



**Poly Property Group Co., Limited**

**保利置業集團有限公司**

Stock Code: 119



**Interim Report 2013**





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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. (Retired on 15th May, 2013)

CHOY Shu Kwan

LEUNG Sau Fan, Sylvia

WONG Ka Lun

### Audit committee

YAO Kang, J.P.

(Chairman of the Committee, retired on  
15th May, 2013)

LEUNG Sau Fan, Sylvia

(Chairlady of the Committee,  
appointed on 15th May, 2013)

IP Chun Chung, Robert

CHOY Shu Kwan

WONG Ka Lun

### Remuneration committee

YAO Kang, J.P.

(Chairman of the Committee, retired on  
15th May, 2013)

WONG Ka Lun

(Chairman of the Committee,  
appointed on 15th May, 2013)

WANG Xu

XUE Ming

CHOY Shu Kwan

LEUNG Sau Fan, Sylvia

### Company secretary

POON Man Man

(Appointed on 9th April, 2013)

### Auditor

PKF

### 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

### Investor relations consultant

Artemis Associates Ltd.

2502 Fook Lee Commercial Centre

33 Lockhart Road

Wanchai, Hong Kong

### 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

### Registered office

Room 2503, Admiralty Centre, Tower 1

18 Harcourt Road, Hong Kong

### Company website

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

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





## MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2013, Poly Property Group Co., Limited (“the Company”) and its subsidiaries (“the Group”) recorded a consolidated turnover of HK\$10,358 million (corresponding period in 2012: HK\$6,475 million), representing an increase of HK\$3,883 million, or 60%, as compared with the corresponding period last year. Profit attributable to shareholders amounted to HK\$1,959 million (corresponding period in 2012: HK\$1,070 million), representing an increase of HK\$889 million, or 83%, as compared with the corresponding period last year. Basic earnings per share was HK54.07 cents (corresponding period in 2012: HK29.65 cents), representing an increase of HK24.42 cents, or 82%, as compared with the corresponding period last year. Diluted earnings per share was HK53.83 cents (corresponding period in 2012: HK29.55 cents), representing an increase of HK24.28 cents, or 82% from the corresponding period last year. As at 30th June, 2013, shareholders’ equity amounted to HK\$28.9 billion (31st December, 2012: HK\$27.1 billion) and book net asset value per share was HK\$7.9 (31st December, 2012: HK\$7.5), representing increases of 6.6% and 5.3% respectively, as compared with the end of last year.

### Business Review

In the first quarter of 2013, sales of the property market remained strong due to the fervent demand from home buyers who were active in purchasing properties ahead of the implementation of local policies of the newly-promulgated Five New Measures (新國五條). In the second quarter, as there were no further changes for the policies except for the issuing of local policies of the Five New Measures, the demand of the PRC property market eased slightly and there was a decline in property prices, especially for high-end residential properties. On the other hand, real estate housing demands and sales remained stable. In general, large-scale property developers on the market, including the Group, recorded a satisfactory growth in sales.

In the first half of the year, by adhering to its concept of being a sales focused and market-oriented operation, the Group has actively studied to meet customers’ demands and requirements. Brand differentiation strategies were adopted, and its marketing system was further improved. Based on this year’s theme, the “Quality of Life”, the Group has carried out marketing campaigns and workshops, namely the “Journey in Beautiful China” (美麗中國行) cultural brand campaign, the “Quality Service” (優+服務) campaign series, the “House of Peace and Happiness” (悠悅置家) brand promotion campaign, as well as a series of campaign activities that were interpreted from the “Quality of Life” theme. The four projects were simultaneously carried out, to boost project sales through brand promotion.



In addition, the Group made adjustments to its corporate and investment structures, further optimizing its operation and management. During the period, the Group endeavored to expand various financing channels and further adjusted its debt structure, successfully issuing USD\$500 million worth of five-year USD-denominated bonds with a coupon rate of 4.75%. Borrowings were strictly controlled to lower the percentage of trust loans. As a result, the average combined costs of trust and institutional loans decreased from approximately 8.4% as at the beginning of the year to approximately 7.8%. The Group made investments on back of cash flow and maintained a balanced cash position. The net gearing ratio has also been further improved.

It is expected that in the second half of the year, the government will focus on creating a long-term market mechanism by adjusting the supply and demand structure and establishing an optimal tax system in order to maintain a balanced market. Real estate housing demands will remain to be a major force behind the growth of the property market. As such, the Group will continue to increase the supply of commodity housing, launch small to medium-sized products to meet real housing demands and launch new projects at a reasonable pace while pricing in line with market changes. The Group is confident of reaching its annual sales target.

## Property Sales

In the first half of this year, the Group recorded contracted sales of approximately 1.40 million square metres, representing an increase of approximately 28% as compared with the corresponding period last year. The contracted sales amounted to approximately RMB14.6 billion, representing an increase of approximately 45% as compared with the corresponding period last year. The Group has achieved 56% of its annual sales target of RMB26.0 billion, which was determined at the beginning of the year.

The Group launched a total of 42 projects for sale during the period. Five projects were debut projects, including Jinan Poly Center, Suzhou Poly West Bank Villa, Hainan Poly Peninsula No. 1, Kunming Poly Sky and Earth and Jinan Poly Elegant Garden. The affordable housing project, Shanghai Poly Grace Garden, also made its debut. Capitalizing on reasonable pricing and accurate product positioning, subscription rates of projects such as Jinan Poly Center and Kunming Poly Sky and Earth were maintained at 80% or above. Hainan Poly Peninsula No. 1, the first project of the Group in Hainan, was launched in late May with positive market response. 311 out of 351 units offered were subscribed on the first day of its debut. This marked the successful launch of the first tourism real estate project of the Group and further enhanced the nationwide influence of the Poly Property brand. After its acquisition in July 2012, Jinan Poly Elegant Garden commenced construction after 5 months and was launched after 10



months, reflecting the rapid development capability and enhanced operation efficiency of the Group. Jinan Poly Elegant Garden recorded sales of over RMB500 million on the first day of its launch.

The contracted sales of properties in the Yangtze River Delta Region, the Pearl River Delta Region, South-western Regions and Other Regions accounted for 31%, 19%, 26% and 24% of the total contracted sales, respectively.

Region and respective projects	For the first half of 2013 contracted sales* (RMB million)	Percentage of total contracted sales (%)
<b>Yangtze River Delta Region</b>	<b>4,490</b>	31%
Shanghai	3,184	
Suzhou/Deqing	834	
Ningbo	472	
<b>Pearl River Delta Region</b>	<b>2,756</b>	19%
Guangzhou/Foshan	1,892	
Shenzhen/Huizhou	864	
<b>South-western Regions</b>	<b>3,851</b>	26%
Guiyang	789	
Zunyi	479	
Nanning	1,572	
Liuzhou/Kunming/Chongqing	1,011	
<b>Other Regions</b>	<b>3,460</b>	24%
Wuhan	1,120	
Harbin	856	
Jinan	952	
Yantai/Weihai	354	
Hainan	178	
<b>Total:</b>	<b>14,557</b>	100%

\* Note: including sales of car parking spaces

In the second half of the year, the Group plans to launch 2 new residential projects for sale, including Huizhou Poly Sunshine Town and Nanning Poly Jun Yue Wan, depending on the market condition and construction progress.



## Commencement of New Construction Projects

In the first half of the year, the Group commenced construction on 12 projects with a gross floor area of approximately 1,230,000 square metres, which progressed as scheduled at the beginning of the year. Nanning Poly Jun Yue Wan commenced construction for the first time. As of 30th June, 2013, the Group held a total of 45 projects under construction, with a gross floor area of approximately 11,270,000 square metres.

Project	Gross floor area of commenced construction ('000 square metres)	Interests attributable to the Group (%)
Shanghai Poly Star Island	164	100%
Suzhou Poly West Bank Villa	104	100%
Deqing Poly Origin	152	100%
Guiyang Poly Spring Street	25	66.5%
Nanning Poly Aegean Sea	92	100%
Nanning Poly Jun Yue Wan	65	30%
Liuzhou Poly Merization World	130	100%
Jinan Poly Elegant Garden	155	80%
Yantai Poly Champs Elysees Mansion	102	100%
Yantai Poly Blossom Garden	143	55%
Weihai Poly Triumph Mansion	58	100%
Hainan Poly Peninsula No. 1	40	100%
<b>Total:</b>	<u>1,230</u>	



## Recognized Property Sales

In the first half of the year, the Group recognized total sales of RMB8,280 million from property development, and the respective recognized area was approximately 819,100 square metres. The breakdown of the recognized amount for each project is as follows:

Region with respective projects	Sales recognized in the first half of 2013* (RMB million)	Percentage of total sales recognized (%)
<b>Yangtze River Delta Region</b>	<b>2,925</b>	36%
1. Shanghai Poly Noble Duke	68	
2. Shanghai Poly Royal Garden	363	
3. Shanghai Poly Town	100	
4. Shanghai Poly Lakeside Garden	664	
5. Suzhou Poly Lake Mansion	1,128	
6. Deqing Poly Origin	602	
<b>Pearl River Delta Region</b>	<b>2,261</b>	28%
7. Guangzhou Poly City	13	
8. Guangzhou Poly Zephyr City	1,389	
9. Shenzhen Poly Up Town	333	
10. Foshan Poly Cullinan Garden	292	
11. Foshan Poly Prestige City	179	
12. Huizhou Poly Deutch Kultur	55	
<b>South-western Regions</b>	<b>1,756</b>	21%
13. Nanning Poly Century	4	
14. Nanning Poly Landscape	3	
15. Nanning Poly Sincere Garden	526	
16. Nanning Poly Crescendo	228	
17. Liuzhou Poly Merization World	594	
18. Guiyang Poly Spring Street	6	
19. Guiyang Poly Clouds Hill International	61	
20. Guiyang Poly International Center	34	
21. Guiyang Poly The Place of A Lake	129	
22. Guiyang Poly Hot Spring Newisland	48	
23. Guiyang Poly Park 2010	18	
24. Zunyi Poly Metropolis of Future	71	
25. Kunming Sunny Lake & Splendid Life	24	
26. Chongqing Poly Spring Villa	10	
<b>Other Regions</b>	<b>1,231</b>	15%
27. Wuhan Poly Royal Palace	127	
28. Wuhan Poly Cai Sheng Garden	102	
29. Wuhan Poly Plaza	184	
30. Jinan Poly Garden	11	
31. Jinan Poly Daming Lake	133	
32. Weihai Poly Triumph Mansion	105	
33. Poly Harbin Contemporary No. 9 Park Life	11	
34. Harbin Poly The Water's Fragrant Dike	162	
35. Harbin The Tsinghua Summer Palace of Poly	396	
<b>Total:</b>	<b>8,173</b>	<b>100%</b>

\* Excluding car parking spaces





## Land Reserves

In the first half of the year, the Group obtained five land parcels through listing, acquiring, and auctioning. They are located in Yantai, Foshan, Guiyang, Nanning and Wuhan. The new land reserves have a total gross floor area of approximately 2,750,000 square metres. In addition to developing new profitable projects, the Group also maintained a reasonable level of land costs. The construction of Nanning Poly Jun Yue Wan commenced during the period.

Land reserves	Planned property type	Total site area (square metres)	Total planned gross floor area (square metres)	Interests attributable to the Group
Yantai Blossom Garden	Residential	70,900	143,356	55%
Foshan Shunde New City Project	Residential and commercial	171,753	672,988	100%
Guiyang Poly Phoenix Bay	Residential and commercial	185,759	928,624	51%
Nanning Poly Jun Yue Wan	Residential	82,290	210,334	30%
Wuhan Fenghuocun Project	Residential and commercial	150,288	799,403	50%
<b>Total:</b>		<u>660,990</u>	<u>2,754,705</u>	

Located in the geographical center of Dayantai, the core area of the Southern New City, Yantai Poly Blossom Garden is the metropolitan hub of six integrated regions. Being adjacent to main roads, including Qingnian South Road and Gang Cheng Da Jie, the project is only a ten-minute drive away from Zhifu District and Laishan District. The nearby public transport routes are well connected and provides a speedy path to the downtown area. The project is planned to be developed into a large-scale villa community coveted by the middle-class.



Foshan Shunde New City Project is located in the transport interchange centre of Guangzhou, Foshan, Shunde and Panyu, making it highly accessible. It is only a five-minute drive away from the Shunde Station of the Guangzhou-Zhuhai Intercity Railway and a ten-minute drive away from the Guangzhou South Railway Station. The project is situated in the developing area of the north wing of Shunde New City, at the junction of Daliang Avenue and Lunjiao Avenue, and enjoys extensive ancillary facilities. Northwest of the project is Lunjiao New City which features a new administrative region, schools and hospitals. The project is planned to be developed into a large-scale commercial and residential district in Shunde New City.

Nanning Poly Jun Yue Wan is located in the south of Liusha Peninsula and the north of Qinghuan Road. It faces the state guesthouse Liyuan Resort and is near the scenic spot of Qing Xiu Mountain on the east, Liusha Eco Park on the west, with a planned gross floor area of 440 acres, as well as a spectacular river view on the south. Nanning Poly Jun Yue Wan is only a ten-minute drive away from the downtown area, the ASEAN Commercial Zone and Wuxiang New District. The project is three to five kilometres away from two river-crossing bridges that are currently under construction, hence enjoying highly convenient transportation.

Guiyang Poly Phoenix Bay is located in Chimadian, the upper Nanming River, Southwest Suburb, Guiyang City, Guizhou Province. It is only 3.5 kilometres away from the downtown area, and approximately 12 kilometres away from the Guiyang Airport and approximately 3 kilometres away from the Guiyang Railway Station. The project's land parcel is situated at the core urban area, surrounded by comprehensive facilities. Embraced by mountains and rivers, it boasts a wonderful natural environment.

Wuhan Fenghuocun Project is located in Hongshan administrative district, Wuhan City. It faces Jianguo Road on the north, Zhangjiawan Secondary School on the south, Baishazhou Avenue on the west and Metro Line 5 on the east. Situated at the emerging Baishazhou area where its educational, medical and commercial facilities are improving and the residential area is taking shape, the project is planned to be developed into a high quality large-scale integrated residential and commercial area in south Wuchang.

As of 30th June, 2013, based on the land use right certificates or transaction confirmations obtained, the Group currently owns land parcels in 20 cities with a total site area of approximately 8,100,000 square metres and a planned gross floor area (including projects under construction) of approximately 24,000,000 square metres.



In July 2013, the Group obtained two land parcels in Shanghai and Guangzhou. The new land reserves had a total gross floor area of approximately 370,000 square metres.

Land reserves	Planned property type	Total site area (square metres)	Total planned gross floor area (square metres)	Interests attributable to the Group
Shanghai Songjiang Sijing Project	Residential	84,090	223,870	50%
Guangzhou Hua Du Jinshimeiyu Project	Residential	40,332	150,993	100%
<b>Total:</b>		<u>124,422</u>	<u>374,863</u>	

### Investment Properties

The Group has various investment properties and hotels located in first-tier cities and second-tier provincial capitals. The gross floor area of these properties totals approximately 610,000 square metres, of which approximately 540,000 square metres are attributable to the Group.

In the first half of 2013, the occupancy rate of office buildings and shopping malls of the Group remained stable with a higher occupancy rate and rental rate as compared with the corresponding period last year. As for hotel operations, Beijing Poly Plaza, Hubei Poly Hotel and Regal Poly Guiyang Hotel also maintained satisfactory occupancy rates.



Location	Project	Gross floor area ('000 square metres)	Interests	Property category
			attributable to the Group (%)	
Shanghai	Shanghai Stock Exchange Building (portion)	48	100%	Office building
Shanghai	Shanghai Poly Plaza (portion)	57	90%	Office building and commercial
Beijing	Beijing Poly Plaza	95	75%	Office building, hotel and theatre
Beijing	Beijing Legend Garden Villas (portion)	24	51%	Apartment, villa and others
Guangzhou	Guangzhou Citic Plaza (portion)	38	60%	Office building
Shenzhen	Shenzhen Poly Cultural Plaza (portion)	135	100%	Shopping mall and theatre
Wuhan	Poly Hotel*	34	100%	Hotel
Wuhan	Wuhan Poly Plaza	137	100%	Office building and commercial
Guiyang	Regal Poly Guiyang Hotel	39	66.5%	Hotel
<b>Total:</b>		<u>607</u>		

\* Formerly known as Hubei Poly White Rose Hotel

## Property Management

The Group holds various property management companies which engage in the management of residential properties, hotels and high-end properties. The companies have received numerous titles and awards, including the honorary title of the model unit for quality, services and integrity.

In the first half of 2013, the property management companies of the Group recorded total income of RMB132.92 million, representing an increase of 52% as compared with the corresponding period last year. The companies managed 99 property projects with an aggregate gross floor area of 16.05 million square metres, representing an increase of 18% as compared with the corresponding period last year. These projects include office buildings, hotels, shopping malls, villas and residences.



## FINANCIAL REVIEW

### Liquidity and Capital Structure

As at 30th June, 2013, the shareholders' equity of the Group amounted to HK\$28,873,140,000 (31st December, 2012: HK\$27,072,586,000), while the net asset value per share was HK\$7.9 (31st December, 2012: HK\$7.5). As at 30th June, 2013, the Group's gearing ratio (on the basis of the amount of total liabilities divided by total assets) was 75.04% (31st December, 2012: 72.11%).

As at 30th June, 2013, the Group had outstanding bank and other borrowings of HK\$47,373,408,000. In terms of maturity, the outstanding bank and other borrowings can be divided into HK\$18,591,982,000 (39%) to be repaid within one year, 18,747,835,000 (40%) to be repaid after one year but within two years, HK\$9,327,895,000 (20%) to be repaid after two years but within five years and HK\$705,696,000 (1%) to be repaid after five years. In terms of currency denomination, the outstanding bank and other borrowings can be divided into HK\$45,084,108,000 (95%) in Renminbi, HK\$1,509,300,000 (3%) in United State dollars and HK\$780,000,000 (2%) in Hong Kong dollars.

31% of the bank and other borrowings of the Group are subject to fixed interest rates and the remaining 69% 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.

In addition, the Group endeavored to expand various financing channels and to adjust its debt structure during the period. The Group has successfully issued US\$500 million (approximately HK\$3,900 million) USD-denominated notes due 2018 with a coupon rate of 4.75% p.a. (the "Notes") in May 2013. The issuance of the Notes further enhanced the debt structure and lowered the finance costs of the Group as a whole.

As at 30th June, 2013, the Group had net current assets of HK\$51,974,866,000 and total bank balances of HK\$24,703,631,000 (31st December, 2012: HK\$46,264,249,000 and HK\$15,270,137,000 respectively). With the available banking facilities and cash revenue from business operations, it is believed that the Group has sufficient resources to meet the foreseeable working capital demands and capital expenditure.



The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, United State dollars and Renminbi. The Group maintains a prudent strategy in its foreign exchange risk management, where foreign exchange risks are minimised via balancing the monetary assets versus monetary liabilities, and foreign exchange revenue versus foreign exchange expenditures. The management believes that the foreign exchange rate between Hong Kong dollars and United State dollars is relatively stable. Despite the recent mild appreciation of the Renminbi exchange rate, the Board believes that the Renminbi exchange rate will only gradually appreciate by a small percentage in the foreseeable future. In this regard, the Group believes that its exposure to foreign exchange risks is not material.

### Pledge of Assets

As at 30th June, 2013, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	The Group	
	30th June, 2013 HK\$'000	31st December, 2012 HK\$'000
Investment properties	4,285,490	3,315,988
Hotel properties	702,911	1,150,987
Buildings	124,042	258,963
Prepaid lease payments	285,310	386,031
Properties under development	32,577,497	22,896,952
Properties held for sale	1,838,095	2,690,794
Leasehold land	77,304	78,455
Bank deposits	910,802	962,274
	<u>40,801,451</u>	<u>31,740,444</u>



In addition to above pledge of assets, as at 30th June, 2013, the Group's interests in certain subsidiaries were pledged to secure credit facilities granted to the Group. The details of net assets value of subsidiaries are as follows:

	The Group	
	30th June, 2013 HK\$'000	31st December, 2012 HK\$'000
Total assets	38,217,521	34,241,306
Total liabilities	(34,252,619)	(30,520,825)
	<u>3,964,902</u>	<u>3,720,481</u>

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

### Contingent Liabilities

The Group arranged mortgage loan facilities with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayment. The maximum guarantees given to banks amount to HK\$21,821,367,000 as at 30th June, 2013 (31st December, 2012: HK\$17,035,016,000). Such guarantees will terminate upon the earlier of (i) issue of the real estate ownership certificate and (ii) the satisfaction of the mortgage loans by the buyers of the properties. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

### STAFF

As at 30th June, 2013, the Group employed about 8,023 (30th June, 2012: 6,381) staff with remuneration for the period amounted to approximately HK\$333 million. 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.



## INTERIM RESULTS

The directors (the "Directors") of the Company hereby announce the unaudited condensed consolidated results of the Group for the six months ended 30th June, 2013 with comparative figures for the six months ended 30th June, 2012 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30th June,	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Revenue	2	10,357,773	6,474,847
Cost of sales		(7,130,156)	(4,108,141)
Gross profit		3,227,617	2,366,706
Other income		366,763	119,409
Selling expenses		(370,970)	(225,101)
Administrative expenses		(625,947)	(508,770)
Decrease in fair value of held-for-trading investments		(63)	(254)
Increase in fair value of investment properties		962,456	203,818
Finance costs		(263,585)	(142,220)
Share of results of jointly controlled entities		(4,956)	(4,109)
Share of results of associates		2,444	7,986
Profit before taxation	3	3,293,759	1,817,465
Income tax expense	4	(1,162,175)	(659,813)
Profit for the period		2,131,584	1,157,652
Attributable to:			
Owners of the Company		1,958,687	1,069,884
Non-controlling interests		172,897	87,768
		2,131,584	1,157,652
Dividends	5	794,465	—
<b>Earnings per share</b>	6		
— Basic		54.07 cents	29.65 cents
— Diluted		53.83 cents	29.55 cents



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30th June,	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<b>2,131,584</b>	1,157,652
<b>Other comprehensive income</b>		
Exchange differences arising on translation of foreign operations	517,702	10
Change in fair value of available-for-sale investments	3,486	(15,529)
Surplus arising on revaluation of properties	24,187	23,119
Other comprehensive income before tax effect	545,375	7,600
Deferred tax liability arising on revaluation of properties	(6,047)	(5,780)
Other comprehensive income for the period, net of tax	539,328	1,820
Total comprehensive income for the period	2,670,912	1,159,472
Attributable to:		
Owners of the Company	2,423,058	1,066,810
Non-controlling interests	247,854	92,662
	2,670,912	1,159,472



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30th June, 2013 HK\$'000 (Unaudited)	31st December, 2012 HK\$'000 (Audited)
<b>Non-Current Assets</b>			
Investment properties	8	9,515,893	7,085,190
Property, plant and equipment	8	1,964,835	1,933,484
Prepaid lease payments			
— non-current portion		408,305	404,004
Goodwill		550,828	553,051
Interests in associates		44,201	40,696
Interests in jointly controlled entities		373,916	63,144
Available-for-sale investments		132,568	129,051
Club membership		1,257	1,226
Deposits paid for acquisition of land use rights		1,097,076	447,593
Deposits paid for acquisition of subsidiaries		265,823	259,259
Deferred tax assets		307,921	288,074
		<b>14,662,623</b>	<b>11,204,772</b>
<b>Current Assets</b>			
Properties under development		70,455,699	63,530,405
Properties held for sale		13,110,534	13,373,329
Other inventories		89,652	64,293
Trade and other receivables	9	3,871,556	2,879,566
Prepaid lease payments			
— current portion		11,932	11,674
Held-for-trading investments		676	740
Deposit paid for acquisition of a property development project		195,726	190,894
Amounts due from fellow subsidiaries	10(a)	—	11,313
Amounts due from non-controlling shareholders of subsidiaries		808,021	799,989
Amounts due from jointly controlled entities		2,316	2,296
Taxation recoverable		748,181	396,455
Pledged bank deposits		910,802	962,274
Bank balances, deposits and cash		23,792,829	14,307,863
		<b>113,997,924</b>	<b>96,531,091</b>

	Notes	30th June, 2013 HK\$'000 (Unaudited)	31st December, 2012 HK\$'000 (Audited)
<b>Current Liabilities</b>			
Trade and other payables	11	10,306,177	8,853,339
Pre-sale deposits		25,907,175	18,520,967
Property rental deposits		103,011	99,396
Amount due to the ultimate holding company	10(c)	438,052	427,236
Amount due to an intermediate holding company	10(b)	694,266	770,672
Amounts due to fellow subsidiaries	10(a)	1,603,565	2,453,119
Amounts due to non-controlling shareholders of subsidiaries		2,959,905	2,657,543
Taxation payable		1,418,925	1,638,757
Bank and other borrowings — due within one year	12	18,591,982	14,845,813
		<u>62,023,058</u>	<u>50,266,842</u>
<b>Net Current Assets</b>		<u>51,974,866</u>	<u>46,264,249</u>
<b>Total Assets Less Current Liabilities</b>		<u>66,637,489</u>	<u>57,469,021</u>
<b>Capital and Reserves</b>			
Share capital	13	1,822,169	1,804,219
Reserves		27,050,971	25,268,367
Equity attributable to owners of the Company		28,873,140	27,072,586
Non-controlling interests		3,243,508	2,974,768
<b>Total Equity</b>		<u>32,116,648</u>	<u>30,047,354</u>
<b>Non-Current Liabilities</b>			
Bank and other borrowings — due after one year	12	28,781,426	25,869,481
Notes payable		3,900,000	—
Amount due to an intermediate holding company	10(b)	379,747	370,370
Loan from a fellow subsidiary		227,848	222,222
Deferred tax liabilities		1,231,820	959,594
		<u>34,520,841</u>	<u>27,421,667</u>
		<u>66,637,489</u>	<u>57,469,021</u>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2013

	Attributable to owners of the Company														
	Share capital	Share premium	Hotel properties		Capital redemption reserve	PRC statutory reserves	Investment revaluation reserve	Other capital reserve	Asset revaluation reserve		Other reserve	Accumulated profits	Total	Non-controlling interests	Total
			Share option reserve	revaluation reserve					revaluation reserve	revaluation reserve					
			HKS'000	HKS'000					HKS'000	HKS'000					
At 1st January, 2013	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
Total comprehensive income for the period	-	-	-	13,091	447,794	-	-	3,486	-	-	-	1,958,687	2,423,058	247,854	2,670,912
Exercise of share options	17,950	192,848	(38,837)	-	-	-	-	-	-	-	-	-	171,961	-	171,961
Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(794,465)	(794,465)	-	(794,465)
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,595)	(7,595)
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	28,481	28,481
At 30th June, 2013	1,822,169	15,814,408	3,340	88,557	1,726,567	23,917	903,104	(20,197)	307,485	32,612	(287,986)	8,459,164	28,873,140	3,245,508	32,116,648

For the six months ended 30th June, 2012

	Attributable to owners of the Company														
	Share capital	Share premium	Hotel properties		Capital redemption reserve	PRC statutory reserves	Investment revaluation reserve	Other capital reserve	Asset revaluation reserve		Other reserve	Accumulated profits	Total	Non-controlling interests	Total
			Share option reserve	revaluation reserve					revaluation reserve	revaluation reserve					
			HKS'000	HKS'000					HKS'000	HKS'000					
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	(71,199)	5,010,875	24,670,940	2,500,812	27,171,752
Total comprehensive income for the period	-	-	-	12,445	10	-	-	(15,529)	-	-	-	1,049,884	1,066,810	92,662	1,159,472
Transfer	-	-	-	-	-	-	422	-	-	-	-	(422)	-	-	-
Partial disposal of interest in a subsidiary without loss of control	-	-	-	-	-	-	-	-	-	-	2,810	-	2,810	15,339	18,149
At 30th June, 2012	1,804,219	15,621,560	42,177	85,136	1,279,613	23,917	557,773	(19,880)	307,485	32,612	(74,389)	6,080,337	25,740,560	2,608,813	28,349,373

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30th June,	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from/(used in) operating activities	1,583,195	(1,769,007)
Net cash (used in)/from investing activities	(877,160)	215,246
Net cash from financing activities	8,395,928	2,846,149
Net increase in cash and cash equivalents	9,101,963	1,292,388
Cash and cash equivalents at beginning of the period	14,307,863	12,295,634
Effect of foreign exchange rate change	383,003	(3,273)
Cash and cash equivalents at end of the period	23,792,829	13,584,749
Analysis of the balance of cash and cash equivalents, represented by		
— bank balances, deposits and cash	23,792,829	13,584,749



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation

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

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the most recent consolidated financial statements for the year ended 31st December, 2012, except for the changes in accounting policy made when the Company initially apply financial reporting standards newly applicable to the annual period beginning on 1st January, 2013.

The initial application of these financial reporting standards does not necessitate material changes in the Company’s accounting policies except the following:

- (i) HKFRS 10 “Consolidated Financial Statements” modifies the concept of “control” substantially. The Company’s adoption of this new concept of control does not result in a change in the classification of investments in subsidiaries and other entities;
- (ii) HKFRS 11 “Joint Arrangements” introduces the concepts of “joint venture” and “joint operations”. The Company’s adoption of these new concepts does not result in a change in the classification and measurement of investments in joint ventures and other entities; and
- (iii) HKFRS 13 “Fair Value Measurement” introduces a number of new concepts and principles regarding fair value measurement. The Company’s adoption of these new concepts and principles does not result in a change in the fair value measurements of its assets and liabilities.

The initial application of these financial reporting standards does not necessitate retrospective adjustments of the comparatives presented in the condensed financial statements.

**2. Revenue and segment information**

The Group's reportable segments under HKFRS 8 are as follows:

**For the six months ended 30th June, 2013**

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Elimi- nations HK\$'000	Total HK\$'000
REVENUE						
External revenue	9,812,785	398,325	86,272	60,391	–	10,357,773
Inter-segment revenue*	–	3,213	–	–	(3,213)	–
Total revenue	9,812,785	401,538	86,272	60,391	(3,213)	10,357,773
SEGMENT RESULT	2,215,732	1,107,772	(13,153)	10,489	–	3,320,840
Unallocated income						288,467
Unallocated expenses						(49,451)
Finance costs						(263,585)
Share of results of jointly controlled entities	(888)			(4,068)		(4,956)
Share of results of associates	2,444					2,444
Profit before taxation						3,293,759
Income tax expense						(1,162,175)
Profit for the period						2,131,584

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



For the six months ended 30th June, 2012

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Elimi- nations HK\$'000	Total HK\$'000
<b>REVENUE</b>						
External revenue	6,010,945	299,511	94,794	69,597	-	6,474,847
Inter-segment revenue*	-	3,543	-	-	(3,543)	-
<b>Total revenue</b>	<b>6,010,945</b>	<b>303,054</b>	<b>94,794</b>	<b>69,597</b>	<b>(3,543)</b>	<b>6,474,847</b>
<b>SEGMENT RESULT</b>						
	1,616,012	339,940	(15,389)	22,782	-	1,963,345
Unallocated income						34,439
Unallocated expenses						(41,976)
Finance costs						(142,220)
Share of results of jointly controlled entities				(4,109)		(4,109)
Share of results of associates	7,986					7,986
Profit before taxation						1,817,465
Income tax expense						(659,813)
Profit for the period						1,157,652

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

### 3. Profit before taxation

	Six months ended	
	30th June, 2013 HK\$'000	30th June, 2012 HK\$'000
Profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments	5,891	6,432
Depreciation and amortisation of property, plant and equipment	63,890	65,876
Share of tax of associates (included in share of results of associates)	-	-
Gain on disposal of investment properties	329	39,477



## 4. Income tax expense

	Six months ended	
	30th June, 2013 HK\$'000	30th June, 2012 HK\$'000
The charge comprises:		
Hong Kong profits tax calculated at 16.5% (six months ended 30th June, 2012: 16.5%) of the estimated assessable profits for the period	—	—
PRC enterprise income tax	<u>461,410</u>	<u>406,696</u>
	<u>461,410</u>	<u>406,696</u>
Land appreciation tax	<u>470,783</u>	<u>247,448</u>
Deferred taxation	<u>229,982</u>	<u>5,669</u>
	<u>1,162,175</u>	<u>659,813</u>

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

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

## 5. Dividends

	Six months ended	
	30th June, 2013 HK\$'000	30th June, 2012 HK\$'000
2012 final dividend of HK\$0.218 per share	<u>794,465</u>	<u>—</u>

The Directors have decided not to declare any interim dividend for the six months ended 30th June, 2013 (2012: HK\$nil).



## 6. Earnings per share

The calculation of basic and diluted earnings per share for the six months ended 30th June, 2013 is based on the following data:

	Six months ended	
	30th June, 2013	30th June, 2012
	HK\$'000	HK\$'000
<b>Earnings:</b>		
Profit for the period attributable to owners of the Company	<u>1,958,687</u>	<u>1,069,884</u>
	Six months ended	
	30th June, 2013	30th June, 2012
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>3,622,682,107</u>	<u>3,608,437,046</u>
Effect of dilutive potential ordinary shares on share options	<u>15,857,182</u>	<u>11,641,267</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>3,638,539,289</u>	<u>3,620,078,313</u>

## 7. Transfer to and from reserves

During the six months ended 30th June, 2013, the Group's subsidiaries in the PRC did not appropriate any amount net of non-controlling interests' share out of accumulated profits to the PRC statutory reserves (2012: HK\$422,000).

## 8. Movements in investment properties and property, plant and equipment

During the period, the additions to the Group's property, plant and equipment amounted to approximately HK\$27 million, which included capital expenditure paid for construction in progress, renovation work and additions of motor vehicles and furniture and fixture. The depreciation charges of HK\$64 million was noted. Out of which, HK\$24 million hotel properties depreciation charges was eliminated based on revaluation as at 30th June, 2013.

Renminbi appreciated against Hong Kong dollars during the period ended 30th June, 2013 generated HK\$45 million and HK\$159 million increase in property, plant and equipment and investment properties respectively.

The Group's investment properties and hotel properties at 30th June, 2013 were fair valued by AA Property Services Limited, an independent professional surveyor and property valuer not connected with the Group. AA Property Services Limited is a member of the Hong Kong Institute of Surveyors and have 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. At 30th June, 2013, increase in fair value of investment properties amounted to approximately HK\$962 million.

Additional units of properties transferred from properties held for sale and properties under development to investment properties of HK\$1,256 million and HK\$19 million were noted respectively.

## 9. Trade and other receivables

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

	30th June, 2013 HK\$'000	31st December, 2012 HK\$'000
0 to 30 days	623,817	828,027
31 to 90 days	17,454	52,977
More than 90 days	358,814	180,958
Total trade receivables	1,000,085	1,061,962
Bills receivables	8,105	17,602
Other receivables	2,863,366	1,800,002
	<u>3,871,556</u>	<u>2,879,566</u>



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

	30th June, 2013 HK\$'000	31st December, 2012 HK\$'000
(a) Amounts due from (to) fellow subsidiaries		
Amount due from fellow subsidiaries:–		
– Interest-free	–	11,313
Amount due to fellow subsidiaries:–		
– Interest-free	1,603,565	2,082,749
– Fixed rate of 9.3%	–	370,370
	<u>1,603,565</u>	<u>2,453,119</u>

The amounts are unsecured and repayable on demand, except for HK\$370,370,000 at 31st December, 2012 was repayable within one year.

(b) Amount due to an intermediate holding company		
– Interest-free*	12,951	106,180
– Fixed rate of 7.2%	379,747	370,370
– Benchmark rate in the PRC plus 0.5%	608,488	593,464
– Benchmark rate in the PRC plus 1%	72,827	71,028
	<u>1,074,013</u>	<u>1,141,042</u>
Less: Amount due within one year shown under current liabilities	<u>(694,266)</u>	<u>(770,672)</u>
Amount due after one year	<u>379,747</u>	<u>370,370</u>

\* At 31st December, 2012, the amount included loan nature of HK\$33,563,000.

The amounts are unsecured and repayable within one year except for HK\$379,747,000 (31st December, 2012: HK\$370,370,000) which is repayable after one year, HK\$303,797,000 (31st December, 2012: HK\$nil) which is repayable within six months and HK\$12,951,000 (31st December, 2012: HK\$72,617,000) which is interest-free and repayable on demand.

	30th June, 2013 HK\$'000	31st December, 2012 HK\$'000
(c) Amount due to the ultimate holding company		
– Interest-free	24,249	23,651
– Benchmark rate in the PRC minus 0.231%	379,747	370,370
– 92% of benchmark rate in the PRC	34,056	33,215
	<u>438,052</u>	<u>427,236</u>

The amounts are unsecured and repayable within one year except for HK\$24,249,000 (31st December, 2012: HK\$23,651,000) are repayable on demand.

## 11. Trade and other payables

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

	30th June, 2013 HK\$'000	31st December, 2012 HK\$'000
0 to 30 days	5,649,891	3,648,694
31 to 90 days	34,418	49,715
More than 90 days	791,193	623,543
Total trade payables	<u>6,475,502</u>	<u>4,321,952</u>
Bills payables	1,321,276	1,161,597
Other payables	2,509,399	3,369,790
	<u>10,306,177</u>	<u>8,853,339</u>

## 12. Bank and other borrowings

During the period, the Group obtained new bank and other borrowings in the amount of HK\$14,470 million, which bear interest at market rates. The Group also repaid approximately HK\$8,800 million during the period.

Renminbi appreciated against Hong Kong dollars during the period ended 30th June, 2013 generated HK\$988 million increase in bank and other borrowings.



### 13. Share capital

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.50 each		
Authorised:		
At 1st January, 2013 and 30th June, 2013	8,000,000,000	4,000,000
Issued and fully paid:		
At 1st January, 2013	3,608,437,046	1,804,219
Exercise of share options	35,900,000	17,950
At 30th June, 2013	3,644,337,046	1,822,169

### 14. 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 amount to HK\$21,821,367,000 as at 30th June, 2013 (31st December, 2012: HK\$17,035,016,000). Such guarantees will terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgage loans by the buyers of the properties. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

### 15. Capital commitments

	30th June, 2013 HK\$'000	31st December, 2012 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
— property development expenditures	14,507,844	16,619,736
— acquisition of land use rights	303,547	125,713
	14,811,391	16,745,449

The Group did not have any capital expenditure authorised but not contracted for as at 30th June, 2013 and 31st December, 2012.

**16. Related party transactions**

During the current period, the Group entered into the following transactions with related companies:

	Six months ended	
	30th June, 2013 HK\$'000	30th June, 2012 HK\$'000
Property rental income (note a)	8,502	5,624
Imputed interest expenses (note b)	–	6,289
Theatre operating expenses (note c)	4,375	7,901
Construction fee paid (note d)	1,916,500	2,133,242
Interest expenses (note e)	71,190	91,403

**Notes:**

- (a) The property rental income received from subsidiaries of the ultimate holding company, which were charged in accordance with the relevant tenancy agreement.
- (b) The imputed interest expenses derived from the loans advanced from a subsidiary of the ultimate holding company and a substantial shareholder of subsidiary of the Company, which carried at the effective interest rate of 6% until 31st December, 2012.
- (c) The theatre operating expenses were paid to a jointly controlled entity and a fellow subsidiary for the operation and management of a theatre.
- (d) The construction fee paid to a subsidiary of the ultimate holding company were charged at market rate.
- (e) The interest expenses derived from the loans advanced from an intermediate holding company, the ultimate holding company and a fellow subsidiary (Poly Finance Company Limited), which carried interest at a fixed rate of 7.2%, benchmark rate in the PRC plus 0.5% to 1%, 92% of benchmark rate in the PRC to 105% of benchmark rate in the PRC and benchmark rate in the PRC minus 0.231%.



## INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30th June, 2013 (corresponding period in 2012: HK\$nil).

## SHARE OPTION SCHEME

The Company had adopted a share option scheme (the "Former Scheme") pursuant to an ordinary resolution passed on 16th June, 1993. At the annual general meeting of the Company held on 28th May, 2003 (the "Adoption Date"), ordinary resolutions were passed by the shareholders to adopt a new share option scheme (the "New Scheme") and terminate the Former Scheme. The New Scheme expired at the tenth anniversary of the Adoption Date on 28th May, 2013.

Following the termination of both the Former Scheme and the New Scheme, no further share options can be granted but the provisions of the schemes remain in full force and effect in all other respects in relation to the share options granted. All outstanding share options granted before the termination of the Schemes and yet to be exercised remain valid.

At 30th June, 2013, all share options granted under the Former Scheme were either exercised or lapsed.





The following table discloses details of the Company's options under the New Scheme held by employees (including directors) and movement in such holdings during the period:

	Option type	Outstanding at 1.1.2013	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30.6.2013
Category 1: Directors							
Chen Hong Sheng	2005	8,000,000	-	-	-	-	8,000,000
	2008	3,500,000	-	3,500,000	-	-	-
Wang Xu	2008	3,000,000	-	3,000,000	-	-	-
Xue Ming	2008	2,650,000	-	2,650,000	-	-	-
Ye Li Wen	2008	1,600,000	-	1,600,000	-	-	-
Yao Kang, J.P.	2008	500,000	-	500,000	-	-	-
Choy Shu Kwan	2005	300,000	-	-	-	-	300,000
	2008	300,000	-	300,000	-	-	-
		<u>19,850,000</u>	<u>-</u>	<u>11,550,000</u>	<u>-</u>	<u>-</u>	<u>8,300,000</u>
Category 2: Employees							
Category 2: Employees	2005	8,900,000	-	-	-	-	8,900,000
	2008	24,350,000	-	24,350,000	-	-	-
		<u>33,250,000</u>	<u>-</u>	<u>24,350,000</u>	<u>-</u>	<u>-</u>	<u>8,900,000</u>
Total all categories		<u>53,100,000</u>	<u>-</u>	<u>35,900,000</u>	<u>-</u>	<u>-</u>	<u>17,200,000</u>

Details of specific categories of Poly Options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK\$
2005	14.7.2005	14.7.2005 – 13.7.2015	1.270
2008	29.4.2008	29.4.2008 – 28.4.2013	4.790



## DIRECTORS' INTERESTS IN SECURITIES

At 30th June, 2013, according to the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, the interests of the Directors in the Shares and underlying Shares of the Company 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 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	8,000,000	8,000,000
Choy Shu Kwan	Beneficial owner	300,000	300,000
		8,300,000	8,300,000

Save as disclosed above, at 30th June, 2013, none of the Directors, chief executives or their associates had any personal, family, corporate or other interests and short positions in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which is required to be recorded in the register maintained under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.



## SUBSTANTIAL SHAREHOLDERS

At 30th June, 2013, according to the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, the following shareholders had notified the Company of relevant interests in the issued share capital 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)			
<b>Long position</b>						
Congratulations Company Ltd.	1,037,975,080	-	-	-	1,037,975,080	28.48%
Source Holdings Limited	228,398,760	-	100,086,800	-	328,485,560 (Note 1)	9.02%
Ting Shing Holdings Limited	-	-	1,366,460,640 (Note 2)	-	1,366,460,640	37.50%
Poly (Hong Kong) Holdings Limited	112,410,476	-	1,366,460,640 (Note 3)	-	1,478,871,116	40.58%
Poly Southern Group Limited	253,788,246	-	-	-	253,788,246	6.96%
China Poly Group Corporation	-	-	1,732,659,362 (Note 4)	-	1,732,659,362	47.54%

### 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 share capital of the Company as at 30th June, 2013.

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

During the six months period ended 30th June, 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Throughout the period under review, the Company has complied with the principles set out in the Corporate Governance Code (the "CG Code"), other than code provisions A.2.1 and A.5.1 to A.5.4 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 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.



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

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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the Model Code for the six months ended 30th June, 2013.

## UPDATE ON DIRECTORS' INFORMATION

On 15th May, 2013, Mr. Yao Kang, *J.P.* ("Mr. Yao"), an independent non-executive director of the Company ("INED"), did not offer himself for re-election, retired immediately following the conclusion of the annual general meeting due to the reach of his age of retirement. Mr. Yao also ceased to be the Chairman of the Audit Committee and the Remuneration Committee of the Company at the same time.

On 15th May, 2013, Ms. Leung Sau Fan, Sylvia, an INED of the Company, has been appointed as the Chairlady of the Audit Committee of the Company and Mr. Wong Ka Lun, an INED of the Company, has been appointed as the Chairman of the Remuneration Committee of the Company.

## AUDIT COMMITTEE

The members of the Audit Committee have reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited financial statements.