown under current liabilities	<u>(770,672)</u>	<u>(3,873,396)</u>	<u>(33,563)</u>	<u>(3,161,486)</u>
Amount due after one year	<u>370,370</u>	<u>–</u>	<u>–</u>	<u>–</u>

\* The amounts included loan nature of HK\$33,563,000 (2011: HK\$3,161,486,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 33. Amount(s) due from (to) fellow subsidiaries/the ultimate holding company/an intermediate holding company/non-controlling shareholders of subsidiaries/a related company/subsidiaries (Continued)

#### (a) Amount(s) due from (to) fellow subsidiaries/the ultimate holding company/an intermediate holding company (Continued)

##### The Group

The amounts are unsecured and repayable within one year except HK\$370,370,000 which is repayable after one year (2011: HK\$Nil) and HK\$72,617,000 which is interest-free (2011: HK\$47,418,000) and repayable on demand.

##### The Company

The amount is unsecured and repayable within one year.

#### (b) Amounts due from (to) non-controlling shareholders of subsidiaries

	The Group	
	2012 HK\$'000	2011 HK\$'000
Amounts due from non-controlling shareholders of subsidiaries:–		
– Benchmark rate in the PRC	168,765	–
– Fixed rate of 8.55%	12,346	–
– Fixed rate of 12%	514,327	430,376
– Interest-free	104,551	360,571
	<u>799,989</u>	<u>790,947</u>
Amounts due to non-controlling shareholders of subsidiaries:–		
– Interest-free	742,962	691,947
– Benchmark rate in the PRC	1,461,248	1,285,453
– Benchmark rate in the PRC plus 1.5%	178,798	205,332
– Benchmark rate in the PRC plus 2.6%	274,535	108,485
	<u>2,657,543</u>	<u>2,291,217</u>

The amounts are unsecured and repayable on demand.

### 33. Amount(s) due from (to) fellow subsidiaries/the ultimate holding company/an intermediate holding company/non-controlling shareholders of subsidiaries/a related company/subsidiaries (Continued)

#### (c) Amount due to a related company

##### The Group

The amount due to a related company is unsecured, interest-free and repayable on demand.

#### (d) Amounts due from (to) subsidiaries

##### The Company

The amounts due from subsidiaries are unsecured, interest-free and not expected to be realised within one year from the end of the reporting period. The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

### 34. Pledged bank deposits and bank balances, deposits and cash

#### The Group

Pledged bank deposits represents deposits pledged to banks to secure general banking facilities granted to the Group. Deposits amounting to HK\$962,274,000 (2011: HK\$326,131,000) have been pledged to secure general banking facilities and are classified as current assets.

The pledged bank deposits carry interest at a fixed rate 0.35% (2011: 0.5%) per annum. The pledged bank deposits will be released upon settlement of relevant bank borrowings.

Bank balances include HK\$66,432,000 (2011: HK\$314,741,000) which carry interest at fixed rates ranging from 1.98% to 2.84% (2011: 1.25% to 3.5%) per annum and HK\$14,237,248,000 (2011: HK\$11,976,775,000) which carry interest at variable rates ranging from 0% to 1.15% (2011: 0% to 1.31%) per annum.

#### The Company

Bank balances carry interest at market rates ranging from 0% to 1% (2011: 0% to 1%) per annum.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 35. Trade and other payables

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

	The Group		The Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
0 to 30 days	<b>3,648,694</b>	3,134,306	–	–
31 to 90 days	<b>49,715</b>	79,294	–	–
More than 90 days	<b>623,543</b>	371,651	–	–
	<b>4,321,952</b>	3,585,251	–	–
Bills payables	<b>1,161,597</b>	–	–	–
Deferred income	–	–	<b>12,856</b>	21,094
Other payables	<b>3,369,790</b>	2,583,441	<b>20,733</b>	23,610
	<b>4,531,387</b>	2,583,441	<b>33,589</b>	44,704
	<b>8,853,339</b>	6,168,692	<b>33,589</b>	44,704
Less: Amount due within one year shown under current liabilities	<b>(8,853,339)</b>	(6,168,692)	<b>(24,463)</b>	(31,848)
Amount due after one year	–	–	<b>9,126</b>	12,856

The average credit period is 90 days. The Group has financial risk management policies in place to ensure that all payable is within the credit time frame.

Deferred income represents the fair value of the guarantees issued by the Company in respect of loans granted to its subsidiaries by financial institutions and a fellow subsidiary. Details of guarantee given by the Company were set out in note 48. During the year ended 31st December, 2010, based on the valuation performed by an independent professional valuer, the directors considered that the fair value of the financial guarantee contracts was approximately HK\$32,987,000 at the date of issuance of the financial guarantee contracts, which was recognised as additional cost of interests in subsidiaries, and HK\$8,238,000 (2011: HK\$8,528,000) was amortised in profit or loss and recorded as other income of the Company.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 36. Bank and other borrowings

	The Group		The Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Bank and other loans				
– secured (note 49)	<b>28,893,709</b>	22,363,202	<b>1,677,000</b>	1,677,000
– unsecured	<b>11,821,585</b>	15,596,030	–	–
	<b>40,715,294</b>	37,959,232	<b>1,677,000</b>	1,677,000

The bank and other loans are repayable as follows:–

	The Group		The Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
On demand or within one year	<b>14,845,813</b>	13,101,876	<b>419,250</b>	–
In more than one year, but not more than two years	<b>15,997,795</b>	16,202,813	<b>1,257,750</b>	419,250
In more than two years, but not more than three years	<b>7,576,233</b>	5,178,029	–	1,257,750
In more than three years, but not more than four years	<b>822,305</b>	1,526,810	–	–
In more than four years, but not more than five years	<b>689,198</b>	345,693	–	–
In more than five years	<b>783,950</b>	1,604,011	–	–
	<b>40,715,294</b>	37,959,232	<b>1,677,000</b>	1,677,000
Less: Amount due within one year shown under current liabilities	<b>(14,845,813)</b>	(13,101,876)	<b>(419,250)</b>	–
Amount due after one year	<b>25,869,481</b>	24,857,356	<b>1,257,750</b>	1,677,000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 36. Bank and other borrowings (Continued)

The Group's bank and other borrowings are interest-bearing with details as follows:–

- HK\$12,863,741,000 fixed-rate borrowings which carry interest from 5.40% to 12.00% (2011: HK\$10,036,667,000 fixed-rate borrowings which carry interest from 5.40% to 12.80%);
- HK\$1,677,000,000 (2011: HK\$1,677,000,000) variable-rate borrowings which carry interest at LIBOR plus 2.70% (2011: LIBOR plus 2.70%);
- HK\$25,804,183,000 (2011: HK\$22,480,133,000) variable-rate borrowings which carry interest rates ranging from 90% of benchmark rate in the PRC to 135% of benchmark rate in the PRC (2011: ranging from 90% of benchmark rate in the PRC to 140.63% of benchmark rate in the PRC); and
- HK\$370,370,000 (2011: HK\$3,765,432,000) variable-rate borrowings which carry interest at 11.30% plus the movement of the benchmark rate in the PRC.

At the end of the reporting period, the Group has the following undrawn borrowing facilities:–

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Variable rate		
– expiring within one year	<b>817,284</b>	638,272
– expiring beyond one year	<b>7,972,341</b>	9,434,074
	<b>8,789,625</b>	10,072,346

The Group's certain banking facilities of HK\$1,677,000,000, all of which were outstanding as at 31st December, 2012, are subject to the fulfillment of covenants relating to the following ratios and conditions, which are commonly found in lending arrangements with financial institutions:–

- the consolidated tangible net worth shall not be at any time be less HK\$12 billion; and
- the gearing ratio (the consolidated total net borrowings to consolidated tangible net worth) shall not at any time exceed the ratio of 1.5: 1.

If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 7.

At 31st December, 2012 and 31st December, 2011, none of the above covenants relating to drawn down facilities had been breached.

The Company's variable-rate borrowings carry interest at LIBOR plus 2.70% (2011: LIBOR plus 2.70%).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 37. Share capital

	<b>Number of ordinary shares</b>	<b>Amount HK\$'000</b>
Ordinary share of HK\$0.50 each		
Authorised:–		
At 1st January, 2011	4,000,000,000	2,000,000
Increase on 6th May, 2011	4,000,000,000	2,000,000
<b>At 31st December, 2011, 1st January, 2012 and 31st December, 2012</b>	<b>8,000,000,000</b>	<b>4,000,000</b>
Issued and fully paid:–		
<b>At 1st January, 2011, 31st December, 2011, 1st January, 2012 and 31st December, 2012</b>	<b>3,608,437,046</b>	<b>1,804,219</b>

During the two years ended 31st December, 2012, the following changes in the share capital of the Company took place:–

On 6th May, 2011, the authorised share capital of the Company was increased from HK\$2,000,000,000 divided into 4,000,000,000 ordinary shares of HK\$0.5 each to HK\$4,000,000,000 by the creation of 4,000,000,000 new ordinary shares of HK\$0.5 each.

There was no change in issued share capital of the Company during both years.

### 38. Share option schemes

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

#### **Poly HK New Scheme**

As approved by the shareholders of the Company at the annual general meeting held on 28th May, 2003, the Company has terminated the Poly HK Old Scheme and adopted the Poly HK New Scheme, which is in accordance with the revised Chapter 17 of the Listing Rules effective on 1st September, 2001.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 38. Share option schemes (Continued)

#### Poly HK New Scheme (Continued)

The purpose of the Poly HK New Scheme is to provide incentives to eligible participants, and will expire on 27th May, 2013. According to the Poly HK New Scheme, the Board of Directors of the Company may grant options to (i) any director and employee of the Company or subsidiaries, or an entity in which the Group holds an interest ("Affiliate"); (ii) any customer, supplier, agent, partner, consultant, adviser or shareholder of or contractor to the Group or an Affiliate; (iii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, customer, supplier, agent, partner, consultant, adviser or shareholder of or contractor to the Group or an Affiliate; or (iv) a company beneficially owned by any director, employee, consultant, customer, supplier, agent, partner, shareholder, adviser of or contractor to the Group or an Affiliate to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted.

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

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

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Poly HK New 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 Poly HK New 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.

Pursuant to a resolution passed at the annual general meeting of the Company held on 29th May, 2008, a refreshment of the Poly HK New Scheme mandate was approved. The total number of shares to be allotted and issued pursuant to the grant or exercise of the options under the Poly HK New Scheme shall not exceed 10% of the total number of shares in issue as at 29th May, 2008.

At 31st December, 2012, the number of shares in respect of which options had been granted under the Poly HK New Scheme and remained outstanding was approximately 1.5% (2011: 1.5%) of the Company in issue at that date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 38. Share option schemes (Continued)

#### Poly HK New Scheme (Continued)

The following table discloses details of the Company's options under the Poly HK New Scheme held by employees (including directors) and movement in such holdings during each of the two years ended 31st December, 2012:–

	Date of grant	Exercise price per share HK\$	Exercisable period	Outstanding at 1.1.2011	Exercised during 2011	Outstanding at 1.1.2012	Exercised during 2012	Outstanding at 31.12.2012
Category 1: Directors								
Chen Hong Sheng	14.7.2005	1.270	14.7.2005 – 13.7.2015	8,000,000	–	8,000,000	–	8,000,000
	29.4.2008	4.790	29.4.2008 – 28.4.2013	3,500,000	–	3,500,000	–	3,500,000
Wang Xu	29.4.2008	4.790	29.4.2009 – 28.4.2013	3,000,000	–	3,000,000	–	3,000,000
Xue Ming	29.4.2008	4.790	29.4.2009 – 28.4.2013	2,650,000	–	2,650,000	–	2,650,000
Ye Li Wen	29.4.2008	4.790	29.4.2008 – 28.4.2013	1,600,000	–	1,600,000	–	1,600,000
Yao Kang, J.P.	29.4.2008	4.790	29.4.2008 – 28.4.2013	500,000	–	500,000	–	500,000
Choy Shu Kwan	14.7.2005	1.270	14.7.2005 – 13.7.2015	300,000	–	300,000	–	300,000
	29.4.2008	4.790	29.4.2008 – 28.4.2013	300,000	–	300,000	–	300,000
				19,850,000	–	19,850,000	–	19,850,000
Category 2: Employees								
	14.7.2005	1.270	14.7.2005 – 13.7.2015	8,900,000	–	8,900,000	–	8,900,000
	29.4.2008	4.790	29.4.2008 – 28.4.2013	24,350,000	–	24,350,000	–	24,350,000
				33,250,000	–	33,250,000	–	33,250,000
Total all categories				53,100,000	–	53,100,000	–	53,100,000

The share options under the Poly HK New Scheme granted on 29th April, 2008 vested at the grant date for those directors or employees who have completed 4 years of services with the Company. For those directors or employees who have not completed 4 years of services with the Company, the share options granted will become exercisable on the date upon which the directors or employees have completed 4 years of services with the Company or on the date one year after the date on which the share options are issued, whichever is earlier.

No share options were exercised during both years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 39. Reserves

	Share premium HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
<b>The Company</b>					
At 1st January, 2011	15,621,564	42,177	23,917	732,800	16,420,458
Share issue expenses	(4)	–	–	–	(4)
Profit for the year	–	–	–	1,179,090	1,179,090
Dividends paid (note 15)	–	–	–	(559,308)	(559,308)
At 31st December, 2011 and					
1st January, 2012	15,621,560	42,177	23,917	1,352,582	17,040,236
Loss for the year	–	–	–	(16,121)	(16,121)
<b>At 31st December, 2012</b>	<b><u>15,621,560</u></b>	<b><u>42,177</u></b>	<b><u>23,917</u></b>	<b><u>1,336,461</u></b>	<b><u>17,024,115</u></b>

Notes:–

- (a) As at 31st December, 2012, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK\$1,336,461,000 (2011: HK\$1,352,582,000).
- (b) The consolidated profit attributable to owners of the Company includes a loss of HK\$16,121,000 (2011: profit of HK\$1,178,859,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's (loss)/profit for the year:–

	2012 HK\$'000	2011 HK\$'000
Amount of consolidated (loss)/profit attributable to owners dealt with in the Company's financial statements	(16,121)	1,178,859
Interim dividend from subsidiaries attributable to the profits of the previous financial years, approved and paid during the year	–	231
Company's (loss)/profit for the year	<b><u>(16,121)</u></b>	<b><u>1,179,090</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### **40. Loan from a fellow subsidiary**

The amount represents loan from a subsidiary of the ultimate holding company. The amount is unsecured, interest-free and repayable upon expiration of the joint venture term of Poly Plaza Limited ("PPL"), a subsidiary of the Company.

The fair value of the loan at initial recognition has been determined based on the present value of the estimated future cash flows discounted using the prevailing market rate of 6% on the date the loan was granted. The loan is then carried at amortised cost in subsequent periods of effective interest rate of 6%.

### **41. Acquisition of additional interests in subsidiaries**

During the year ended 31st December, 2012, the Group acquired additional interests in certain subsidiaries at a total consideration of RMB173,000,000 (equivalent to HK\$213,580,000). These transactions were accounted for as transactions with equity shareholders in their capacity as owners and therefore an amount of HK\$213,596,000 was reflected as a movement in the consolidated statement of changes in equity. As at 31st December, 2012, consideration of RMB160,000,000 (equivalent to HK\$197,531,000) has not been paid to the vendor and is included in other payables.

During the year ended 31st December, 2011, the Group injected additional capital of RMB61,599,000 (equivalent to HK\$74,216,000) in 惠州市保利建業房地產開發有限公司 (「保利建業」) (formerly known as 惠州市中信建業房地產有限公司). As a result, the interest in 保利建業 increased 5% from 65% to 70%. These transactions were accounted for as transactions with equity shareholders in their capacity as owners and therefore an amount of HK\$73,000 was reflected as a movement in the consolidated statement of changes in equity.

### **42. Acquisition of subsidiaries**

On 24th July, 2011, the Group entered a sale and purchases agreement to acquire 70% interest of 雲南美城房地產開發有限公司, which is engaged in property development business. The acquisition was completed on 24th July, 2011 and the aggregate consideration was HK\$41,866,000.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 42. Acquisition of subsidiaries (Continued)

The net assets acquired in above acquisition are as follows:–

	雲南美城 房地產開發 有限公司 HK\$'000
Net assets acquired:–	
Property, plant and equipment	2,789
Deferred tax assets	7,045
Properties under development	91,899
Other receivables	226,632
Bank balances, deposits and cash	1,949
Other payables	<u>(305,146)</u>
	25,168
Non-controlling interests	<u>(7,550)</u>
	17,618
Goodwill (note 20)	<u>24,248</u>
Total consideration	<u><b>41,866</b></u>
Total consideration satisfied by:–	
Cash consideration	<u><b>41,866</b></u>
Net cash outflow arising on acquisition:–	
Cash consideration paid	(41,866)
Bank balances, deposits and cash acquired	<u>1,949</u>
	<u><b>(39,917)</b></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 42. Acquisition of subsidiaries (Continued)

The newly acquired subsidiary contributed HK\$Nil and a loss of HK\$6,102,000 to the Group's revenue and profit for the year ended 31st December, 2011, respectively, for the period between the date of acquisition and the end of the reporting period.

Had the acquisition been completed on 1st January, 2011, total Group's revenue and profit for the year ended 31st December, 2011 would be HK\$14,104,913,000 and HK\$3,194,712,000, respectively. This proforma information was for illustrative purposes only and was not necessarily an indication of the turnover and results of the Group that would actually have been impacted had the acquisition been completed on 1st January, 2011, nor was it intended to be a projection of future results.

Acquisition-related costs incurred during the year 2011 for this acquisition amounting to HK\$60,000 was included in administrative expenses in the Group's consolidated income statement.

The non-controlling interests arising from acquisition of above subsidiary are measured at non-controlling interests' proportionate share of the fair value of the subsidiary's net identifiable assets at the date of acquisition.

### 43. Transactions with non-controlling interests

#### Disposal of interest in a subsidiary without loss of control

On 19th March, 2012, the Group disposed of 49% equity interest in a subsidiary at a consideration of RMB14,700,000 (equivalent to HK\$18,148,000). The carrying amount of the net assets in this subsidiary disposed of attributable to the non-controlling interests at the date of disposal was HK\$15,339,000. Accordingly, the Group recognised an increase in non-controlling interests of HK\$15,339,000 and an increase in equity attributable to shareholders of the Company of HK\$2,809,000. The effect of partial disposal of interests of this subsidiary that do not result in loss of control on the equity attributable to shareholders of the Company during the year 2012 is summarised as follows:–

	HK\$'000
Carrying amount of 49% interest in a subsidiary disposed of	15,339
Consideration received from non-controlling interests	<u>(18,148)</u>
Changes recognised on disposal within equity	<u>(2,809)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 43. Transactions with non-controlling interests (Continued)

#### Disposal of interest in a subsidiary without loss of control (Continued)

On 1st January, 2011, the Group disposed of 30% equity interest and a shareholders' loan of HK\$430,376,000 in a subsidiary at a consideration of US\$30 and of HK\$430,376,000 respectively. The carrying amount of the net assets in this subsidiary disposed of attributable to the non-controlling interests at the date of disposal was HK\$2,630,000. Accordingly, the Group recognised an increase in non-controlling interests of HK\$2,630,000 and a decrease in equity attributable to shareholders of the Company of HK\$2,630,000. The effect of partial disposal of interests of this subsidiary that do not result in loss of control on the equity attributable to shareholders of the Company during the year 2011 is summarised as follows:–

	HK\$'000
Carrying amount of 30% interest in a subsidiary disposed of	2,630
Consideration received from non-controlling interests	<u>–</u>
Changed recognised on disposal within equity	<u>2,630</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 44. Disposal of subsidiaries

On 18th May, 2012, the Group entered into a sale and purchase agreement to dispose of its entire equity interest in Profit Leader Limited and its subsidiary, 深圳市保利光明企業管理信息諮詢有限公司. The disposal was completed on 20th August, 2012.

The net assets of subsidiaries at the date of disposal were as follows:–

	Profit Leader Limited and its subsidiary HK\$'000
<hr/>	
Net assets disposed of:–	
Properties under development	281
Trade and other receivables	346
Bank balances, deposits and cash	813
Trade and other payables	(11)
	<hr/>
	1,429
Non-controlling interests	(71)
	<hr/>
Net assets disposed of	1,358
Translation reserve realised on disposal	(707)
Gain on disposal of interests in subsidiaries	18,654
	<hr/>
Total consideration	<u>19,305</u>
Total consideration satisfied by:–	
Cash consideration	<u>19,305</u>
Net cash inflow arising on disposal:–	
Cash consideration	19,305
Bank balances, deposits and cash disposed of	(813)
	<hr/>
	<u>18,492</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 45. Deferred tax assets/liabilities

The deferred tax assets/liabilities recognised by the Group and the movements thereon during the current and prior years are as follows:–

	Tax losses HK\$'000	Expenses recognised in profit or loss but deductible in subsequent period HK\$'000	Others HK\$'000	Total HK\$'000
<b>Deferred tax assets</b>				
At 1st January, 2011	48,773	85,423	23,805	158,001
Exchange adjustments	2,725	5,429	733	8,887
Acquisition of a subsidiary ( <i>note 42</i> )	–	7,045	–	7,045
Credit (charge) to consolidated income statement for the year				
– current year	2,699	39,857	(17,937)	24,619
– under-provision in prior year	10,104	15	–	10,119
At 31st December, 2011 and 1st January, 2012	64,301	137,769	6,601	208,671
Credit to consolidated income statement for the year				
– current year	29,511	15,105	21,661	66,277
– under-provision in prior year	13,126	–	–	13,126
<b>At 31st December, 2012</b>	<b>106,938</b>	<b>152,874</b>	<b>28,262</b>	<b>288,074</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 45. Deferred tax assets/liabilities (Continued)

	Revaluation of properties				Total HK\$'000
	Investment properties HK\$'000	Hotel properties HK\$'000	Properties under development HK\$'000	Others HK\$'000	
<b>Deferred tax liabilities</b>					
At 1st January, 2011	561,374	46,839	114,186	7,488	729,887
Exchange adjustments	25,052	2,312	5,378	490	33,232
Charge (credit) to other comprehensive income for the year	4,136	(6,156)	–	–	(2,020)
Charge (credit) to consolidated income statement for the year	<u>114,090</u>	<u>–</u>	<u>(10,546)</u>	<u>4,838</u>	<u>108,382</u>
At 31st December, 2011 and 1st January, 2012	704,652	42,995	109,018	12,816	869,481
Charge to other comprehensive income for the year	–	466	–	–	466
Charge (credit) to consolidated income statement for the year	<u>114,970</u>	<u>–</u>	<u>(15,896)</u>	<u>(9,427)</u>	<u>89,647</u>
<b>At 31st December, 2012</b>	<b><u>819,622</u></b>	<b><u>43,461</u></b>	<b><u>93,122</u></b>	<b><u>3,389</u></b>	<b><u>959,594</u></b>

At 31st December, 2012, the Group other than its subsidiaries in the PRC had unused tax losses of approximately HK\$261,931,000 (2011: HK\$220,839,000) for offset against future assessable profits. Such unused tax losses may be carried forward indefinitely.

In addition, at 31st December, 2012, the Group's PRC subsidiaries had unused tax losses of approximately HK\$687,131,000 (2011: HK\$547,828,000) other than those unused tax losses for which deferred tax has been provided for, for offset against future assessable profits. The maximum benefit from unutilised tax losses can be carried forward up to five years from the year in which the loss was originated to offset future taxable profits.

The deferred tax assets arising from the above unused tax losses have not been recognised in the consolidated financial statements due to the unpredictability of future profit streams.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 46. Operating leases

The Group as lessee:–

	The Group	
	2012 HK\$'000	2011 HK\$'000
Lease payments paid under operating leases during the year:–		
– office and factory premises	36,636	29,934
– equipment	288	1,455
	<u>36,924</u>	<u>31,389</u>

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:–

	The Group			
	Office and factory premises		Equipment	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Within one year	15,755	20,812	218	18
In the second to fifth year inclusive	14,343	19,257	12	–
Over five years	17,895	18,804	–	–
	<u>47,993</u>	<u>58,873</u>	<u>230</u>	<u>18</u>

The Group as lessor:–

	The Group	
	2012 HK\$'000	2011 HK\$'000
Income from operating lease arrangements in respect of office and management service	687,068	499,507



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 46. Operating leases (Continued)

At the end of the reporting period, the Group had contracted with tenants for the following future minimal lease payments:–

	The Group			
	Office and shop		Management fee income	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Within one year	297,379	335,597	20,076	20,503
In the second to fifth year inclusive	553,204	544,039	60,155	62,566
Over five years	508,069	494,754	48,119	56,298
	1,358,652	1,374,390	128,350	139,367

Significant leases are negotiated for a lease term of 1 to 18 years (2011: 1 to 19 years). Certain leases contain a contingent rental element.

### 47. Capital commitments

	The Group	
	2012 HK\$'000	2011 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– property development expenditures	16,619,736	10,869,472
– acquisition of land use rights	125,713	991,132
	16,745,449	11,860,604

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 48. 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\$17,035,016,000 as at 31st December, 2012 (2011: HK\$10,378,907,000). Such guarantees terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgage loans by the buyers of the properties. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default payments to the banks.

At 31st December, 2012, the Company had given guarantees to certain banks and a fellow subsidiary in respect of credit facilities granted to certain subsidiaries of the Company amounted to HK\$6,246,543,000 (2011: HK\$6,782,716,000), of which HK\$6,202,469,000 (2011: HK\$6,710,740,000) had been utilised by subsidiaries.

### 49. Pledge of 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:—

	The Group	
	2012 HK\$'000	2011 HK\$'000
Investment properties	3,315,988	2,729,734
Hotel properties	1,150,987	685,555
Buildings	258,963	791,167
Prepaid lease payments	386,031	391,989
Properties under development	22,896,952	16,842,914
Bank deposits	962,274	326,131
Properties held for sales	2,690,794	1,298,174
Leasehold land	78,455	80,759
	<b>31,740,444</b>	<b>23,146,423</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 49. Pledge of assets (Continued)

In addition to above pledge of assets, at 31st December, 2012 and 2011, the Group's interests in certain subsidiaries was pledged to secure credit facilities granted to the Group. The details of net assets value of subsidiaries are as follows:-

	2012 HK\$'000	2011 HK\$'000
Total assets	34,241,306	15,981,851
Total liabilities	<u>(30,520,825)</u>	<u>(12,435,220)</u>
	<u>3,720,481</u>	<u>3,546,631</u>

### 50. Government grants

During the year ended 31st December 2008, the Group received government grant which was designated for one specific property development project. At 31st December 2010, an amount of HK\$20,388,000 remained to be amortised and the amounts of HK\$1,538,000 and HK\$18,850,000 were deducted from the costs of prepaid lease payments and investment properties respectively for the year ended 31st December, 2011.

### 51. Retirement benefit schemes

The Company and its subsidiaries in Hong Kong operate a defined contribution retirement benefit scheme for their qualified employees pursuant to the Occupational Retirement Schemes Ordinance. The assets of the scheme are held separately in a fund which is under the control of an independent trustee. The retirement benefit scheme contributions charged to the consolidated statement of comprehensive income represent the contributions payable by the Group to the fund at rates specified in the rules of the scheme. When there are employees who leave the scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### **51. Retirement benefit schemes (Continued)**

To comply with the Mandatory Provident Fund Schemes Ordinance (the “MPFO”), the Group also participates in a Mandatory Provident Fund scheme (“MPF Scheme”) for its qualified employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the MPFO. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

The employees in the subsidiaries in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefit. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

At the end of the reporting period, there was no significant forfeited contributions, which arose upon employees leaving the retirement benefit scheme, available to reduce the contribution payable in the future years.

The total cost charged to consolidated income statement of approximately HK\$61,560,000 (2011: HK\$51,322,000) represents contributions payable to the schemes by the Group during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 52. Connected and related party transactions and balances

During the year, the Group had significant transactions and balances with related companies, some of which are also deemed to be connected persons pursuant to the Listing Rules. The significant transactions with these companies during the year, and significant balances with them at the end of the reporting period, are as follows:–

#### (I) Connected Persons

##### (A) Transactions and balances with China Poly Group

(a) *Continuing connected transactions as defined in Chapter 14A of Listing Rules which are subject to annual cap approved by independent shareholders of the Company*

	<b>The Group</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Transactions:–		
Construction services fee paid or payable ( <i>note i</i> )	<b>4,992,360</b>	5,266,377
Balances:–		
Bank balances and deposits ( <i>note ii</i> )	<b>1,275,301</b>	2,341,677

*Notes:–*

- (i) Construction services fee paid or payable to Poly Construction Developments Company (“Poly Construction”) with the annual cap amount of RMB5,900,000,000 (equivalent to approximately HK\$7,283,951,000, translated at average rate). The pricing policy of the construction services fee is determined at the state-prescribed prices or where there is no state-prescribed prices, on prices no less favourable than those offered by Poly Construction to independent third parties or those charged by other independent third parties to the Group.
- (ii) Deposits placed with Poly Finance Company Limited with a cap amount on maximum daily balance of RMB2,800,000,000 (equivalent to approximately HK\$3,456,790,000, translated at closing rate).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 52. Connected and related party transactions and balances (Continued)

#### (I) Connected Persons (Continued)

##### (A) Transactions and balances with China Poly Group (Continued)

###### (b) Others

	The Group	
	2012 HK\$'000	2011 HK\$'000
Transactions:–		
Capital injection into Poly Finance Co, Ltd. (note v)	–	45,891
Property rental income (note i)	15,444	13,760
Imputed interest expenses (note 40)	12,579	11,580
Interest expenses (note ii)	176,451	127,426
Property leasing commission and management fees	2	29
Guarantee charges (note iii)	10,370	22,892
Theatre operating expenses (note iv)	16,444	19,711
Management fee income	1,232	947
Rental expenses paid	<u>1,916</u>	<u>1,429</u>
Balances:–		
Amounts due from fellow subsidiaries (note vi)	11,313	34,566
Amount due to the ultimate holding company (note vi)	427,236	434,064
Amount due to an intermediate holding company (note vi)	1,141,042	3,873,396
Amounts due to fellow subsidiaries (note vi)	2,453,119	2,535,024
Loan from a fellow subsidiary (note 40)	222,222	209,644
Bank and other borrowings (note vii)	<u>824,691</u>	<u>694,444</u>

## 52. Connected and related party transactions and balances (Continued)

### (I) Connected Persons (Continued)

#### (A) Transactions and balances with China Poly Group (Continued)

##### (b) Others (Continued)

Notes:–

- (i) The amount represented rental income received for the theatres which made with reference to market price.
- (ii) The interest expenses derived from the loans advanced from an intermediate holding company, fellow subsidiaries and the ultimate holding company, which carried interest at a fixed rate from 5.6% to 9.3%, variable rate ranging from 92% of benchmark rate in the PRC to 105% of benchmark rate in the PRC, benchmark rate in the PRC minus 0.231%, and benchmark rate in the PRC plus 0.5% to benchmark rate in the PRC plus 1%. (2011: at a fixed rate of 5.6%, variable rate ranging from 90% of benchmark rate in the PRC to 103.36% of benchmark rate in the PRC, and benchmark rate in the PRC plus 0.5% to benchmark rate in the PRC plus 1%).
- (iii) The guarantee charges paid to the intermediate and ultimate holding company for acting as a guarantor of bank loans borrowed by subsidiaries of the Group and it was charged at 1% on the maximum guarantee amount.
- (iv) The theatre operating expenses were paid to a jointly controlled entity and a fellow subsidiary for the operation and management of a theatre.
- (v) On 4th May, 2011, the Company entered into an agreement with China Poly and its subsidiaries and a third party pursuant to which all the parties have agreed to make the additional capital contribution into Poly Finance. Accordingly, the Company has injected capital of RMB37,623,000 (approximately HK\$45,891,000) during the year ended 31st December, 2011. The Company's interest in Poly Finance remains unchanged before and after the transaction.
- (vi) Details of the terms are set out in note 33(a).
- (vii) The amount of HK\$824,691,000 (2011: HK\$694,444,000) represented loan from a fellow subsidiary. The balance was unsecured, carried interest at a fixed rate of 5.6%, variable rates ranging from the benchmark rate in the PRC to 105% of benchmark rate in the PRC (2011: 90% of benchmark rate in the PRC to 103.36% of benchmark rate in the PRC) and repayable within two (2011: two) years.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 52. Connected and related party transactions and balances (Continued)

#### (I) Connected Persons (Continued)

#### (B) Transactions and balances with non-controlling shareholders of subsidiaries

	The Group	
	2012 HK\$'000	2011 HK\$'000
Transactions:–		
Interest income ( <i>note i</i> )	–	52,362
Interest expenses ( <i>note i</i> )	<b>142,626</b>	<b>106,944</b>
Balances:–		
Amounts due from non-controlling shareholders of subsidiaries ( <i>note i</i> )	<b>799,989</b>	790,947
Amounts due to non-controlling shareholders of subsidiaries ( <i>note i</i> )	<b>2,657,543</b>	<b>2,291,217</b>

Note:–

- (i) Details of terms are set out in note 33(b).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 52. Connected and related party transactions and balances (Continued)

#### (II) Related parties, other than connected persons

Related party	Balances	The Group	
		2012 HK\$'000	2011 HK\$'000
重慶綠地	Amount due to an associate (note i)	–	(74,074)
Profit Maker Holdings Limited	Amount due from jointly controlled entities (note ii)	<b>1,500</b>	–
上海盛衍投資管理有限公司	Amount due from jointly controlled entities (note ii)	<b>796</b>	–
Kumagai SMC Development (Guangzhou) Ltd.	Amount due to a related company (note iii)	–	(1,867)
		<b>–</b>	<b>(1,867)</b>

Notes:–

- (i) Details of terms are set out in note 22.
- (ii) Details of terms are set out in note 23.
- (iii) Details of terms are set out in note 33(c).

#### The Company

Apart from the transactions as disclosed in notes 33(a) and 33(d) to the consolidated financial statements, the Company had no other transaction with its related parties during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 52. Connected and related party transactions and balances (Continued)

#### (III) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:–

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Short-term benefits	<b>25,435</b>	23,297
Post-employment benefits	<b>364</b>	330
	<b>25,799</b>	23,627

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

### 53. Material transactions and balances with other state-controlled entities

Part of the Group's operations is carried out in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under China Poly which is controlled by the PRC government. Apart from the transactions with the PRC government, China Poly, other connected persons and related parties disclosed in notes 50 and 52, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other state-controlled entities, the Group does not differentiate whether the counter-party is a state-controlled entity or not.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 53. Material transactions and balances with other state-controlled entities (Continued)

Material transactions/balances with other state-controlled entities are as follows:–

	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
Transactions:–		
Trade sales	<b>91,307</b>	938,075
Trade purchases	<b>17,595</b>	15,895
Balances:–		
Amounts due from other state-controlled entities	<b>614</b>	48,620
Amounts due to other state-controlled entities	<b>–</b>	179

In view of the nature of the Group's hotel operating business, the directors are of the opinion that, except as disclosed above, it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions were with other state-controlled entities.

In addition, the Group has entered into various transactions, including deposit placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 54. Principal subsidiaries

Details of the Company's principal subsidiaries at 31st December, 2012 are as follows:–

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up share capital/ registered capital	Attributable portion of nominal value of issued share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
Bassington Investments Limited	Hong Kong	HK\$2	–	100%	Property investment
Big Support Limited	British Virgin Islands	US\$1	–	100%	Investment holding
China Dynasty Development Ltd.	British Virgin Islands	US\$1,000	–	60%	Property investment
CMIC Finance Limited	Hong Kong	HK\$2	100%	–	Financial services
CMIC Management Services Limited	Hong Kong	HK\$100	100%	–	Management services
Fainland Limited	Hong Kong	HK\$2	–	100%	Property investment
First Great Investments Limited	Hong Kong	HK\$2	–	100%	Investment holding
Geldy Limited	Hong Kong	HK\$10,000	–	100%	Property investment
Golden Huge Limited	British Virgin Islands	US\$1	–	100%	Investment holding
Grandful International Limited	Hong Kong	HK\$2	–	100%	Investment holding
High Wealth International Limited	Hong Kong	HK\$2	–	100%	Property investment
Honorlink Investments Limited	Hong Kong	HK\$2	–	100%	Property investment
Hubei White Rose Hotel Company Limited ("Hubei White Rose") (note i)	PRC	RMB62,000,000	–	100%	Investment, management and operation of a hotel
Johnsbury Limited	British Virgin Islands	US\$9,600,000	100%	–	Investment holding
Poly Plaza Limited ("PPL") (note ii)	PRC	US\$10,000,000	–	75%	Investment, management and operation of a hotel complex

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 54. Principal subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up share capital/ registered capital	Attributable portion of nominal value of issued share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
Polystar Digidisc Co., Ltd. ("Polystar") <i>(note iii)</i>	PRC	RMB9,000,000	–	66%	Manufacturing and wholesaling of compact discs, video compact discs and digital video discs
Poly (Hong Kong) Property Developments Limited	Hong Kong	HK\$1	–	100%	Investment holding
Poly (Hong Kong) Real Estate Limited	Hong Kong	HK\$1	–	100%	Investment holding
Power Jade Holdings Limited	British Virgin Islands	US\$1	–	100%	Securities investment
Prime Brilliant Limited	Hong Kong	HK\$2	–	100%	Property investment
Propwood Limited	Hong Kong	HK\$2	–	100%	Property investment
Rapid Bloom Limited	British Virgin Islands	US\$1	–	100%	Investment holding
Saneble Limited	Hong Kong	HK\$2	–	100%	Property investment
Smart Best Investments Limited	Hong Kong	HK\$1	–	100%	Investment holding
Upperace Developments Ltd.	British Virgin Islands	US\$1	100%	–	Securities investment
Volgala International Ltd.	British Virgin Islands	US\$1	–	100%	Securities investment
萬寧騰遠發展有限公司 <i>(note i)</i>	PRC	US\$35,000,000	–	100%	Property development
海南帝港置業有限公司 <i>(note i)</i>	PRC	HK\$280,000,000	–	100%	Property development
保利置業集團有限公司 <i>(note i)</i>	PRC	RMB2,200,000,000	–	100%	Investment holding
上海浦利房地產發展有限公司 <i>(note i)</i>	PRC	US\$24,000,000	–	100%	Property investment
上海忻利房地產發展有限公司	PRC	RMB15,000,000	–	100%	Property investment

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 54. Principal subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up share capital/ registered capital	Attributable portion of nominal value of issued share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
上海夢苑房地產有限公司	PRC	RMB5,000,000	–	100%	Property investment and investment holding
上海保利廣場資產管理有限公司	PRC	RMB200,000,000	–	90%	Property investment
上海保利佳房地產有限公司	PRC	RMB150,000,000	–	100%	Property development
上海保利花木有限公司	PRC	RMB1,000,000	–	100%	Property development
上海保利物業酒店管理有限責任公司	PRC	RMB50,000,000	–	100%	Property management
上海保利金鵬置業有限公司	PRC	RMB20,000,000	–	50.1%	Investment holding
上海保金置業有限公司	PRC	RMB15,000,000	–	50.1%	Property development
上海瑞中置業有限公司	PRC	RMB8,000,000	–	50.1%	Property development
上海保鑫置業有限公司	PRC	RMB15,000,000	–	50.1%	Property development
上海保金房地產經紀有限公司	PRC	RMB1,000,000	–	50.1%	Property agency
上海保利銳馳房地產經紀有限公司	PRC	RMB5,000,000	–	100%	Property agency
上海賢豐房地產開發有限責任公司	PRC	RMB10,000,000	–	100%	Property development
上海保利茂佳房地產開發有限公司	PRC	RMB50,000,000	–	100%	Property development
上海保利和佳房地產開發有限公司	PRC	RMB50,000,000	–	100%	Property development
上海保利隆佳房地產開發有限公司	PRC	RMB50,000,000	–	100%	Property development
上海保利翔佳房地產開發有限公司	PRC	RMB50,000,000	–	100%	Property development
上海保利盛茂置業有限公司	PRC	RMB50,000,000	–	100%	Property development
上海保利物產經營管理有限公司	PRC	RMB208,170,000	–	100%	Property investment
保利置業集團(上海)投資有限公司	PRC	RMB200,000,000	–	100%	Investment holding
湖北保利置業有限公司	PRC	RMB100,000,000	–	100%	Property development and investment holding

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 54. Principal subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up share capital/ registered capital	Attributable portion of nominal value of issued share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
湖北保利建築工程有限公司	PRC	RMB50,000,000	–	100%	Provision of construction service
湖北保利投資有限公司	PRC	RMB100,000,000	–	100%	Property development and investment holding
湖北保利普提金置業有限公司	PRC	RMB50,000,000	–	68%	Property development
武漢眾和置業有限公司	PRC	RMB41,200,000	–	55%	Property development
武漢聯業科技開發有限責任公司	PRC	RMB100,000	–	100%	Property investment
武漢保利廣場商業管理有限公司	PRC	RMB30,000,000	–	100%	Property management
重慶保利小泉實業有限公司	PRC	RMB80,000,000	–	51%	Property development
北京花園別墅有限公司	PRC	RMB91,656,147	–	51%	Property investment
廣東保利置業有限公司	PRC	RMB300,000,000	–	100%	Investment holding
佛山市保利置業有限公司	PRC	RMB30,000,000	–	100%	Property development
廣州保利南方置業有限公司	PRC	RMB30,000,000	–	51%	Property development
佛山市盈奧投資發展有限公司	PRC	RMB30,000,000	–	100%	Property development
廣州保盈置業有限公司	PRC	RMB50,000,000	–	100%	Property development
廣州保利置業有限公司	PRC	RMB101,800,000	–	51%	Property development
惠州保利龍勝房地產開發有限公司	PRC	RMB100,000,000	–	80%	Property development
惠州市保利建業房地產開發有限公司	PRC	RMB88,926,900	–	70%	Property development
深圳市保利房地產開發有限公司	PRC	RMB100,000,000	–	100%	Investment holding
深圳市雅豪園投資有限公司	PRC	RMB200,000,000	–	70%	Property development
深圳市保利文化廣場有限公司	PRC	RMB150,000,000	–	100%	Property investment and management



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 54. Principal subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up share capital/ registered capital	Attributable portion of nominal value of issued share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
保利貴州置業集團有限公司	PRC	RMB200,000,000	–	100%	Investment holding
貴陽保利海明房地產開發有限公司	PRC	RMB50,000,000	–	100%	Property development
貴陽保利投資房地產開發有限公司	PRC	RMB20,000,000	–	100%	Property development
保利貴州房地產開發有限公司	PRC	RMB100,000,000	–	66.5%	Property development
保利貴州溫泉經營管理有限公司	PRC	RMB3,000,000	–	66.5%	Hot spring operation
貴陽保利房地產開發有限公司	PRC	RMB50,000,000	–	66.5%	Property development
貴陽保利龍谷房地產開發有限公司	PRC	RMB50,000,000	–	66.5%	Property development
貴陽保利鐵投房地產開發有限公司	PRC	RMB50,000,000	–	51%	Property development
遵義保利置業有限公司	PRC	RMB50,000,000	–	35.7%	Property development
貴陽保利鄯城房地產開發有限公司	PRC	RMB50,000,000	–	51%	Property development
黑龍江保利澳娛房地產開發有限公司 (「保利澳娛」) (note iv)	PRC	RMB100,000,000	–	58%	Property development
哈爾濱保利房地產綜合開發 有限責任公司	PRC	RMB50,000,000	–	51%	Property development
保利山東置業集團有限公司	PRC	RMB340,000,000	–	100%	Investment holding
山東保利嘉園置業有限公司	PRC	RMB50,000,000	–	80%	Property development
山東保利花園房地產開發有限公司	PRC	RMB10,000,000	–	100%	Property development
山東保利物業管理有限公司	PRC	RMB5,000,000	–	100%	Property management
山東保利芙蓉房地產開發有限公司	PRC	RMB10,000,000	–	100%	Property development
濟南保利置業有限公司	PRC	RMB50,000,000	–	100%	Property development
濟南保利房地產開發有限公司	PRC	RMB100,000,000	–	85%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 54. Principal subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up share capital/ registered capital	Attributable portion of nominal value of issued share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
煙台保利置業有限公司	PRC	RMB100,000,000	–	100%	Property development
威海保利置業有限公司	PRC	RMB100,000,000	–	100%	Property development
濟南保利城置業有限公司	PRC	RMB10,000,000	–	80%	Property development
保利雲南置業有限公司	PRC	RMB180,000,000	–	100%	Investment holding
保利雲南房地產開發有限公司	PRC	RMB100,000,000	–	80%	Investment holding
安寧保利房地產開發有限公司	PRC	RMB10,000,000	–	80%	Property development
雲南美城房地產開發有限公司	PRC	RMB50,000,000	–	90%	Property development
安寧保利投資有限公司	PRC	RMB10,000,000	–	100%	Property development
昆明保利房地產開發有限公司	PRC	RMB100,000,000	–	73%	Property development
廣西保利置業集團有限公司	PRC	RMB100,000,000	–	100%	Investment holding
廣西保利房地產有限責任公司	PRC	RMB150,000,000	–	100%	Property development
南寧新滙公河房地產有限公司	PRC	RMB10,000,000	–	100%	Property development
南寧市新保越房地產有限公司	PRC	RMB10,000,000	–	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 54. Principal subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up share capital/ registered capital	Attributable portion of nominal value of issued share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
廣西保利龍湖藍灣發展有限公司	PRC	RMB50,000,000	–	100%	Property development
柳州保利置業有限公司	PRC	RMB100,000,000	–	100%	Property development
寧波保利置業有限公司 (note i)	PRC	HK\$1,459,000,000	–	100%	Property development
德清保利置業有限公司	PRC	RMB262,665,000	–	100%	Property development
余姚保利置業有限公司 (note i)	PRC	HK\$1,100,000,000	–	100%	Property development
保利(蘇州)置業有限公司	PRC	RMB800,000,000	–	100%	Investment holding
蘇州保利房地產開發有限公司	PRC	RMB1,200,000,000	–	100%	Property development
蘇州保利隆威置業有限公司	PRC	RMB328,623,800	–	100%	Property development
蘇州保利隆勝置業有限公司	PRC	RMB329,108,480	–	100%	Property development
蘇州保利隆茂置業有限公司	PRC	HK\$380,000,000	–	100%	Property development

Notes:–

- (i) These companies are a wholly foreign owned enterprise in the PRC.
- (ii) PPL is a sino-foreign joint venture company established in the PRC for a renewal term of 50 years commencing 9th July, 2003.
- (iii) Polystar is a sino-foreign joint venture company established in the PRC for a term of 20 years commencing 18th December, 2000.
- (iv) 保利澳娛 is a sino-foreign joint venture company established in the PRC for a term of 20 years commencing 29th December, 2004.

The above table only lists those subsidiaries of the Company which, in the opinion of the directors, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 55. Segment and entity-wide information

### Reportable segments

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

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates and jointly controlled entities, deferred tax assets and other corporate assets. Segment liabilities include trade payable, accruals and deposits received except of other corporate liabilities attributable to the individual segments and other borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment result is "adjusted EBIT" i.e. adjusted earnings before interest and taxes. To arrive at adjusted EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of results of associates and jointly controlled entities, gain on disposal of interests in subsidiaries, directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBIT, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation, impairment losses and additions to non-current segment assets used by the segments in their operations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 55. Segment and entity-wide information (Continued)

#### Reportable segments (Continued)

Information about these segments is presented below:–

For the year ended 31st December, 2012

	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	19,675,513	687,068	202,468	130,380	–	20,695,429
Inter-segment revenue*	–	19,929	–	–	(19,929)	–
Total revenue	<u>19,675,513</u>	<u>706,997</u>	<u>202,468</u>	<u>130,380</u>	<u>(19,929)</u>	<u>20,695,429</u>
SEGMENT RESULT	<u>4,287,571</u>	<u>688,311</u>	<u>(32,503)</u>	<u>16,992</u>	<u>–</u>	<u>4,960,371</u>
Unallocated income						124,617
Unallocated expenses						(108,264)
Gain on disposal of interests in subsidiaries	18,654	–	–	–	–	18,654
Finance costs						(417,965)
Share of results of associates	12,297	–	–	–	–	12,297
Share of results of jointly controlled entities	(253)	–	–	(8,247)	–	(8,500)
Profit before taxation						4,581,210
Income tax expense						(1,538,500)
Profit for the year						<u>3,042,710</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 55. Segment and entity-wide information (Continued)

#### Assets and liabilities

*At 31st December, 2012*

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Total HK\$'000
<b>ASSETS</b>					
Segment assets	82,237,163	7,586,424	1,581,124	256,713	91,661,424
Interests in associates	40,696	-	-	-	40,696
Interests in jointly controlled entities	61,476	-	-	1,668	63,144
Unallocated corporate assets					<u>15,970,599</u>
Total assets					<u>107,735,863</u>
<b>LIABILITIES</b>					
Segment liabilities	(33,590,348)	(411,339)	(218,809)	(40,643)	(34,261,139)
Unallocated corporate liabilities					<u>(43,427,370)</u>
Total liabilities					<u>(77,688,509)</u>
<b>OTHER INFORMATION</b>					
Capital expenditure	21,709	21,052	16,699	1,991	61,451
Depreciation	33,876	25,858	58,020	9,916	127,670
Impairment loss on goodwill	251,839	-	-	-	251,839
Amortisation of prepaid lease payments	<u>1,424</u>	<u>1,779</u>	<u>8,215</u>	<u>147</u>	<u>11,565</u>

An analysis of the Group's revenue by geographical location of its customers is presented below:-

	Hong Kong HK\$'000	The PRC HK\$'000	Total HK\$'000
REVENUE	<u>5,694</u>	<u>20,689,735</u>	<u>20,695,429</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 55. Segment and entity-wide information (Continued)

The following is an analysis of the carrying amount of segment assets and capital expenditure analysed by the geographical area in which the assets are located.

	Hong Kong HK\$'000	The PRC HK\$'000	Total HK\$'000
ASSETS			
Carrying amount of segment assets	<b>632,240</b>	<b>106,999,783</b>	<b>107,632,023</b>
Capital expenditure	<b>459</b>	<b>60,992</b>	<b>61,451</b>

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue.

For the year ended 31st December, 2011

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Total HK\$'000
REVENUE						
External revenue	13,279,121	499,507	200,149	126,136	-	14,104,913
Inter-segment revenue*	-	16,632	-	-	(16,632)	-
Total revenue	<b>13,279,121</b>	<b>516,139</b>	<b>200,149</b>	<b>126,136</b>	<b>(16,632)</b>	<b>14,104,913</b>
SEGMENT RESULT	<b>4,001,209</b>	<b>624,769</b>	<b>(29,801)</b>	<b>25,545</b>	<b>-</b>	<b>4,621,722</b>
Unallocated income						577,616
Unallocated expenses						(93,971)
Gain on disposal of available-for-sale investments	-	-	-	231,482	-	231,482
Gain on disposal of interest in an associate	96,397	-	-	-	-	96,397
Finance costs						(440,197)
Share of results of associates	16,352	-	-	-	-	16,352
Share of result of a jointly controlled entity	-	-	-	(8,030)	-	(8,030)
Profit before taxation						5,001,371
Income tax expense						(1,778,964)
Profit for the year						<b>3,222,407</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2012*

### 55. Segment and entity-wide information (Continued)

#### Assets and liabilities

*At 31st December, 2011*

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Total HK\$'000
<b>ASSETS</b>					
Segment assets	73,266,105	7,092,115	1,629,764	275,659	82,263,643
Interests in associates	102,473	–	–	–	102,473
Interests in a jointly controlled entity	–	–	–	1,646	1,646
Unallocated corporate assets					<u>13,139,470</u>
<b>Total assets</b>					<u><b>95,507,232</b></u>
<b>Liabilities</b>					
Segment liabilities	(26,813,221)	(448,877)	(217,965)	(41,560)	(27,521,623)
Unallocated corporate liabilities					<u>(40,813,857)</u>
<b>Total liabilities</b>					<u><b>(68,335,480)</b></u>
<b>OTHER INFORMATION</b>					
Capital expenditure	64,156	15,292	19,381	6,065	104,894
Depreciation	27,008	21,722	54,540	14,628	117,898
Impairment loss on other receivables	3,676	–	–	–	3,676
Impairment loss on goodwill	4,657	–	–	–	4,657
Amortisation of prepaid lease payments	<u>1,125</u>	<u>1,313</u>	<u>10,337</u>	<u>143</u>	<u>12,918</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

### 55. Segment and entity-wide information (Continued)

An analysis of the Group's revenue by geographical location of its customers is presented below:–

	Hong Kong HK\$'000	The PRC HK\$'000	Total HK\$'000
REVENUE	<u>4,866</u>	<u>14,100,047</u>	<u>14,104,913</u>

The following is an analysis of the carrying amount of segment assets and capital expenditure analysed by the geographical area in which the assets are located.

	Hong Kong HK\$'000	The PRC HK\$'000	Total HK\$'000
ASSETS			
Carrying amount of segment assets	<u>3,556,278</u>	<u>91,846,835</u>	<u>95,403,113</u>
Capital expenditure	<u>8,654</u>	<u>96,240</u>	<u>104,894</u>

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue.

### 56. Non-adjusting post balance sheet events

After the end of the reporting period, the board of directors proposed a final dividend. Further details are disclosed in note 15.

## FINANCIAL SUMMARY

	Year ended 31st December,				
	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000
<b>RESULTS</b>					
Revenue	<u>3,324,368</u>	<u>7,196,898</u>	<u>8,514,136</u>	<u>14,104,913</u>	<u>20,695,429</u>
Profit before taxation	349,104	1,130,287	3,185,845	5,001,371	4,581,210
Income tax expense	<u>(74,590)</u>	<u>(314,127)</u>	<u>(1,049,392)</u>	<u>(1,778,964)</u>	<u>(1,538,500)</u>
Profit for the year	<u>274,514</u>	<u>816,160</u>	<u>2,136,453</u>	<u>3,222,407</u>	<u>3,042,710</u>
Attributable to:					
Owners of the Company	222,994	662,114	1,838,367	2,777,119	2,629,820
Non-controlling interests	<u>51,520</u>	<u>154,046</u>	<u>298,086</u>	<u>445,288</u>	<u>412,890</u>
Profit for the year	<u>274,514</u>	<u>816,160</u>	<u>2,136,453</u>	<u>3,222,407</u>	<u>3,042,710</u>

	At 31st December,				
	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Total assets	22,316,136	38,365,170	73,861,363	95,507,232	107,735,863
Total liabilities	<u>(15,159,092)</u>	<u>(22,226,270)</u>	<u>(50,031,867)</u>	<u>(68,335,480)</u>	<u>(77,688,509)</u>
	<u>7,157,044</u>	<u>16,138,900</u>	<u>23,829,496</u>	<u>27,171,752</u>	<u>30,047,354</u>
Equity attributable to owners of the Company	6,080,061	14,619,950	22,010,167	24,670,940	27,072,586
Non-controlling interests	<u>1,076,983</u>	<u>1,518,950</u>	<u>1,819,329</u>	<u>2,500,812</u>	<u>2,974,768</u>
	<u>7,157,044</u>	<u>16,138,900</u>	<u>23,829,496</u>	<u>27,171,752</u>	<u>30,047,354</u>

## SUMMARY OF PROPERTIES HELD FOR INVESTMENT PURPOSES

At 31st December, 2012

Details of the Group's properties held for investment purposes at 31st December, 2012 are as follows:-

Location	Term of lease	Type of use	Group's interest
<i>INVESTMENT PROPERTIES:</i>			
Room 2502A, 2502B, 2502C and Room 2508 of 25th Floor Admiralty Centre Tower I 18 Harcourt Road Hong Kong	Long lease	Commercial	100%
4 apartments of Legend Garden Villas 89 Capital Airport Road, Beijing The People's Republic of China	Held under a land use right for a term expiring on 31st December, 2042	Residential	100%
Portions of Basements 1, 2 and 3, Portions of 1st Floor, N02, N03 & N04, 11th Floor, North Tower, N02, N03 & N04, 12th Floor, North Tower, Whole of 14th, 15th, 16th, 17th and 18th Floors, South Tower, N04, N05 & N06, 16th floor of North Tower, N07, 19th Floor, North Tower, S01, S02, S03, S04, S07, S08 & S09, 20th Floor, South Tower, N02, N03, N06, N07, N08, N09, 20th Floor, North Tower, Whole of 21st, 22nd, 23rd, 24th, 25th and 27th Floors, South Tower and North Tower, Whole of 26th Floor, North Tower, Shanghai Stock Exchange Building, No. 528 Pudong Road South, Lujiazui, Pudong, Shanghai, The People's Republic of China	Held under a land use right for a term expiring on 14th November, 2043	Commercial	100%

## SUMMARY OF PROPERTIES HELD FOR INVESTMENT PURPOSES

At 31st December, 2012

Location	Term of lease	Type of use	Group's interest
<i>INVESTMENT PROPERTIES: (Continued)</i>			
4 houses, 13 apartments, a commercial center, a club house, a kindergarten and an extension Legend Garden Villas, 89 Capital Airport Road, Beijing, The People's Republic of China	Held under a land use right for a term expiring on 31st December, 2042	Commercial/ Residential	51%
Office Tower of Poly Plaza, No. 14 Dongzhimen Nandajie, Dong Cheng District, Beijing, The People's Republic of China	The land use right for the property has been granted for a term of 50 years commencing on 27th October, 2003	Commercial	75%
Commercial/Office buildings at No. 465 Luo Shi Lu, Hong Shan District, Wuhan, Hubei Province, The People's Republic of China	Held under a land use right for a term expiring on 12th May, 2047	Commercial	100%
2 residential units and 6 commercial units at Zhuo Dao Quan Bei Lu, Hong Shan District, Wuhan, Hubei Province, The People's Republic of China	Held under a land use right for a term expiring on 16th January, 2075	Commercial/ Residential	100%
Various commercial units, cultural centre, exhibition centre, theatre, museum, cinemas and car parking spaces, Shenzhen Poly Cultural Plaza, Hou Hai Bin Lu, Nan Shan District, Shenzhen, Guangdong Province, The People's Republic of China	Held under a land use right for a term expiring on 15th January, 2054	Commercial	100%

## SUMMARY OF PROPERTIES HELD FOR INVESTMENT PURPOSES

At 31st December, 2012

Location	Term of lease	Type of use	Group's interest
<i>INVESTMENT PROPERTIES: (Continued)</i>			
Various office units in CITIC Plaza, No. 233 Tianhe Bei Road, Tianhe District, Guangzhou, Guangdong Province, The People's Republic of China	Held under a land use right for a term expiring on 30th September, 2044	Commercial	60%
Golf training center together with its ancillary accommodations and an adjoining piece of land, 89 Capital Airport Road, Beijing, The People's Republic of China	Held under a long lease for a term expiring on 30th September, 2026	Commercial	40%
Various commercial and office units, Poly Mingmen, China Asean International Business District, Nanning, Guangxi Province, The People's Republic of China	Held under a land use right for a term expiring on 22nd January, 2076	Commercial	100%
Various office units, Shanghai Poly Plaza, No. 18 Dong Fang Lu, Pudong New District, Shanghai, The People's Republic of China	Held under a land use right for a term expiring on 21st July, 2055	Commercial	90%
Various commercial units at No. 8 Dong Wu Da Dao Te, Dong Xi Hu District, Wuhan, Hubei Province, The People's Republic of China	Held under a land use right for a term expiring on 23rd April, 2042	Commercial	55%

## SUMMARY OF PROPERTIES HELD FOR INVESTMENT PURPOSES

At 31st December, 2012

Location	Term of lease	Type of use	Group's interest
<i>INVESTMENT PROPERTIES: (Continued)</i>			
Various commercial units, Guiyang Poly Clouds Hill International, No.148 Shi Bei Lu, Yun Yan District, Guiyang, Guizhou Province, The People's Republic of China	Held under a land use right for a term expiring on 24th May, 2048	Commercial	100%
Various commercial units, Guiyang Poly Hot Spring Newisland, Wen Quan Lu, Ye Jia Zhuang, Wu Dang District, Guiyang, Guizhou Province, The People's Republic of China	Held under a land use right for a term expiring on 30th August, 2046	Commercial	66.5%
Various commercial units, Guiyang Poly International Plaza, Shi Nan Lu, Nan Ming District, Guiyang, Guizhou Province, The People's Republic of China	Held under a land use right for a term expiring on 24th May, 2049	Commercial	66.5%
A commercial unit, Guiyang Poly Spring Street, Shui Dong Lu, Wudang District, Guiyang, Guizhou Province, The People's Republic of China	Held under a land use right for a term expiring on 20th February, 2050	Commercial	66.5%

## SUMMARY OF PROPERTIES HELD FOR DEVELOPMENT

At 31st December, 2012

Details of the Group's properties held for development at 31st December, 2012 are as follows:–

Location	Stage of completion	Expected completion date	Site area/ Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR DEVELOPMENT:</i>					
A parcel of land in Chai Lin Tou Village, He Ping Xiang, Hong Shan District, Wuhan, Hubei Province, The People's Republic of China	Under construction	December 2015	27,000 sq.m./ 134,000 sq.m.	Commercial/ Residential	51%
A parcel of land in No. 90 Xiao Quan, Nan Quan Village, Ba Nan District, Chongqing, Sichuan Province, The People's Republic of China	Under construction	October 2013 (Phase IV)	210,000 sq.m./ 58,000 sq.m.	Residential	51%
A parcel of land in Zong Fang Cun, Ma Lu Zhen, Jiading District, Shanghai, The People's Republic of China	Under construction	August 2013 (Phase IV)	169,000 sq.m./ 435,000 sq.m.	Commercial/ Residential	100%
A parcel of land on Wen Quan Lu, Ye Jia Zhuang, Wu Dang District, Guiyang, Guizhou Province, The People's Republic of China	Under construction	December 2013 (Phase IV)	482,000 sq.m./ 1,066,000 sq.m.	Residential	66.5%
A parcel of land on Shi Nan Lu, Nan Ming District, Guiyang, Guizhou Province, The People's Republic of China	Under construction	December 2013 (Phase II)	21,000 sq.m./ 245,000 sq.m.	Commercial/ Residential	66.5%

## SUMMARY OF PROPERTIES HELD FOR DEVELOPMENT

At 31st December, 2012

Location	Stage of completion	Expected completion date	Site area/ Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR DEVELOPMENT: (Continued)</i>					
A parcel of land on No. 20 Yong Wu Lu, Xing Ning District, Nanning, Guangxi Province, The People's Republic of China	Under construction	December 2016	465,000 sq.m./ 515,000 sq.m.	Residential	100%
A parcel of land on San Huan Lu, Song Bei District, Harbin, Heilongjiang Province, The People's Republic of China	Under planning	December 2016 (Phase V)	567,000 sq.m./ 650,000 sq.m.	Residential	58%
A parcel of land in Zi Xing Jie, Gong Dian Lu, Nan Gang District, Harbin, Heilongjiang Province, The People's Republic of China	Under construction	December 2013	75,000 sq.m./ 335,000 sq.m.	Residential	51%
Four parcels of land in Luo Yang Zhen, Boluo County, Huizhou, Guangdong Province, The People's Republic of China	Under construction	May 2013 (Phase II)	358,000 sq.m./ 514,000 sq.m.	Commercial/ Residential	80%
A parcel of land in Tang On Lu, Tangzhen, Pudong New District, Shanghai, The People's Republic of China	Under construction	October 2013 (Phase III)	120,000 sq.m./ 236,000 sq.m.	Commercial/ Residential	50.1%



## SUMMARY OF PROPERTIES HELD FOR DEVELOPMENT

At 31st December, 2012

Location	Stage of completion	Expected completion date	Site area/ Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR DEVELOPMENT: (Continued)</i>					
A parcel of land on Donghua Road, Longjiang, Shunde District, Foshan City, Guangdong Province, The People's Republic of China	Under construction	July 2014 (Phase II)	95,000 sq.m./ 434,000 sq.m.	Commercial/ Residential	100%
A parcel of land on Lu Jing 2 Lu, Chan Cheng District, Foshan City, Guangdong Province, The People's Republic of China	Under construction	July 2013	49,000 sq.m./ 169,000 sq.m.	Commercial/ Residential	100%
A parcel of land on Shui Dong Lu, Wu Dang District, Guiyang, Guizhou Province, The People's Republic of China	Under construction	November 2013 (Phase II)	390,000 sq.m./ 605,000 sq.m.	Commercial/ Residential	66.5%
A parcel of land in the West of Fenglin Lu, Fengling North, Nanning, Guangxi Province, The People's Republic of China	Under construction	August 2013	35,000 sq.m./ 192,000 sq.m.	Residential	100%
Two parcels of land on Wuyi Xi Lu, Jiangnan District, Nanning, Guangxi Province, The People's Republic of China	Under construction	October 2013	66,000 sq.m./ 366,000 sq.m.	Residential	100%

## SUMMARY OF PROPERTIES HELD FOR DEVELOPMENT

At 31st December, 2012

Location	Stage of completion	Expected completion date	Site area/ Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR DEVELOPMENT: (Continued)</i>					
Two parcels of land in the Northwest of Yongwu Overpass, Nanning, Guangxi Province, The People's Republic of China	Under construction	April 2015	74,000 sq.m./ 375,000 sq.m.	Commercial/ Residential	100%
A parcel of land on No.2 Baisha Lu, Liuzhou, Guangxi Province, The People's Republic of China	Under construction	November 2014 (Phase II)	169,000 sq.m./ 887,000 sq.m.	Office/ Commercial/ Residential	100%
A parcel of land in Wu Dang pasture, Wu Dang District, Guiyang, Guizhou Province, The People's Republic of China	Under construction	December 2015	1,118,000 sq.m./ 1,963,000 sq.m.	Commercial/ Residential	100%
A parcel of land in the South of Zhu Shun Lu, Li Cheng District, Jinan, Shandong Province, The People's Republic of China	Under construction	August 2013 (Phase I)	142,000 sq.m./ 434,000 sq.m.	Residential	100%
A parcel of land in Ning Hu Xin Cheng, An Ning County, Kunming, Yunnan Province, The People's Republic of China	Under construction	December 2013	13,000 sq.m./ 79,000 sq.m.	Residential	100%
Two parcels of land at junction of Shen Hui Da Dao and Yi Cui Lu, Ai Lian Gang Bei, Longgang District, Shenzhen, Guangdong Province, The People's Republic of China	Under construction	June 2014 (Phase II)	70,000 sq.m./ 357,000 sq.m.	Residential	70%

## SUMMARY OF PROPERTIES HELD FOR DEVELOPMENT

At 31st December, 2012

Location	Stage of completion	Expected completion date	Site area/ Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR DEVELOPMENT: (Continued)</i>					
Five parcels of land in Dong Ao Zhen, Shenzhou Peninsula, Wanning City, Hainan Province, The People's Republic of China	Under construction	December 2017	418,000 sq.m./ 486,000 sq.m.	Commercial/ Residential	100%
Various parcels of land at junction of Guo Xiang Bei Lu and Yin Shan Lake Lu, Suzhou Wuzhong Economic Development Zone, Suzhou City, Jiangsu Province, The People's Republic of China	Under construction	November 2017	369,000 sq.m./ 1,043,000 sq.m.	Residential	100%
A parcel of land at Dong Fang Da Dao and Dushu Lake Da Dao, Suzhou Wuzhong Economic Development Zone, Suzhou City, Jiangsu Province, The People's Republic of China	Under construction	May 2018	293,000 sq.m./ 338,000 sq.m.	Residential	100%
Two parcels of land known as C10-6, C14-2 located in Jiading New City, Jiading District, Shanghai, The People's Republic of China	Under construction	February 2015 (Phase I)	92,000 sq.m./ 183,000 sq.m.	Commercial/ Residential	100%
Two parcels of land known as A04-1, A04-2 located in Jiading New City, Jiading District, Shanghai, The People's Republic of China	Under construction	September 2013 (Phase I)	73,000 sq.m./ 181,000 sq.m.	Commercial/ Residential	100%

## SUMMARY OF PROPERTIES HELD FOR DEVELOPMENT

At 31st December, 2012

Location	Stage of completion	Expected completion date	Site area/ Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR DEVELOPMENT: (Continued)</i>					
Five parcels of land in Jiading New City, Jiading District, Shanghai, The People's Republic of China	Under construction	June 2014 (Phase I)	151,000 sq.m./ 478,000 sq.m.	Commercial/ Residential	100%
A parcel of land on Chang Jiang Xi Lu, Song Nan Zhen, Bao Shan District, Shanghai, The People's Republic of China	Under construction	October 2013 (Phase I)	43,000 sq.m./ 99,000 sq.m.	Commercial/ Residential	100%
A parcel of land in Wu Kang Zhen, Huzhou District, De Qing County, Zhe Jiang Province, The People's Republic of China	Under construction	May 2013 (Phase I)	204,000 sq.m./ 522,000 sq.m.	Commercial/ Residential	100%
A parcel of land in Zhenhai New City, Ning Bo City, The People's Republic of China	Under construction	June 2013 (Phase I)	326,000 sq.m./ 979,000 sq.m.	Commercial/ Residential	100%
A parcel of land in Ma Xi Village, Hua Du District, Guangzhou, The People's Republic of China	Under construction	March 2014 (Phase I)	232,000 sq.m./ 405,000 sq.m.	Commercial/ Residential	100%
A parcel of land in Hua Du District, Guangzhou, The People's Republic of China	Under construction	March 2013 (Phase I)	254,000 sq.m./ 475,000 sq.m.	Commercial/ Residential	100%
A parcel of land in Tie Ji Village, Hong Shan District, Wuhan, The People's Republic of China	Under construction	October 2014 (Phase I)	332,000 sq.m./ 1,504,000 sq.m.	Commercial/ Residential	68%

## SUMMARY OF PROPERTIES HELD FOR DEVELOPMENT

At 31st December, 2012

Location	Stage of completion	Expected completion date	Site area/ Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR DEVELOPMENT: (Continued)</i>					
A parcel of land in Ma Chi Lu, Dong Xi Hu District, Wuhan, The People's Republic of China	Under construction	October 2013	30,000 sq.m./ 58,000 sq.m.	Commercial/ Residential	55%
A parcel of land in Xing Fu Cun, Hong Shan District, Wuhan, The People's Republic of China	Under construction	September 2013	92,000 sq.m./ 420,000 sq.m.	Commercial/ Residential	100%
A parcel of land in Nan Chang Zhen Jiading District, Shanghai, The People's Republic of China	Under construction	July 2013	123,000 sq.m./ 362,000 sq.m.	Commercial/ Residential	100%
Two parcels of land in Tu Hu Cun Xia Liao, Danshui, Huiyang District, Huizhou, Guangdong Province, The People's Republic of China	Under construction	January 2016 (Phase I)	161,000 sq.m./ 519,000 sq.m.	Residential	70%
Two parcels of land near Luo Ping reservoir, Xi Nan Xin Qu, Huaxi District, Guiyang, Guizhou Province, The People's Republic of China	Under construction	December 2015 (Phase I)	291,000 sq.m./ 831,000 sq.m.	Residential	51%
Various parcels of land at west of Zun Yi Da Dao, Zunyi, Guizhou Province, The People's Republic of China	Under construction	December 2016	1,344,000 sq.m./ 5,168,000 sq.m.	Commercial/ Residential	35.7%

## SUMMARY OF PROPERTIES HELD FOR DEVELOPMENT

At 31st December, 2012

Location	Stage of completion	Expected completion date	Site area/ Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR DEVELOPMENT: (Continued)</i>					
A parcel of land at north of Wa Shan, Qi Jia Zhuang, Huan Cui District, Weihai, Shandong Province, The People's Republic of China	Under construction	December 2015	89,000 sq.m./ 218,000 sq.m.	Residential	100%
A parcel of land in west of Hu Shan Nan Lu, north of Feng Huang Nan Lu, Lai Shan District, Yantai, Shandong Province, The People's Republic of China	Under construction	December 2015	100,000 sq.m./ 289,000 sq.m.	Residential	100%
A parcel of land at east of Cheng Dong Lu and South of Tan Jia Ling Dong Lu, Li Zhou Jie Dao, Yu Yao County, Zhejiang Province, The People's Republic of China	Under construction	December 2014 (Phase I)	208,000 sq.m./ 567,000 sq.m.	Commercial/ Residential	100%
A parcel of land in Bei Dao Huai Shu region, Huaiyin District, Jinan, Shandong Province, The People's Republic of China	Under construction	December 2014 (Phase I)	19,000 sq.m./ 114,000 sq.m.	Commercial/ Residential	85%

## SUMMARY OF PROPERTIES HELD FOR DEVELOPMENT

At 31st December, 2012

Location	Stage of completion	Expected completion date	Site area/ Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR DEVELOPMENT: (Continued)</i>					
A parcel of land at south of Hua Yuan Lu, east of Hua Xian Chang Lu, Lixia District, Jinan, Shandong Province, The People's Republic of China	Under construction	June 2015 (Phase I)	112,000 sq.m./ 429,000 sq.m.	Residential	80%
Three parcels of land in Yu Chi Lu community, Zong Shu Ying sub-district office, Xishan District, Kunming, Yunnan Province, The People's Republic of China	Under construction	December 2014	43,000 sq.m./ 361,000 sq.m.	Residential	90%

## SUMMARY OF PROPERTIES HELD FOR SALE

At 31st December, 2012

Details of the Group's properties held for sale at 31st December, 2012 are as follows:–

Location	Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR SALE:</i>			
53 carparking spaces, Poly Xing Yuan, Nos. 1-5, Lane 28, Bin Yang Lu, Xu Hui District, Shanghai, The People's Republic of China	N/A	Residential	100%
156 carparking spaces, Poly Garden, Gao Xin District, Suzhou, Jiangsu Province, The People's Republic of China	N/A	Residential	100%
Various carparking spaces, Poly Phoenixia Garden, Feng Xiang Lu, Nanning, Guangxi Province, The People's Republic of China	N/A	Residential	100%
Various commercial units and carparking spaces, Nanning Poly Upper House, Zhu Jin Lu, China Asean International Business District, Nanning, Guangxi Province, The People's Republic of China	272 sq.m.	Commercial	100%



## SUMMARY OF PROPERTIES HELD FOR SALE

At 31st December, 2012

Location	Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR SALE: (Continued)</i>			
Various villas, residential units and commercial units, Harbin Poly The Water's Fragrant Dike, San Huan Lu, Song Bei District, Harbin, Heilongjiang Province, The People's Republic of China	166,711 sq.m.	Commercial/ Residential	58%
Various commercial units and carparking spaces, Nanning Poly Century, China Asean International Business District, Nanning, Guangxi Province, The People's Republic of China	201 sq.m.	Commercial	100%
Various residential units, commercial units and carparking spaces, Poly Harbin Contemporary No. 9 Park Life, Song Bei Zhen, Song Bei District, Harbin, Heilongjiang Province, The People's Republic of China	31,620 sq.m.	Commercial/ Residential	51%
Various villas, residential units, commercial units and carparking spaces, Guiyang Poly Hot Spring Newisland, Wen Quan Lu, Ye Jia Zhuang, Wu Dang District, Guiyang, Guizhou Province, The People's Republic of China	83,385 sq.m.	Commercial/ Residential	66.5%
Various residential units and commercial units, Kunming Sunny Lake & Splendid Life, Da Tun Xin Qu, Lian Ran Zhen, An Ning County, Kunming, Yunnan Province, The People's Republic of China	10,051 sq.m.	Commercial/ Residential	80%

## SUMMARY OF PROPERTIES HELD FOR SALE

At 31st December, 2012

Location	Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR SALE: (Continued)</i>			
Various residential units and commercial units, Shanghai Poly Noble Duke, Tangzhen, Pudong New District, Shanghai, The People's Republic of China	2,825 sq.m.	Commercial/ Residential	50.1%
Various residential units, commercial units and a business centre, Wuhan Poly Royal Palace, Dong Hu Kai Fa Qu Shang Ma Zhuang, Wuhan, Hubei Province, The People's Republic of China	292,106 sq.m.	Commercial/ Residential	100%
Various villas and apartment units, Shanghai Poly Town, Zong Fang Cun, Ma Lu Zhen, Jiading District, Shanghai, The People's Republic of China	10,787 sq.m.	Residential	100%
Various residential units, commercial units and carparking spaces, Nanning Poly Landscape, Jing Guan Da Dao, West of Zhu Gan Dao, Dong Gou Ling, Xingning District, Nanning, Guangxi Province, The People's Republic of China	7,139 sq.m.	Commercial/ Residential	100%
Various residential units, commercial units and carparking spaces, Guiyang Poly Clouds Hill International, No. 148 Shi Bei Lu, Yun Yan District, Guiyang, Guizhou Province, The People's Republic of China	24,403 sq.m.	Commercial/ Residential	100%

## SUMMARY OF PROPERTIES HELD FOR SALE

At 31st December, 2012

Location	Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR SALE: (Continued)</i>			
Various commercial units and carparking spaces/ office building, Shanghai Poly Plaza, No.18 Dong Fang Lu, Pudong New District, Shanghai, The People's Republic of China	25,875 sq.m	Commercial	90%
Various residential units, Shanghai Poly Lakeside Garden, Ma Lu Zhen, Jiading District, Shanghai, The People's Republic of China	2,421 sq.m	Residential	100%
Various residential units, commercial units and carparking spaces, Guangzhou City of Poly, East of Hua Gang Da Dao, Xin Hua Zhen, Hua Du District, Guangzhou, Guangdong Province, The People's Republic of China	4,256 sq.m	Commercial/ Residential	51%
Various residential units, commercial units and carparking spaces, Shanghai Poly Villa Garden, Yang Pu District, Shanghai, The People's Republic of China	782 sq.m	Commercial/ Residential	100%
Various residential units, Shanghai Poly Royal Garden, Tang On Lu, Tangzhen, Pudong New District, Shanghai, The People's Republic of China	23,220 sq.m	Residential	50.1%

## SUMMARY OF PROPERTIES HELD FOR SALE

At 31st December, 2012

Location	Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR SALE: (Continued)</i>			
Various villas, residential units, commercial units and carparking spaces, Huizhou Poly Deutch Kultur, Luo Yang Zhen, Boluo, Huizhou, Guangdong Province, The People's Republic of China	51,805 sq.m.	Commercial/ Residential	80%
Various villas and residential units, Nanning Poly Crescendo, No.20 Yong Wu Lu, Xing Ning District, Nanning, Guangxi Province, The People's Republic of China	136,422 sq.m.	Residential	100%
Various villas, residential units and commercial units, Guiyang Poly Spring Street, Shui Dong Lu, Wu Dang District, Guiyang, Guizhou Province, The People's Republic of China	51,879 sq.m.	Commercial/ Residential	66.5%
Various residential units, commercial units and carparking spaces, Jinan Poly Garden, northwest of Xing Cun Li Jiao, Pan Zhuang Cun, Gang Gou Zhen, Li Cheng District, Jinan, Shandong Province, The People's Republic of China	13,382 sq.m.	Commercial/ Residential	100%

## SUMMARY OF PROPERTIES HELD FOR SALE

At 31st December, 2012

Location	Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR SALE: (Continued)</i>			
Various residential units, commercial units and carparking spaces, Jinan Poly Daming Lake, north of Jing Yi Lu, Li Xia District, Jinan, Shandong Province, The People's Republic of China	59,113 sq.m.	Commercial/ Residential	80%
Various houses of Chongqing Poly Spring Villa, No. 90 Xiao Quan, Nan Quan Village, Ba Nan District, Chongqing, Sichuan Province, The People's Republic of China	2,069 sq.m	Residential	51%
Various commercial units and carparking spaces, Wuhan Poly Cultural Plaza, No.788 Wuchang Minzhu Road, Wu Chang District, Wuhan, Hubei Province, The People's Republic of China	147,427 sq.m	Commercial	100%
Various residential units and commercial units, Wuhan Poly Cai Sheng Garden, You Yi Da Dao, Hong Shan District, Wuhan, Hubei Province, The People's Republic of China	36,909 sq.m	Commercial/ Residential	100%

## SUMMARY OF PROPERTIES HELD FOR SALE

At 31st December, 2012

Location	Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR SALE: (Continued)</i>			
Various residential units and commercial units, Foshan Poly Prestige City, Donghua Road, Longjiang, Shunde District, Foshan City, Guangdong Province, The People's Republic of China	196,215 sq.m	Commercial/ Residential	100%
Various residential units, Nanning Poly Sincere Garden, Feng Lin Lu, Nanning, Guangxi Province, The People's Republic of China	8,709 sq.m.	Residential	100%
Various residential units, commercial units and carparking spaces, Liuzhou Poly Merization World, No.2 Bai Sha Lu, Liuzhou, Guangxi Province, The People's Republic of China	76,072 sq.m.	Commercial/ Residential	100%
Various residential units and commercial units, Zunyi Poly Metropolis of Future, Zun Yi Da Dao, Zunyi, Guizhou Province, The People's Republic of China	83,186 sq.m.	Commercial/ Residential	35.7%
Various residential units, Guiyang Poly International Center, Shi Nan Lu, Nanming District, Guiyang, Guizhou Province, The People's Republic of China	18,391 sq.m.	Residential	66.5%

## SUMMARY OF PROPERTIES HELD FOR SALE

At 31st December, 2012

Location	Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR SALE: (Continued)</i>			
Various villas and residential units, Guiyang Poly Park 2010, Wudang District, Guiyang, Guizhou Province, The People's Republic of China	149,839 sq.m.	Residential	100%
Various residential units, commercial units and carparking spaces, Harbin The Tsinghua Summer Palace of Poly, Zi Xing Jie, Gong Dian Lu, Nangang District, Harbin, Heilongjiang Province, The People's Republic of China	81,351 sq.m.	Commercial/ Residential	51%
Various residential units and commercial units, Shenzhen Poly Up Town, at junction of Shen Hui Da Dao and Yi Cui Lu, Ai Lian Gang Bei, Longgang District, Shenzhen, The People's Republic of China	64,668 sq.m.	Commercial/ Residential	70%