



保利置業

POLY PROPERTY

Poly Property Group Co., Limited

保利置業集團有限公司

Stock Code: 119



保利品质生活体验年

Experiencing Quality Life Of Poly

ANNUAL REPORT 2013





Vision

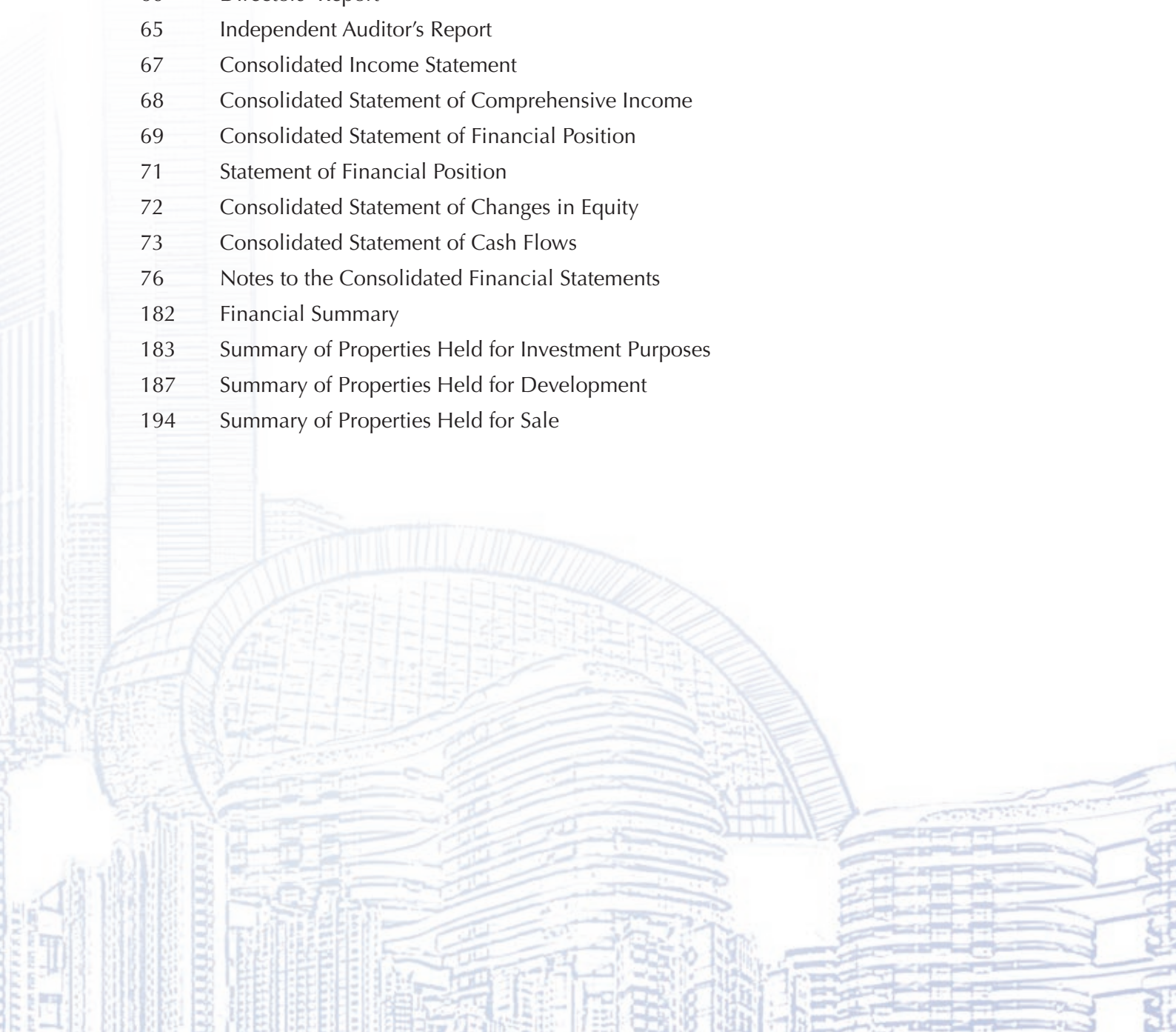
The Group aspires to be a leading Chinese property developer with a renowned brand backed by cultural substance.

Mission

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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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.* (Resigned on 15th May, 2013)
CHOY Shu Kwan
LEUNG Sau Fan, Sylvia
WONG Ka Lun

Audit Committee

YAO Kang, *J.P.*
(Chairman, resigned on 15th May, 2013)
LEUNG Sau Fan, Sylvia
(Chairlady, appointed on 15th May, 2013)
IP Chun Chung, Robert
CHOY Shu Kwan
WONG Ka Lun

Remuneration Committee

YAO Kang, *J.P.*
(Chairman, resigned on 15th May, 2013)
WONG Ka Lun
(Chairman, appointed on 15th May, 2013)
CHOY Shu Kwan
LEUNG Sau Fan, Sylvia
WANG Xu
XUE Ming

Company Secretary

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

Legal Advisor

Ashurst Hong Kong

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

Share Registrar and Transfer Office

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

Registered Office

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

Company Website

www.polyhongkong.com.hk
www.irasia.com/listco/hk/polyhk

Financial Calendar

2013 Results Announcement Date: 21st March, 2014

Proposed 2013 Final Dividend: HK\$0.223 Per Share

Book Closure Period: From 11th June, 2014 to
13th June, 2014
(both dates inclusive)

Payment Date of 2013 Final Dividend:
27th June, 2014



1

Shanghai Songjiang
Sijing Project

YANGTZE RIVER DELTA REGION



1

Shanghai Songjiang Sijing Project

Shanghai Songjiang Sijing Project is located in Shanghai Songjiang Sijing area. It is only 150 metres away from the Sijing station of Metro Line 9. The project has a total site area of approximately 80,000 square metres and a gross floor area of approximately 250,000 square metres. It is planned to be developed into an integrated community featuring commercial and residential establishments.



2

Deqing Poly Origin



3

Suzhou Poly West Bank Villa



4

Ningbo Poly City

Turnover

HK\$28.6 billion

Profit for the year

HK\$3.2 billion

A final dividend of HK 22.3 cents per share has been proposed by the Board of Directors

HK 22.3 cents

Corporate Background

Results of 2013

The Group is the offshore listed property development flagship of “China Poly Group”, one of the large-scale state-owned enterprises under the supervision of the State-owned Assets Supervision and Administration Commission (“SASAC”). The principal business of China Poly Group includes trading, real estate, cultural and art, natural resources and civil explosives. It is named by SASAC as one of the key state-owned real estate developers and was rated as Class A in 2012 annual performance evaluation of state-owned enterprises announced by SASAC. China Poly Group was also ranked in the top 30 in each given benchmark and was on top batch of 115 state-owned enterprises as measured by asset size.







Business Review

The recovery trend of the real estate market was sustained in 2013, following the rebound in the second half of 2012, but sales of commodity properties showed significant disparity in different regions and cities across China. In terms of policies, the Central Government maintained macro-control as stable overall. However, local governments implemented divergent concrete regulations, reflecting a preliminary disparity of the property market.

By carefully analyzing market conditions and capitalizing on market opportunities, the Group achieved a steady increase in sales and maintained stable debt structures throughout the period. The Group's cash flow constantly improved and its professional and scientific management approach was continuously enhanced. Overall, the Group's operations improved steadily and operational plans were well enacted.

The Group continued to maintain its property sales growth momentum throughout the period, with a total of 51 new and ongoing projects for sale. Contracted sales reached approximately RMB26.7 billion, in line with the Group's full-year sales target of RMB26 billion set at the beginning of the year, and representing a year-on-year growth of approximately 14%. The contracted area sold amounted to 2.50 million square metres, which is comparable to 2012. Consistently focusing on property sales and sticking to the market as its orientation, the Group proactively adapted its strategy to accommodate market demand, prioritizing the development of small-and-medium-sized ordinary residential housing that catered to genuine demand. During the period, 85% of the Group's contracted sales came from residential housing, among which 84% were small-and-medium-sized homes, both of which continued to increase when compared to 2012. The Group also focused on control of the key phases of the development to ensure the timely supply for capturing sales opportunities. The Group also asserted innovative marketing models, rolling out "Quality of Life in Poly" as its brand theme for 2013, in order to boost sales through experience-based marketing. While improving product quality and residential comfort, the Group was determined to providing a number of high-quality property management services to meet the diverse needs of its customers, thereby enhancing the soft power, price value and competitiveness of its projects on the whole.

During the period, the Group maintained a relatively prudent approach as the land market began to recover, and determined the scale of its land acquisitions according to the level of sales in order to keep a stable land bank. 12 projects were acquired at reasonable prices through listing, acquisition or auction in the cities the Group tapped into. Among the 10 controlling projects acquired with a total gross floor area of approximately 4 million square metres (approximately 2.52 million square metres attributable to the Group), five projects were located in the Yangtze River Delta and the Pearl River Delta regions; four projects were located in other regions and one project was located in Southwestern region. The two JV projects acquired were situated in Guangzhou and Nanning respectively. Through the effective replenishment of new projects, the Group achieved a more balanced and rational land bank in all regions. Almost all newly-acquired projects are intended to be mass residentials with commercial facilities, in line with the Group's growth strategies and in favor of a more flexible arrangement of capitals.

The Group took a more proactive and flexible approach to management of capital during the period, to maintain a stable and smooth cash flow. The Group adhered to the management philosophy of setting expenditure in accordance with income, with cash flow management as the core principle. On one hand, by focusing on marketing and sales, the Group continued to accelerate sales and cash collections, strengthened process control on the projects under construction and put more capital to safeguard profitable projects and those to be recognized during the period. On the other hand, the Group was keen to capture potential opportunities and thus proactively expanded its financing channels. During the period, US\$500 million worth of five-year bonds were successfully issued for the first time, receiving enthusiastic subscription. Through enhanced cooperation with banks to increase bank facilities, the Group achieved its objective of dynamic capital management and optimized its financial structures. During the period, the Group's net gearing ratio was further reduced, from 94% as at the end of 2012 to approximately 90%, with cash and cash equivalents amounting to approximately HK\$15.5 billion as at the end of the year, in line with 2012 levels. Operating cash inflow and outflow remained balanced, which put the Group in a more favourable position to respond more rapidly to potential changes of the operating environment in the future.

During the period, the Group further improved its control system. The Group focused on its business processes as well as standardization and systematization by consistently strengthening standardized construction and continuously promoting information-based construction and emphasized talent evaluation and trainings. All of these activities provided strong support towards the operation and development of the Group.

Looking back at 2013, the Group's operations remained stable overall. Fundamentals constantly improved and became more solid, and professional management further strengthened. This justified the robust measures adopted by the Group over recent years, such as the transformation of the operational model and proactive adjustment of the financial structure, which were beneficial to the Group's sustained and stable development despite the volatile and austere market and intensified competition. The Group will continue to implement these measures to maintain a solid foundation for its long-term stable development.

Business Outlook

In 2014, the Central Government turned its focus towards social housing and the housing supply system in respect of property control. As a result, the long-and-medium-term environment of the real estate industry will become increasingly clear, and the industry will also usher in more market-based opportunities and challenges, which will be conducive to the healthy development of the sector. In the short-term, markets will be further differentiated in different cities and increased uncertainty may appear in the market as a whole. However, the strategies of numerous property developers, such as paying close attention to development needs for urbanization, the proactive exploration of overseas businesses and the pursuit of diversified financing channels, have also created more development opportunities in the real estate industry.

The Group will ensure a steady and thorough implementation of all operational measures formulated in 2013. With scientific development and long-term healthy growth as its objectives, the Group will continue to improve its fundamentals, enhance its capabilities to withstand risks and manage complex operating environments, as it strives to accomplish its business plan in the year ahead.

The Group will focus resolutely on marketing and sales, while closely monitoring the impact of the macro-economy and policy changes on the real estate industry. By efficiently capitalizing on market trends, changes in market patterns and customer needs, the Group will sustain its product position by focusing on small-and-medium-sized mass residential housing and accelerating new launches that meet genuine demand, with continuous innovation of product quality and services, so as to further increase value for money. Customized marketing will target large-sized housing with a view to accurately position and deeply analyze target customers, to boost sales. The Group's brand theme for 2014 will be "The Year for Quality of Life". As such, the Group will endeavour to capture opportunities by sticking to quality as the core and experience as the means to achieve continuously steady growth of its property sales.

Being cash flow-oriented, the Group will manage its investment scales, and respond to macro-control and market competition more rationally. Reasonable investment progress will be maintained in respect of projects under construction. Planning objectives will be implemented constantly in respect of the projects for sale to strengthen cash collections. Prudent principles will be maintained in respect of new projects. Through scientific analysis and rational investment, the Group will pay close attention to investment opportunities arising from urbanization policies and will proactively introduce strategic operating partners to achieve complementary advantages and form a strong partnership. The Group will also utilize its existing capital in a more reasonable manner to increase efficiency and reduce capital costs. In addition, the Group will continue to expand financing channels to flexibly obtain longer-term funds at lower costs so as to further improve its overall debt structure.

While consolidating the real estate business in Mainland China, the Group will accelerate the implementation of its "going abroad" strategy and the internationalization process. Through rigorous control of overseas investment risks, the Group will take Hong Kong as the center and pursue potential cooperation opportunities in Southeast Asian countries, Australia and Europe. In February, the Group successfully won the No. 6527 plot of land in Kai Tak Development Area, Kowloon, Hong Kong with a bid of HK\$3.92 billion, marking a solid first step towards overseas business expansion. The Group is positive towards the long term development of the property market in Hong Kong and is also confident in regards to the development of its first overseas project through the integration of various professional resources.

The Group will continue to enhance its professional management and control capabilities, strive to comprehensively enhance its awareness of risk prevention, establish a sound internal control system, and focus on improving its asset management capability and the efficiency of its capital utilization. The Group will also increase management efficiency through the expansion of centralized purchasing and the implementation of product standardization.

The Group endeavors to become one of the leading property developers in China. This has been a steadfast goal that the Group has worked tirelessly towards. This year and the next one to two years will be the crucial period for the Group to further consolidate its foundation, prevent risks, meet challenges and achieve progress. As the only overseas-listed flagship of the China Poly Group with real estate as its core business, the Group is confident about its business prospects and believes that it will continue to receive support from its parent company. The Group is confident that taking an active and prudent approach in respect of its overall development, while adhering to reform and innovation through steady and sustainable development, it will achieve the 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 2013. On behalf of the Board and Shareholders, I would like to express my sincerest gratitude to all of our employees.

Xue Ming
Chairman



PEARL RIVER DELTA REGION

1

Shenzhen Poly Joy-Zone



1

Shenzhen Poly Joy-Zone

Shenzhen Poly Joy-Zone is located in Baoan District and is less than 800 metres straight-line distance from the Qinghu Station of the Longhua Line of Shenzhen Metro. Situated at the center of the expressway network in Shenzhen, the project enjoys a convenient transportation. The project covers a site area of approximately 40,000 square metres with a planned gross floor area of approximately 140,000 square metres. It will be developed into a residential community for the white-collar, consisting of small-to-medium sized high-rise apartments from 70 to 120 square metres.



2

Guangzhou Poly Up House



3

Foshan Poly Central Park



4

Huizhou Poly Sunshine Town

Overall Operating Conditions

In 2013, the Group recorded a turnover of HK\$28,625,008,000 (corresponding period in 2012: HK\$20,695,429,000), representing an increase of 38.3% as compared with the corresponding period last year. Profit attributable to shareholders amounted to HK\$2,715,626,000 (corresponding period in 2012: HK\$2,629,820,000), representing an increase of 3.3% as compared with the corresponding period last year. Basic earnings per share was HK74.74 cents (corresponding period in 2012: HK72.88 cents), while diluted earnings per share was HK74.45 cents (corresponding period in 2012: HK72.64 cents), representing an increase of 2.6% and 2.5% respectively as compared with the corresponding period last year. The Board of Directors of the Group has recommended the payment of a final dividend of HK22.30 cents per share.

The contracted area sold reached approximately 2,500,000 square metres; the contracted sales amounted to approximately RMB26.7 billion, achieving a year-on-year growth of around 14% as compared with contracted sales of RMB23.4 billion in 2012.

As at 31st December, 2013, total shareholders' equity of the Group amounted to HK\$29,617,047,000 (31st December, 2012: HK\$27,072,586,000) and net asset value per share was HK\$8.13 (31st December, 2012: HK\$7.50).

Property Development

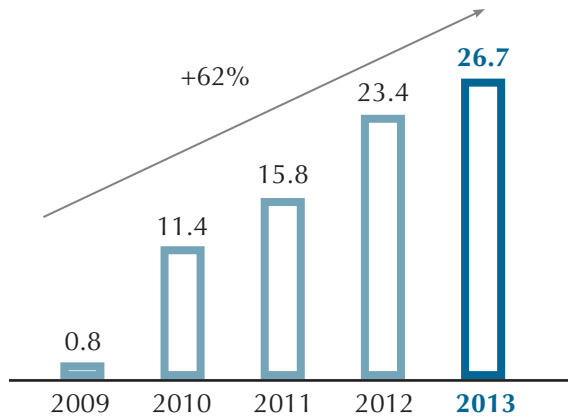
During the period, the gross floor area of newly commenced construction completed by the Group was approximately 2,640,000 square metres. The contracted area sold was approximately 2,500,000 square metres, of which 43 were on-going projects and 8 were debut launches; gross floor area of completed construction was approximately 4,740,000 square metres. As at 31st December, 2013, the Group held 65 projects, either under development or land parcel reserved for future development, covering a gross floor area of approximately 22,870,000 square metres.

Property Sales

In 2013, real estate policies have followed last year's stance to boost supply and further liberalise the market, which becomes the main theme of the new government. The property market rebounded in 2013, with housing prices rising in major cities and land prices and transaction areas both increasing. Sales areas and volume of commodity properties reached new heights. In first-tier and second-tier cities, prices continued to rise as supply was lower than demand. Third-tier and fourth-tier cities had relatively higher levels of inventory which were being sold at a slower rate, further intensifying market disparity.

During 2013, facing the complicated real estate policies and market, the Group adopted proactive measures and adhered to its market-oriented approach. Through accurate projects and products positioning,

(RMB billion)



the Group prioritised the development of small-and-medium-sized mass residential housing that catered to the genuine housing demand, which contributed to the consistent growth in the sales. During the period, the Group reached a record high in sales, which amounted to approximately RMB26.7 billion, representing an increase of 14% as compared with the RMB23.4 billion in 2012, with a 5-year compound growth rate of approximately 62%. Five areas recorded sales amounting to over RMB2 billion, namely Shanghai, Guangxi, Guangdong, Shandong and Guizhou. Among the 20 cities where the Group had presence, market shares in Zunyi, Liuzhou and Deqing ranked top, while the market shares in Yuyao, Guiyang, Harbin and

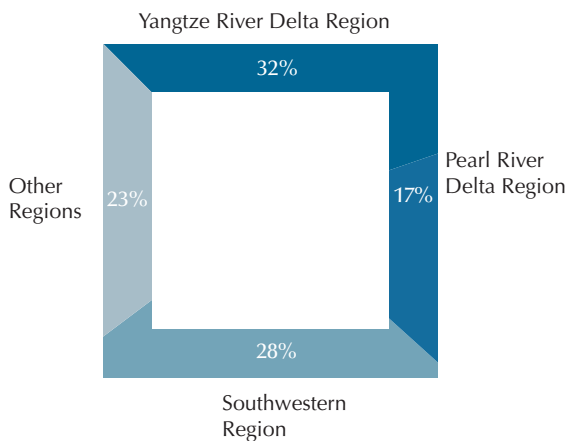
Weihai were amongst the top three, and market shares in Nanning and Jinan were amongst the top five.

Contracted Sales in 2013 by Region

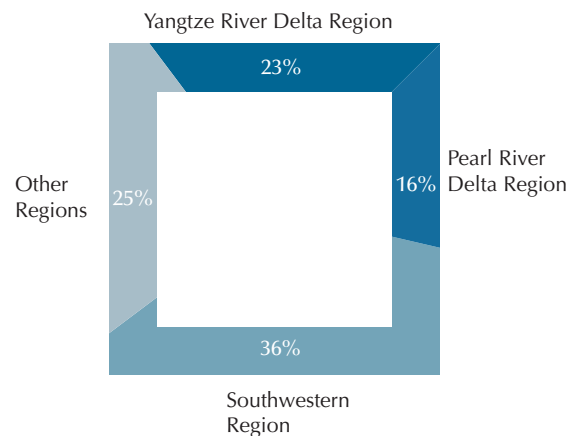
Region	Amount (RMB million)			Area (‘000 square metres)		
	2013	2012	Change %	2013	2012	Change %
Yangtze River Delta Region	8,349	6,444	+30%	563	440	+28%
Pearl River Delta Region	4,351	3,644	+19%	399	394	+1%
Southwestern Region	7,355	7,959	-8%	910	1,109	-18%
Other Regions	5,928	5,117	+16%	624	569	+10%
Total	25,983	23,164	+12%	2,496	2,512	-0.6%

*Note: Car park sales were not included

Contracted Sales in 2013 by Region



Contracted Area Sold in 2013 by Region



New Land Bank Acquisition

In 2013, the Group acquired 12 land parcels in 10 cities, namely Shanghai, Guangzhou, Foshan, Shenzhen, Guiyang, Nanning, Wuhan, Jinan, Yantai and Harbin. The land parcels had a total site area of approximately 1,229,000 square metres with a total planned gross floor area of approximately 5,040,000 square metres. During the period, the Group primarily focused on rapid rolling development, such as replenishment of residential properties.

Land Parcels Acquired in 2013

Land parcel/Project	Usage	Total site area ('000 square metres)	Planned gross floor area ('000 square metres)	Interests attributable to the Group (as of 31st December, 2013) (%)	Current project status (as of 28th February, 2014)
Shanghai Songjiang Sijing Project	Residential	84	232	50%	Under construction
Guangzhou Poly Up House	Residential	33	151	100%	Under planning
Guangzhou Poly Gratified West Bay	Residential & commercial	127	641	55%	Under planning
Guangzhou Nansha Project	Residential	199	833	49%	Under planning
Foshan Poly Central Park	Residential & commercial	172	668	100%	Under construction
Shenzhen Poly Joy-Zone	Residential & commercial	40	138	70%	Under construction
Guiyang Poly Phoenix Bay	Residential & commercial	186	929	51%	Under construction
Nanning Poly Dream River	Residential	82	210	30%	Under construction
Wuhan Poly Up Town	Residential & commercial	150	799	50%	Under planning
Jinan Poly Center (Phase II)	Residential	20	103	85%	Under planning
Yantai Poly Blossom Garden	Residential	71	147	55%	Under construction
Harbin Qunli Project	Residential	65	190	100%	Under planning
Total:		1,229	5,041		

Summary of Newly Acquired Projects in 2013

1. Shanghai Songjiang Sijing Project

Shanghai Songjiang Sijing Project is located in Shanghai Songjiang Sijing area. It neighbours Henggang Road on the east, Sifeng Highway on the south, Xianghui Road (under planning) on the west and Sibao Road on the north. It is only 150 metres away from the Sijing station of Metro Line 9. The project has a total site area of approximately 80,000 square metres and a gross floor area of approximately 230,000 square metres. It is planned to be developed into an integrated community featuring commercial and residential establishments.

2. Guangzhou Poly Up House

Guangzhou Poly Up House is located in the central living area of Auto Center, neighbouring Huadu central business district on the east. Not only does the project enjoy a premium living environment and ancillary facilities, it is also highly accessible to transportation system. The project is only 800 metres away from the Auto Center station of Metro Line 9, 900 metres away from the Xinhua Exit of Guangzhou-Qingyuan Expressway, 2 kilometres away from the Guangzhou North Railway Station, 6 kilometres away from the Huadu District Government Building, and approximately a 40-minute drive away from the downtown area of Guangzhou. The project has a total site area of approximately 30,000 square metres and a gross floor area of approximately 150,000 square metres. It is planned to be developed into a residential community primarily comprising high-rise residential buildings.

3. Guangzhou Poly Gratified West Bay

Guangzhou Poly Gratified West Bay is located at the critical transportation juncture between Guangzhou and Foshan. It is 800 metres away from the Kengkou Station of Guangzhou Metro Line 1 and 1,000 metres away from the Fangcun bus station (芳村汽車站). It connects with Tianhe District via six roads, such as the Pearl River Tunnel (珠江隧道) and the He Dong Bridge (鶴洞大橋), and is highly accessible by only a few minutes drive from the downtown area of Nanhai District, Foshan. It is well served by education, healthcare and community facilities, and is designed to be the future center of the Guangzhou-Foshan Metropolitan Area. The project covers a site area of approximately 130,000 square metres, with a planned gross floor area of approximately 640,000 square metres. It will be developed into an integrated community consisting of both commercial and residential units. The residential portion mainly comprises small-and-medium-sized units under 100 square metres, which primarily caters to the genuine demands of the first time home buyers.

4. Guangzhou Nansha Project

Nansha District, where Guangzhou Nansha Project is located, is at the south end of Guangzhou and is also at the center of the Great Pearl River Delta. Linking city clusters on both sides of the Pearl River Estuary, 38 nautical miles away from Hong Kong and 41 nautical miles away from Macau, Nansha District is an important window for South China. The project is located at east of Huangge Avenue (黃閣大道), Nansha District, Guangzhou, west of Datang Village, Huangge Town (黃閣鎮大塘村), and south of GAC-TOYOTA Auto City (廣汽豐田汽車城). It is approximately a 45-minute drive away from the Pearl River New City (珠江新城), and 6-minute drive away from the Nansha Government Building (南沙區政府). It enjoys convenient transportation, and adjoins a well established transportation network, covering the Guanfo Expressway (莞佛高速), the Nansha Harbour Expressway (南沙港快線) and the Guangzhou-Shenzhen-Hong Kong Express Rail Link (廣深港高鐵). The project covers a total site area of approximately 200,000 square metres with a planned gross floor area of approximately 830,000 square metres. It will be developed into a residential community consisting of functional apartments of 70-110 square metres, to meet genuine housing demand, most of which are compact and improving-type three-bedroom units.

5. Foshan Poly Central Park

Foshan Poly Central Park is located in the transport interchange center of Guangzhou, Foshan, Shunde and Panyu, making it highly accessible. It is only a five-minute drive from the Shunde Station of the Guangzhou-Zhuhai Intercity Railway and a ten-minute drive 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 of these two regions. Northwest of the project is Lunjiao New City which features a new administrative region, schools and hospitals. The project has a site area of approximately 170,000 square metres and a planned gross floor area of approximately 670,000 square metres. It is planned to be developed into a large-scale commercial and residential community in Shunde New City.

6. Shenzhen Poly Joy-Zone

Shenzhen Poly Joy-Zone is located at Longguan East Road, Longhua, Bao'an District, opposite to the Longhua Long Distance Transportation Terminal (龍華長途汽車客運站), and is less than 800 metres straight-line distance from the Qinghu Station of the Longhua Line of Shenzhen Metro. Situated at the center of the expressway network in Shenzhen, the project enjoys a convenient transportation, north to the Jihe Expressway (機荷高速) (east-west direction) via Guanlan Avenue (觀瀾大道), east to Meiguan Expressway (梅觀高速) (south-north direction). The project covers a total site area of approximately 40,000 square metres with a planned gross floor area of approximately 140,000 square metres. It will be developed into a residential community for the white-collar, consisting of small-to-medium sized high-rise apartments from 70 to 120 square metres.

7. Guiyang Poly Phoenix Bay

Guiyang Poly Phoenix Bay is adjacent to Huaxi Avenue on the west, Sifanghe Road on the south, Yuchang Road on the north and foothill of Phoenix Hill on the east. Its south, west and north sides are surrounded by Nanming River and residents here can enjoy the picturesque landscape of Nanming River Peninsula. The project is in close proximity to Huaxi Avenue, Jiaxiu South Road and Shachong Road, the trunk roads that pass through Guiyang from the north to the south. There is a planned light rail station nearby. The project is situated in a prime location, only about 12 kilometres away from the airport and 7 kilometres away from the downtown area. In addition, the project is next to the city center and has convenient access to administrative, commercial, education, health care, financial and other ancillary facilities in peripheral regions. The project has a site area of approximately 190,000 square metres and a planned gross floor area of approximately 930,000 square metres. It is planned to be developed into an integrated community comprising residential, commercial and office building establishments.

8. Nanning Poly Dream River

Nanning Poly Dream River is located in the south of Liusha Peninsula and to the north of Qinghuan Road, a traditional high-end residential cluster of Nanning. It faces the District Party School of Guangxi, the state guesthouse Liyuan Resort and Qing Xiu Mountain Golf Course on the east, Liusha Eco Park on the west, a park under construction with a planned gross floor area of approximately 300,000 square metres, as well as a spectacular 270-degree view of river on the south. The project has a site area of approximately 80,000 square metres and a planned gross floor area of approximately 210,000 square metres. It is planned to be developed into a residential community primarily comprising 90 to 120 square metres garden view high-rises and river view penthouse apartments.

9. Wuhan Poly Up Town

Wuhan Poly Up Town is located in Hongshan Administrative District, Wuhan. It faces Jiangguo 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 Baishazhou area where its educational, medical and commercial facilities are comprehensive and the residential atmosphere is good, the project has a site area of approximately 150,000 square metres and a total gross floor area of approximately 800,000 square metres. It is planned to be developed into a high quality large-scale integrated residential and commercial area in south Wuchang.

10. Jinan Poly Center (Phase II)

Jinan Poly Center is located next to the Jiaoji Railway and at the cross of Jing Yi Road and Wei Shier Road (經一緯十二路), Huaiyin District, Jinan. Situated at the West Market (西市場), a business district in the west of Jinan with a hundred-year history, which attracts massive traffic, logistics and capital, the project enjoys a mature business atmosphere and great prospects of development for commercial properties. The project was acquired in phases, of which Phase II covers a site area of approximately 20,000 square metres with a planned gross floor area of approximately 100,000 square metres. The project is planned to be a large-scale complex comprising residentials, apartments, offices and commercial buildings.

11. Yantai Poly Blossom Garden

Yantai Poly Blossom Garden neighbours Qingnian South Road on the east, Sanhe Road on the west, Sanhe Jiayuan (三和家苑) on the south and Shanyu Shijia (山語世家) on the north. The project is located in the core area of the planned Southern New City of Yantai. It is to the west of Qingnian South Road, a crucial traffic hub of Yantai, and therefore the transportation system is highly accessible. The project comprises a complete set of education, living, municipal and other ancillary facilities, with a site area of approximately 70,000 square metres and a total gross floor area of approximately 150,000 square metres. The project is planned to be developed into an integrated residential community comprising commodity housings and apartments.

12. Harbin Qunli Project

Harbin Qunli Project is located in the Qunli new district, a popular development spot in Harbin. The project extends to Langjiang road on the east, the 5th Avenue on the south, Sanhuan road on the west and River Landscape on the north. With the continued development of commercial complexes such as Yuanda, Yintai and Star Capital, the commercial ancillary facilities are improving, and the living standards have also been elevated. The project covers a site area of approximately 60,000 square metres with a planned gross floor area of approximately 190,000 square metres. It will be developed into a residential community consisting of both high-rise and mid-rise apartments.

Projects under Construction and Projects under Planning

As at 31st December, 2013, the Group held a total of 65 commodity properties and integrated development projects in 20 cities. Among the gross floor area, approximately 20% and 17% are located in Yangtze River Delta and Pearl River Delta regions, respectively; approximately 42% and 21% are located in cities in the southwestern region and other regions, respectively. The Group possessed 41 projects under construction with a total gross floor area of approximately 8,810,000 square metres (attributable area approximately amounted to 7,410,000 square metres), and land reserved for future development with planned gross floor area of approximately 14,060,000 square metres (attributable area approximately amounted to 9,030,000 square metres).

List of Projects under Construction and Projects under Planning as at 31st December, 2013

Project	Gross floor area under construction (‘000 square metres)	Planned gross floor area (‘000 square metres)	Interest attributable to the Group (%)
Yangtze River Delta Region			
1. Shanghai Poly Town	128	–	100%
2. Shanghai Poly Deluxe Mansion	184	–	100%
3. Shanghai Poly Elegant Mansion	113	–	100%
4. Shanghai Poly Star Island	479	–	100%
5. Shanghai Poly Felicity	99	–	100%
6. Shanghai Phili Mansion	119	198	25%
7. Shanghai Songjiang Sijing Project	–	232	50%
8. Suzhou Poly West Bank Villa	278	82	100%
9. Suzhou Poly Lake Mansion	250	601	100%
10. Ningbo Poly City	460	299	100%
11. Ningbo Poly Jordan International	284	283	100%
12. Deqing Poly Origin	280	118	100%
Sub Total	2,674	1,813	
Pearl River Delta Region			
13. Guangzhou Poly Golf Shire	193	–	51%
14. Guangzhou Poly Zephyr City	240	–	100%
15. Guangzhou Poly Gratified West Bay	–	641	55%
16. Guangzhou Poly Up House	–	151	100%
17. Guangzhou Nansha Project	–	833	49%
18. Foshan Poly Prestige City	135	66	100%
19. Foshan Poly Central Park	103	565	100%
20. Shenzhen Poly Up Town	154	–	70%
21. Shenzhen Poly Joy-Zone	138	–	70%
22. Huizhou Poly Deutch Kultur	171	84	80%
23. Huizhou Poly Sunshine Town	153	366	70%
Sub Total	1,287	2,706	

Project	Gross floor area under construction ('000 square metres)	Planned gross floor area ('000 square metres)	Interest attributable to the Group (%)
Southwestern Region			
24. Guiyang Poly Hot Spring Newisland	12	–	66.5%
25. Guiyang Poly Spring Street	74	182	66.5%
26. Guiyang Poly Park 2010	444	1,136	100%
27. Guiyang Poly The Place of A Lake	222	566	50%
28. Guiyang Poly Phoenix Bay	5	924	51%
29. Zunyi Poly Metropolis of Future	674	3,257	35%
30. Nanning Poly Crescendo	157	178	100%
31. Nanning Poly Aegean Sea	375	–	100%
32. Nanning Poly Dream River	83	128	30%
33. Liuzhou Poly Merization World	560	178	100%
34. Kunming Poly Sky and Earth	361	–	90%
35. Chongqing Poly Spring Villa	8	–	51%
Sub Total	2,975	6,549	
Other Regions			
36. Wuhan Poly City	649	845	68%
37. Wuhan Yangyuan Project	–	130	51%
38. Wuhan Poly Park	–	110	55%
39. Wuhan Poly Up Town	–	799	50%
40. Harbin The Tsinghua Summer Palace of Poly	33	–	51%
41. Harbin Poly The Water's Fragrant Dike	–	250	58%
42. Harbin Qunli Project	–	190	100%
43. Jinan Poly Hyde Mansion	111	133	100%
44. Jinan Poly Center	114	–	85%
45. Jinan Poly Elegant Garden	259	160	80%
46. Jinan Poly Center (Phase II)	103	–	85%
47. Yantai Poly Champs Elysees Mansion	205	–	100%
48. Yantai Poly Blossom Garden	147	–	55%
49. Weihai Poly Triumph Mansion	142	–	100%
50. Hainan Poly Peninsula No. 1	112	374	100%
Sub Total	1,875	2,991	
Grand Total:	8,811	14,059	

Completed Projects

In 2013, the Group surpassed the completed area target that was set at the beginning of the year. The Group completed an approximate gross floor area of 4,740,000 square metres:

List of Projects with Completed Area in 2013

Project	Completed gross floor area in 2013 (‘000 square metres)	Accumulative completed gross floor area until the end of 2013 (‘000 square metres)
Yangtze River Delta Region		
Shanghai Poly Elegant Mansion	68	68
Shanghai Poly Royal Garden	135	236
Shanghai Poly Grace Garden	362	362
Suzhou Poly Lake Mansion	110	192
Ningbo Poly City	219	219
Deqing Poly Origin	127	127
Pearl River Delta Region		
Guangzhou Poly Golf Shire	211	211
Guangzhou Poly Zephyr City	239	239
Foshan Poly Cullinan Garden	169	169
Foshan Poly Prestige City	39	232
Shenzhen Poly Up Town	32	204
Huizhou Poly Deutch Kultur	38	259
Southwestern Region		
Guiyang Poly Hot Spring Newisland	67	1,041
Guiyang Poly International Center	150	245
Guiyang Poly Spring Street	91	363
Guiyang Poly Park 2010	143	404
Guiyang Poly The Place of A Lake	76	77
Zunyi Poly Metropolis of Future	1,032	1,238
Nanning Poly Sincere Garden	85	192
Nanning Poly City	366	366
Kunming Poly Lakeside Mansion	79	79
Other Regions		
Wuhan Poly Blue Ocean District	418	418
Wuhan Poly Park	57	57
Harbin The Tsinghua Summer Palace of Poly	79	302
Jinan Poly Hyde Mansion	191	191
Yantai Poly Champs Elysees Mansion	83	83
Weihai Poly Triumph Mansion	76	76
Grand Total:	4,742	7,650

Recognised Property Sales

A total of 44 projects were delivered and recognised in 2013 with a total sales value of RMB23.1 billion and gross floor area of 2,370,000 square metres. The recognised average selling price was approximately RMB9,758 per square metre. Among the area delivered, mass residential housing accounted for 80%, villas 7%, retail shops 7%, offices 4%, and the remaining 2% were other products.

List of Major Projects with Sales Recognised in 2013

Project	Sales recognised in 2013 (RMB million)
Yangtze River Delta Region	
1. Shanghai Poly Noble Duke	84
2. Shanghai Poly Royal Garden	1,178
3. Shanghai Poly Town	120
4. Shanghai Poly Lakeside Garden	795
5. Shanghai Poly Elegant Mansion	385
6. Shanghai Poly Grace Garden	837
7. Deqing Poly Origin	613
8. Suzhou Poly Lake Mansion	1,137
9. Ningbo Poly City	1,342
Others	12
Sub Total	6,503

Project	Sales recognised in 2013 (RMB million)
Pearl River Delta Region	
10. Guangzhou Poly City	45
11. Guangzhou Poly Golf Shire	1,280
12. Guangzhou Poly Zephyr City	1,469
13. Shenzhen Poly Up Town	741
14. Foshan Poly Cullinan Garden	678
15. Foshan Poly Prestige City	487
16. Huizhou Poly Deutch Kultur	101
Sub Total	4,801
Southwestern Region	
17. Nanning Poly City	755
18. Nanning Poly Landscape	16
19. Nanning Poly Crescendo	410
20. Nanning Poly Sincere Garden	652
21. Liuzhou Poly Merization World	1,074
22. Guiyang Poly Clouds Hill International	124
23. Guiyang Poly Hot Spring Newisland	412
24. Guiyang Poly Spring Street	42
25. Guiyang Poly International Center	841
26. Guiyang Poly Park 2010	385
27. Guiyang Poly The Place of A Lake	129
28. Zunyi Poly Metropolis of Future	94
29. Chongqing Poly Spring Villa	33
30. Kunming Poly Lakeside Mansion	17
31. Kunming Sunny Lake & Splendid Life	36
Others	16
Sub Total	5,036

Project	Sales recognised in 2013 (RMB million)
Other Regions	
32. Wuhan Poly Royal Palace	231
33. Wuhan Poly Cai Sheng Garden	188
34. Wuhan Poly Blue Ocean District	2,154
35. Wuhan Poly Park	310
36. Wuhan Poly Plaza	184
37. Poly Harbin Contemporary No. 9 Park Life	82
38. Harbin Poly The Water's Fragrant Dike	399
39. Harbin The Tsinghua Summer Palace of Poly	1,205
40. Jinan Poly Garden	24
41. Jinan Poly Daming Lake	245
42. Jinan Poly Hyde Mansion	801
43. Weihai Poly Triumph Mansion	441
44. Yantai Poly Champs Elysees Mansion	485
Others	1
Sub Total	6,750
Grand Total:	23,090

Recognised Sales in 2013 by Property Type

Property type	Sales recognised in 2013 (RMB million)	Percentage (%)
Apartment	18,378	80%
Villa	1,690	7%
Commercial	1,566	7%
Office	902	4%
Car parking space	554	2%
Total:	23,090	100%

Investment Properties

The Group owns investment properties in Shanghai, Beijing, Wuhan and Shenzhen, which all provide stable and recurrent income. As at 31st December, 2013, the Group's investment properties amounted to a gross floor area of approximately 627,000 square metres. Rental income amounted to RMB549,930,000 in 2013. Leasing performance of the Group's offices and retail spaces remained stable with rental rates comparable to 2012.

List of Major Properties and Hotels as at 31st December, 2013

Region	Project	Gross floor area ('000 square metres)	Occupancy rate in 2013 (%)	Occupancy rate in 2012 (%)	Attributable interests of the Group (%)	Property type
Shanghai	Shanghai Stock Exchange Building (partial)	46	97%	94.3%	100%	Office building
Shanghai	Shanghai Poly Plaza – Main Building and ground area	103	97%	78%	90%	Office building and commercial
Beijing	Beijing Poly Plaza	95	(Office Building) 97.4% (Hotel) 72%	100% 76.9%	75%	Office building, hotel and theatre
Beijing	Beijing Legend Garden Villas (partial)	30	96%	94.7%	51%	Apartment, villa and commercial center, etc.
Shenzhen	Shenzhen Poly Cultural Plaza (partial)	133	98%	97%	100%	Shopping mall, cinema and theatre, etc.
Wuhan	Hubei Poly Hotel	34	57.4%	55.7%	100%	Hotel
Wuhan	Wuhan Poly Plaza	147	31%	–	100%	Office building and commercial
Guiyang	Regal Poly Guiyang Hotel	39	49%	42.1%	66.5%	Hotel
Total:		627				

Property Management

The Group's property management companies are engaged in hotel and property management. Over the years, they have been awarded for their quality services and credibility. In 2013, Shanghai Poly Property Hotel Management Group Co., Ltd. was ranked 21st in terms of comprehensive strength of property management by China Property Management Institute.

In 2013, the Group's property management services realised an income of RMB309,510,000 from 114 properties with a gross floor area of about 18,320,000 square metres, marking an increase of 12 properties compared with 2012. The managed area also grew by 24%, entailing office buildings, hotels, shopping centers, villas and residential.

2014 Outlook

Property curb policies are expected to be sustained and the property market trend is anticipated to remain stable, driving steady development. By adhering to its business objectives of achieving solid and continuous growth, the Group will strive to fulfill the following operational targets in 2014: the gross floor area of newly commenced construction amounting to approximately 4,000,000 square metres, the contracted area sold amounting to 2,650,000 square metres and the contracted sales amounting to approximately RMB28 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 4,486,000 square metres and served 19.6% of the Group's property development portfolio as at 31st December, 2013. A total of 15 projects were under development which accounted for a gross floor area of approximately 2,674,000 square metres, and a gross floor area of approximately 1,812,000 square metres of land bank was reserved for future development. All projects are currently under construction except for the Shanghai Sijing Project.

Project	Geographical Location	Major Products	Current Status
Yangtze River Delta			
SHANGHAI			
Poly Town	The prime area of Jiading Xincheng of Jiading District, close to the Metro Line 11	Residential, commercial and office buildings, a theatre and a hotel	Delivered with sales of remaining apartments
Poly Lakeside Garden			Delivered with sales of remaining apartments
Poly Deluxe Mansion			Under construction for sale
Poly Elegant Mansion			For sale (partly delivered)
Poly Star Island			For sale
Poly Grace Garden	Nanxiang, Jiading	Social housing	For sale
Poly Felicity	Baoshan District, Songnan area, well served by convenient transportation and community facilities	Features European-style garden mid-rise apartments	Residentials sold out, and commercial buildings for sale
Poly Royal Garden	The prime area in Tangzhen of Pudong New District; the project is well-served by a full range of commercial and community amenities	Apartments, and villas	For sale (partly delivered)
Phili Mansion	Dalian Road, Yangpu District, CBD of Binjiang of Inner Loop, Golden Triangle lot of Lujiazui	Residential, office and commercial buildings	For sale
Songjiang Sijing Project	Sijing, Songjiang; close to the Sijing Station of the Metro Line 9 with convenient transportation and improved facilities	Residential, and commercial buildings	Land bank

Project	Geographical Location	Major Products	Current Status
Yangtze River Delta			
SUZHOU			
Poly West Bank Villa	The economic development zone of the Wuzhong District; the project stands on a peninsula of Dushu Lake, offering for the panoramic lake views	Residentials, and villas	For sale
Poly Lake Mansion	The economic development zone of the Wuzhong District and the northern tip of Yishan Lake	Residentials, and retail shops	For sale (partly delivered)
DEQING			
Poly Origin	Residing in natural scenery to the east of Deqing County, the project is a 5 minute drive away from the Hangzhou-Nanjing Passenger Railway	Residentials, hotel, and commercial buildings	For sale (partly delivered)
NINGBO			
Poly City	The prime location of Zhenhai Xincheng, faces the new administrative and cultural center of Zhenhai	Residential, and commercial buildings	For sale (partly delivered)
Poly Jordan International	South of Tanjialing Dong Road, and east of Chengdong Road, Chengdong, Yuyao; the project is close to the Hangzhou-Ningbo Canal and the Hangzhou-Ningbo Expressway with the provincial highway Yongliang Line crossing from east to west, and the Chengdong Road linking the crossing bridge of Hangzhou Bay; making it convenient to travel by water and land	Residential, and commercial buildings	For sale

2. Pearl River Delta Region

The property development portfolio in Pearl River Delta Region had a total gross floor area of approximately 3,992,000 square metres (around 17.5% of the Group's entire land bank) as at 31st December, 2013. 13 projects that are currently under construction covered a total gross floor area of approximately 1,286,000 square metres with the remaining gross floor areas to be developed measured at a total gross floor area of around 2,706,000 square metres, among which 8 projects are currently under construction, 2 have been completed and 3 have yet to commence construction.

Project	Geographical Location	Major Products	Current Status
Pearl River Delta			
GUANGZHOU			
Poly City	Huadu District, and Auto City zone; the project is adjacent to the Guangzhou-Qingyuan Expressway, and links to Fengshen Avenue and Dongfeng Nissan Auto Company in the north, and to Huagang Avenue in the west, providing convenient transportation; it is also close to Fei'eling International Eco-sports Park and the Branch Stadium of the Asian Games with beautiful scenery and sound facilities	Residentials, villas, and commercial buildings	Delivered with sales of remaining apartments
Poly Golf Shire	Huadu District; adjacent to the Asian Games New Stadium at Fengshen Avenue and the Metro Line 9 that is currently underway	Residentials, villas, and office buildings	For sale (partly delivered)
Poly Zephyr City	Xinhua Town of Huadu District, east to the district government	High-rise apartments, and retail shops	For sale (partly delivered)
Poly Up House	Located in the Huadu District, next to the Metro Line 3 and Metro Line 9, with easy accessibility to the whole city, it is also in the intersection of Wuhan-Guangzhou High Speed Railway, Guangzhou-Qingyuan Light Railway and Guangzhou North Railway Station-Airport APM	Residentials, primarily in compact units for purchasers with genuine demand	Land bank
Poly Gratified West Bay	South of Liwan District; adjacent to the Guangzhou Metro Line 1 with commercial and educational facilities	Residentials, apartments, and commercial buildings	Land bank
Nansha Project	TOYOTA Auto City, Huangge Town, Nansha, with a full range of transportation network	Residentials, and commercial buildings	Land bank

Project	Geographical Location	Major Products	Current Status
Pearl River Delta			
FOSHAN			
Poly Cullinan Garden	Equipped with a full range of community facilities as it is located in the center of Chancheng District and neighbours the Asia Arts Park in the west	Residential, office and commercial buildings	For sale (partly delivered)
Poly Prestige City	Longjiang Town of Shunde District; supported by an extensive transportation network, the project is reputed for its robust home furniture business	Residential, and commercial buildings	For sale (partly delivered)
Poly Central Park	North of Shunde New City; the project stands in the heart of Pearl River Delta and at the junction of Daliang and Lunjiao, neighbours Panyu, Guangzhou, and is well served by convenient transportation	Mid-rise apartments, a commercial center, a five-star hotel, and a supermarket	Land bank
SHENZHEN			
Poly Up Town	Located in the prime commercial location of Longgang District, the project is easily accessible by means of the Metro Line 3 and is also complemented with ancillary facilities including schools	Residentials, and retail shops	For sale (partly delivered)
Poly Joy-Zone	Longhua, Bao'an District, Shenzhen; close to the transportation terminal and the metro station, with sound business and community facilities	Residentials, and commercial buildings	Under construction
HUIZHOU			
Poly Sunshine Town	The project enjoys an environment of natural scenery and boasts a prime location next to the Shenzhen-Shantou Expressway and Palm Island Golf Course	Residentials	For sale
Poly Deutch Kultur	Located in the prime area of Huibo and the northern bank of East River, the project is only a 10 minute drive away from the downtown of Huizhou	Residentials, villas, and retail shops	For sale (partly delivered)

3. Southwestern Region

The combined land bank of 17 projects in Southwestern region amounted to a gross floor area of approximately 9,523,000 square metres that accounted for about 41.6% of the Group's development portfolio as at 31st December, 2013. 17 projects under development accounted for a total gross floor area of about 2,974,000 square metres. A gross floor area of about 6,549,000 square metres of land bank is yet to be developed. All projects are currently under construction.

Project	Geographical Location	Major Products	Current Status
Southwest			
GUIYANG			
Poly Hot Spring Newisland	Wudang District; surrounded by Shunhai Forest Farm and two natural lakes of over 30,000 square metres. The project boasts a superior environment	A comprehensive residential establishment with hot spring facilities	Delivered with sales of remaining apartments
Poly International Center	Located in the heart of Nanming District and standing on the bank of Nanming River with a shoreline of approximately 300 metres	Residential, commercial and office buildings	Delivered with sales of remaining apartments
Poly Clouds Hill International	Yunyan District; the project is an important spot linking Jinyang District to the city's downtown area by leveraging a full transportation network; it is a 5 minute drive away from the downtown of the city, which is convenient and easily accessible	Residential, and commercial buildings	Delivered with sales of remaining apartments
Poly Spring Street	Located in the south of Wudang District, the project is 1 kilometre away from the center of the district	Residentials, villas, and commercial buildings	For sale (partly delivered)
Poly The Place of A Lake	Standing against the backdrop of Huaxi National Wetland Park, the project is situated in the prime location in the scenic eco-tour zone of the Huaxi District	Residentials, villas, and commercial buildings	For sale (partly delivered)
Poly Park 2010	Located in Wudang District and in close proximity to the district administration center, the project incorporates an 18-hole international standard golf course and enjoys established community facilities in the neighbourhood	Residentials, villas, and retail shops	For sale (partly delivered)
Poly Phoenix Bay	Nanming District; built on the old site of the former Guiyang Power Plant (貴陽電廠), the project is situated in the traffic hub linking the downtown of Guiyang and Xiaohe District in the south and Huaxi District	Residential and office buildings and other commercial buildings	Under construction for sale

Project	Geographical Location	Major Products	Current Status
Southwest			
ZUNYI			
Poly Metropolis of Future	South of Zunyi; the project is close to the center of transportation created by the government and links to the old town of Zunyi	Residential, commercial and office buildings, and villas	For sale (partly delivered)
NANNING			
Poly Crescendo	Located in the north of Nanning, the project is approximately 20 minutes away from the city center	A residential community of mostly low-density residentials, high-rise residential units and serviced apartments	For sale (partly delivered)
Poly Sincere Garden	Qingxiu District; the project is approximately 2 kilometres away from the Nanning International and Exhibition Center. As it is within close proximity to the Nanning Light Rail Line 1 that is currently being built, the project is easily accessible and is well-equipped with community amenities	Residentials, and retail shops	For sale (partly delivered)
Poly City	Residing at the emerging new community in Jiangnan District, the project is only 10-15 minutes driving distance to the city center	High-rise residentials	For sale (partly delivered)
Poly Aegean Sea	Located in Xiuxiang main road and neighbouring the Lion Hill Park, the project is well served by convenient transportation and community facilities	Residentials	For sale
Poly Dream River	Located in the heart of Liusha Peninsula, the project neighbours the Party School of CPC, the state guesthouse Liyuan Resort and Qing Xiu Mountain Golf Course in the east, Liusha Eco Park in the west with a planned gross floor area of over a thousand acres, as well as a spectacular view of river in the south	14 single buildings in neo-classical architectural style, targeted to be a unique island villa community	Under construction for sale

Project	Geographical Location	Major Products	Current Status
Southwest			
LIUZHOU			
Poly Merization World	Neighbouring the old town of Liubei on the west and the business district on the south, the project enjoys established facilities and amenities of both the old town and the new business area. Standing on the Liu River bank with a shoreline of more than 200 metres, the project boasts a prime location and natural scenery	Residential, and commercial buildings	For sale (partly delivered)
KUNMING			
Poly Lakeside Mansion	Located in Ninghu Xincheng of Datun District in Anning City, the project shares the same neighbourhood of “Kunming Sunny Lake & Splendid Life” as it is one block away	Serviced apartments, office buildings, and commercial buildings	For sale (partly delivered)
Poly Sky and Earth	Situated in the prime area of Renmin Road in the downtown area, the project is next to the City Stadium Station serviced by the Metro Line 3 which is currently being built. The neighbouring area offers comprehensive ancillary facilities including schools, medical and leisure establishments	Residentials, retail shops and office buildings	For sale
CHONGQING			
Poly Spring Villa	Residing in the scenic zone of Southern Hot Spring Park, which is highly regarded as one of Chongqing’s top-ten scenic spots, the project boasts its own onsite hot spring	A high-end spring villa community	Delivered with sales of remaining apartments

4. Other Regions

In addition to the development portfolios in the Yangtze River Delta Region, Pearl River Delta Region and Southwestern regions, the Group has a total of 20 projects in other areas, namely Wuhan, Harbin, Jinan and Hainan as at 31st December, 2013. Land bank amounted to a gross floor area of approximately 4,865,000 square metres that contributed to roughly 21.3% of the Group's property development portfolio. Projects under development accounted for a total gross floor area of approximately 1,875,000 square metres and an approximate gross floor area of 2,990,000 square metres was reserved for future development. 6 of the projects are completed, 11 are currently under construction and 3 have yet to commence construction.

Project	Geographical Location	Major Products	Current Status
Others			
WUHAN			
Poly Plaza	Located in the administrative and cultural center, Wuchang District, Wuhan, Hubei Province, it is a comprehensive commercial plaza integrating commerce, fashion and culture	High-end office buildings, and commercial buildings	For lease and for sale (delivered)
Poly Royal Palace	Situated in the Donghu Hi-tech Development Zone, which is the first group of state-level hi-tech zones, it is located between two main roads of the city (namely Luoyu Road and Xiongchu Avenue). The project is adjacent to the management committee of Donghu Hi-tech Development Zone in the north and the 6,000-acre South Lake in the South, and links to Central China Normal University in the west and to Guanggu Square in the east; the project is supported by well-established supporting facilities and beautiful scenery	Residential, and commercial buildings	Delivered with sales of remaining apartments
Poly Cai Sheng Garden	Located in the intersection of Youyi Avenue and Caisheng Street, Wuchang, the project is close to the Inner Rim, and the Yangtze River Bridge and Erqi Bridge and the Metro Line 4 and 5, allowing it to enjoy a full range of community facilities	Residentials	Delivered with sales of remaining apartments

Project	Geographical Location	Major Products	Current Status
Others			
WUHAN			
Poly Blue Ocean District	The project inhabits the northern tip of South Lake, which is also the prime area of Wuchang District, boasting unparalleled panoramic lakeside views. The project enjoys an excellent transportation network being close to the Wuhan Metro Line 2	Residentials	For sale (partly delivered)
Yangyuan Project	Located in Wuchang, the main area of the Central District of Wuhan City and near to the Yangtze River	Residential and commercial buildings	Land bank
Poly Park	Located at Hongtu Avenue in Dongxihu District, Wuhan, which stands on the Metro Line 2, the project is surrounded by numerous ancillary facilities	Residentials, and retail shops	For sale (partly delivered)
Poly City	The project is located in Hongshan District, Wuhan, and is complemented by a full range of educational and community facilities	Residentials	Under construction for sale
Poly Up Town	Located in the newly emerging Baishazhou area of Wuhan City, the project is adjacent to the old town of Wuchang and the new town of Nanhu, and two channels for crossing the river – Yingwuzhou Yangtze River Bridge (鸚鵡洲長江大橋) and Yangsigang Yangtze River Bridge (楊泗港長江大橋) will be built in the neighborhood in the future. Located within the Second Rim, the project neighbours the planned Metro Line 5	Residential, commercial and office buildings, mainly in units of approximately 90 square metres for genuine end-users	Land bank

Project	Geographical Location	Major Products	Current Status
Others			
HARBIN			
Poly Harbin Contemporary No. 9 Park Life	Located in Songbei District; the project is close to the Wanda life circle currently under construction and is equipped with high-end hotels, a conference center, a theme park, an ice-snow themed paradise and a commercial center	Residentials, villas, and commercial buildings	For sale (partly delivered)
Poly The Water's Fragrant Dike	Located in Songbei District, the project neighbours major provincial government offices in Harbin and is only 500 metres away from Songbei Avenue, with surrounding municipal facilities gradually improving	A large-scale residential development focusing on low density, and high-end residentials	For sale (partly delivered)
The Tsinghua Summer Palace of Poly	The project is situated in the Nangang District, the central district of Harbin, which is the cultural and education base for higher education, and benefits from established community amenities	Residentials, and retail shops	For sale (partly delivered)
Qunli Project	Located in west of Harbin and next to Songhua River, it is a new key community project developed by the government	Residential, and commercial buildings	Land bank

Project	Geographical Location	Major Products	Current Status
Others			
JINAN			
Poly Daming Lake	Lixia District, in the downtown of Jinan and to the side of Daming Lake; the project is located in the Hongjialou business circle and Quancheng Road business circle with well-established community facilities	Residential, office and commercial buildings	For sale (partly delivered)
Poly Hyde Mansion	Located in the Honglou business area of Licheng District, a commercial center of the new district in the east of Jinan	A high and mid-rise residential community	For sale (partly delivered)
Poly Center	Situated in the intersection of Jingyi Road and Weishi'er Road and to the west of the southern City, the project is adjacent to the Jinan West Market that is renowned as a hundred-year-old commercial port	An integrated development comprising of residential buildings, apartments, offices and commercial buildings	For sale
Poly Elegant Garden	Neighbouring the Honglou business area, the project is located in the Lixia District and is linked by convenient transportation	Residentials	For sale
YANTAI			
Poly Champs Elysees Mansion	Located next to the Fenghuang Shan River Reservoir Wetland Park in Yantai, Shandong Province, the project enjoys a convenient transportation network	Residentials	For sale (partly delivered)
Poly Blossom Garden	Located in the geographical center of Yantai, the core area of the Southern New City, the project is about 500 metres away from Guanzhuang Station (官莊站) in the Yantai section of the planned Qingrong Intercity Railway (青榮城際鐵路), creating a circle by which Qingdao, Yantai and Weihai can all be reached within one hour	Mid-rise apartments, and mid-rise residentials, equipped with a primary school	Under construction for sale

Project	Geographical Location	Major Products	Current Status
Others			
WEIHAI			
Poly Triumph Mansion	Situated in the Huancui District of Weihai, Shandong Province, the project is close to the Xianguding Scenic Spot and is east to the ocean offering unparalleled sea views	Residentials, villas, and retail shops	For sale (partly delivered)
HAINAN			
Poly Peninsula No. 1	Located in the resort district of Shenzhou Peninsula in Wanning City, Hainan Province, the project enjoys beautiful coastal resources	A large-scale mixed-use development project featuring high-rise apartments and villas, an international yachting community and a resort-style marina club	For sale



FINANCIAL REVIEW

Liquidity and Capital Structure

As at 31st December, 2013, total equity attributable to shareholders of the Company amounted to HK\$29,617,047,000 (2012: HK\$27,072,586,000), while the net asset value per share was HK\$8.13 (2012: HK\$7.50). As at 31st December, 2013, the Group's gearing ratio (on the basis of the amount of total liabilities divided by the amount of total assets) was 70.6% (2012: 72.1%).

As at 31st December, 2013, the Group had an outstanding bank and other borrowings of HK\$38,120,625,000. In terms of maturity, the outstanding bank and other borrowings can be divided into HK\$15,455,479,000 (40.5%) to be repaid within one year, HK\$15,449,935,000 (40.5%) to be repaid after one year but within two years, HK\$7,147,174,000 (18.8%) to be repaid after two years but within five years, HK\$68,037,000 (0.2%) to be repaid after five years. In terms of currency denomination, the outstanding bank and other borrowings can be divided into HK\$37,340,625,000 (98%) in Renminbi, and HK\$780,000,000 (2%) in Hong Kong dollars. 33% of the bank and other borrowings of the Group are subject to fixed interest rates and the remaining 67% 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, on 16th May, 2013, the Group issued the 4.75% notes due 2018 in the aggregate principal amount of US\$500,000,000 (equivalent to HK\$3,900,000,000). The notes bear interest at the rate of 4.75% per annum, which are payable semi-annually in arrear on the interest payment dates falling 16th May and 16th November in each year.

As at 31st December, 2013, the Group had a net current assets of HK\$46,557,168,000 and total bank balances of HK\$15,494,034,000 (2012: HK\$46,264,249,000 and HK\$15,270,137,000 respectively). 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 minimized 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, 2013, certain of the Group's investment properties of approximately HK\$3,589,474,000 (2012: HK\$3,315,988,000), hotel properties of approximately HK\$702,911,000 (2012: HK\$1,150,987,000), buildings of approximately HK\$184,430,000 (2012: HK\$258,963,000), leasehold land of approximately HK\$Nil (2012: HK\$78,455,000), prepaid lease payments of approximately HK\$291,860,000 (2012: HK\$386,031,000), properties under development of approximately HK\$21,367,073,000 (2012: HK\$22,896,952,000), bank deposits of approximately HK\$667,953,000 (2012: HK\$962,274,000) and properties held for sales of approximately HK\$5,162,955,000 (2012: HK\$2,690,794,000) and shares in certain subsidiaries were pledged to secure credit facilities granted to the Group.

Contingent Liabilities

The Group

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\$19,065,110,000 as at 31st December, 2013 (2012: HK\$17,035,016,000). 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 2013, the Group had given guarantees to certain banks in respect of credit facilities granted to certain joint ventures of the Group amounting to HK\$875,949,000 (2012: Nil), of which HK\$875,949,000 (2012: Nil) had been utilised by joint ventures.

The Company

At 31st December, 2013, the Company had given guarantees to certain banks in respect of credit facilities granted to certain subsidiaries of the Company amounting to HK\$5,292,152,000 (2012: HK\$6,246,543,000), of which HK\$4,860,759,000 (2012: HK\$6,202,469,000) had been utilised by subsidiaries.

Staff

As at 31st December, 2013, the Group employed about 8,759 staffs with remuneration for the year amounted to HK\$789,579,000. 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.

SOUTHWESTERN REGION



Guiyang Poly Phoenix Bay



1 Guiyang Poly Phoenix Bay

Guiyang Poly Phoenix Bay is adjacent to Huaxi Avenue on the west, and can enjoy the picturesque landscape of Nanming River Peninsula. The project is next to the city center and has convenient access to administrative, commercial, education, health care, financial and other ancillary facilities in peripheral regions. The project has a site area of approximately 190,000 square metres and a planned gross floor area of approximately 930,000 square metres. It is planned to be developed into an integrated community comprising residential, commercial and office building establishments.



2

Nanning Poly Dream River



3

Liuzhou Poly Merization World



4

Zunyi Poly Metropolis of Future



5

Kunming Poly Sky and Earth



6

Chongqing Poly Spring Villa

This corporate governance report (“CG Report”) presents the corporate governance matters during the period covering the financial period ended 31st December, 2013 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”).

Compliance with the Corporate Governance Code

Throughout the year under review, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the “CG Code”), other than code provisions A.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

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive 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

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

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

Compliance with the Model Code set out in Appendix 10 to the Listing Rules

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Model Code and the code of conduct regarding directors' securities transactions adopted by the Company throughout the year ended 31st December, 2013.

Board of Directors

For the year ended 31st December, 2013, 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, 2013, 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
Chen Hong Sheng	Executive Director ("ED")	4/4
Wang Xu	ED	4/4
Xue Ming	ED, Chairman & Managing Director	4/4
Zhang Wan Shun	ED	4/4
Ye Li Wen	ED	4/4
Ip Chun Chung, Robert	Non-Executive Director ("NED")	4/4
Yao Kang, <i>J.P.</i> (Resigned on 15th May, 2013)	Independent Non-Executive Director ("INED")	3/3
Choy Shu Kwan	INED	4/4
Leung Sau Fan, Sylvia	INED	4/4
Wong Ka Lun	INED	4/4

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 three INEDs representing 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 had 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

The role and function of the Remuneration Committee of the Company include:

- formulating 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
Yao Kang, <i>J.P.</i> (Chairman, resigned on 15th May, 2013)	INED	N/A
Wong Ka Lun (Chairman, appointed on 15th May, 2013)	INED	1/1
Choy Shu Kwan	INED	1/1
Leung Sau Fan, Sylvia	INED	1/1
Wang Xu	ED	1/1
Xue Ming	Chairman and Managing Director	1/1

The summary of the work performed by the Remuneration Committee for the financial period under review is as follows:

- 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 this 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 this 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 include:

- 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.

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

Member	Board capacity	Attendance
Yao Kang, <i>J.P.</i> (Chairman, resigned on 15th May, 2013)	INED	1/1
Leung Sau Fan, Sylvia (Chairlady, appointed on 15th May, 2013)	INED	4/4
Choy Shu Kwan	INED	4/4
Ip Chun Chung, Robert	NED	4/4
Wong Ka Lun	INED	4/4

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	7,266
Non-audit services	300
	<hr/>
Total	7,566
	<hr/>

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, 2013, 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 documents 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 5% of the total voting rights of all the shareholders have a right to vote at general meetings can submit a written requisition to convene an EGM in accordance with the Hong Kong Companies Ordinance.

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 Listing Rules 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

21st March, 2014

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.

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 attached thereto, before the announcement of the annual results; and
- 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.

Audit Committee Members:

Yao Kang, *J.P.* (Chairman, resigned on 15th May, 2013)

Leung Sau Fan, Sylvia (Chairlady, appointed on 15th May, 2013)

Choy Shu Kwan

Ip Chun Chung, Robert

Wong Ka Lun

Hong Kong, 21st March, 2014



Jinan Poly Center

OTHER REGIONS



1 Jinan Poly Center (Phase II)

Jinan Poly Center is situated at the West Market, a business district in the west of Jinan with a hundred-year history, which attracts massive traffic, materials and capital, the project enjoys a great prospects of development for commercial properties. The project was acquired in phases, of which Phase II covers a planned gross floor area of approximately 100,000 square metres. The project is planned to be an ultra-large-scale complex comprising residentials, retail shops, apartments, offices and commercial buildings.



3
Weihai Poly Triumph Mansion



2
Harbin The Tsinghua Summer Palace of Poly



4
Yantai Poly Blossom Garden



5
Wuhan Poly Up Town



6
Hainan Poly Peninsula No.1

Executive Directors

CHEN Hong Sheng, aged 64, has joined the Board since January 2004. He graduated from Beijing Aviation Institute in the People’s Republic of China (“PRC”). Mr. Chen is a Director of Poly (Hong Kong) Holdings Limited (“Poly Holdings”), which is a substantial shareholder of the Company. Mr. Chen is also the Chairman and executive director of Poly Culture Group Corporation Limited (stock code: 3636). He is very experienced in management and trading.

WANG Xu, aged 54, 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 Group Corporation (“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 52, 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 33 years’ experience in management. He is also a Deputy General Manager of China Poly and a Director and General Manager of Poly Holdings. He was the Deputy 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.

ZHANG Wan Shun, aged 49, was appointed as the Deputy Managing Director of the Company since August 2011. He holds a master’s degree in Applied Mechanics and Engineering from Sun Yat-sen University and a master’s degree in Business Administration 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 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 24 years’ experience in real estate development and construction.

YE Li Wen, aged 43, holds a bachelor degree in Finance & Economics from Dongbei University and a master degree in Business Administration 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 also the Deputy General Manager of the Company.

Non-Executive Director

IP Chun Chung, Robert, aged 57, 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

CHOY Shu Kwan, aged 59, holds a Master degree in Business Administration and has over 35 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 50, 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 64, holds a Bachelor degree in Social Sciences majoring in Economics and Psychology from The University of Hong Kong. Mr. Wong had held various executive and management positions with Cathay Pacific Airways, John Swire & Sons (China) Limited and Swire Travel Limited and he 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.

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, 2013.

Principal activities

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 53 to the consolidated financial statements of this annual report.

Results and appropriations

The results of the Group for the year ended 31st December, 2013 are set out in the consolidated income statement on page 67 of this annual report.

No interim dividend was paid during the year. The directors recommend the payment of a final dividend of HK\$0.223 per share for the year ended 31st December, 2013 (2012: HK\$0.218).

Share capital

Details of movements during the year in the share capital of the Company are set out in note 38 to the consolidated financial statements of this annual report.

Investment properties

At 31st December, 2013, 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\$8,522,004,000.

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 of this annual report.

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 of this annual report.

Distributable reserves of the Company

The Company’s reserve available for distribution to shareholders as at 31st December, 2013 represented the accumulated profits of HK\$2,267,367,000.

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.* (Resigned on 15th May, 2013)

Choy Shu Kwan

Leung Sau Fan, Sylvia

Wong Ka Lun

In accordance with Article 116 of the Company's Articles of Association, Mr. Wang Xu, Mr. Ip Chung Chun Robert and Ms Leung Sau Fan, Sylvia will retire and being eligible, offer themselves for re-election.

The term of office of Mr. Ip Chun Chung, Robert, the non-executive director, 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.

The term of office of Ms. Leung Sau Fan, Sylvia, an independent non-executive director, is three years from 11th August, 2013, 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, 2013, 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.

Mr. Choy Shu Kwan is holding 300,000 shares (0.01%) 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	8,000,000	8,000,000
		8,000,000	8,000,000

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, 2013.

Share options

Particulars of the Company's share option schemes are set out in note 39 to the consolidated financial statements of this annual report.

Arrangements to purchase shares or debentures

Other than the option holdings set out in note 39, 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.

Substantial shareholders

As at 31st December, 2013, 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 the Company

Name of shareholder	Number of 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	Person having a security interest in shares		
Long position							
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	-	-	1,478,871,116 (Note 3)	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 shares or underlying shares of the Company as at 31st December, 2013.

Connected transactions

Details of the discloseable connected transactions for the year are set out in note 51 to the consolidated financial statements of this annual report. 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 51 to the consolidated financial statements ("Transactions") 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 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.

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 39 to the consolidated financial statements of this annual report.

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, 2013.

Auditor

The consolidated financial statements of the Group for the year ended 31st December, 2013 have been audited by PKF. PKF was appointed as the auditor of the Company on 21st January, 2009 to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu. The term of office of PKF will expire upon the forthcoming annual general meeting.

PKF will retire at the conclusion of the forthcoming annual general meeting. The Board has resolved, with the recommendation from Audit Committee, to propose the appointment of Shu Lun Pan Union (HK) CPA Limited as new independent auditor to fill the vacancy following the retirement of PKF at the forthcoming annual general meeting.

On behalf of the Board

XUE Ming

Chairman and Managing Director

Hong Kong, 21st March, 2014

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

(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 67 to 181, which comprise the consolidated and Company’s statements of financial position as at 31st December, 2013, 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.

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, 2013 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
21st March, 2014

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CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Revenue	8	28,625,008	20,695,429
Cost of sales		(21,918,810)	(14,408,157)
Gross profit		6,706,198	6,287,272
Increase in fair value of investment properties	17	1,061,102	444,503
Other income	9	582,559	232,773
Selling expenses		(875,134)	(619,864)
Administrative expenses		(1,605,004)	(1,367,918)
Increase (decrease) in fair value of held-for-trading investments		232	(42)
Gain on disposal of interests in subsidiaries	44	459,938	18,654
Loss on disposal of interest in an associate	22	(24,899)	–
Impairment loss on properties under development	26	(90,454)	–
Finance costs	10	(777,749)	(417,965)
Share of results of associates	22	67	12,297
Share of results of joint ventures	23	25,146	(8,500)
Profit before taxation	13	5,462,002	4,581,210
Income tax expense	14	(2,220,504)	(1,538,500)
Profit for the year		3,241,498	3,042,710
Attributable to:			
Owners of the Company		2,715,626	2,629,820
Non-controlling interests		525,872	412,890
		3,241,498	3,042,710
Earnings per share	16		
– basic		74.74 cents	72.88 cents
– diluted		74.45 cents	72.64 cents

The notes on pages 76 to 181 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.

68 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Profit for the year		3,241,498	3,042,710
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		529,979	(123)
Change in fair value of available-for-sale investments	30(a)	26,620	(19,332)
Translation reserve released on disposal of interests in subsidiaries		–	(707)
		556,599	(20,162)
Items that will not be reclassified to profit or loss:			
Surplus arising on revaluation of properties		30,926	1,863
Other comprehensive income (loss) before tax effect		587,525	(18,299)
Deferred tax liability arising on revaluation of properties		(7,732)	(466)
Other comprehensive income (loss) for the year, net of tax		579,793	(18,765)
Total comprehensive income for the year		3,821,291	3,023,945
Attributable to:			
Owners of the Company		3,163,793	2,612,433
Non-controlling interests		657,498	411,512
		3,821,291	3,023,945

The notes on pages 76 to 181 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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As at 31st December, 2013

	Notes	2013 HK\$'000	2012 HK\$'000
NON-CURRENT ASSETS			
Investment properties	17	8,522,004	7,085,190
Property, plant and equipment	18	2,171,728	1,933,484
Prepaid lease payments – non-current portion	19	412,384	404,004
Goodwill	20	484,204	553,051
Interests in associates	22	320,001	40,696
Interests in joint ventures	23	389,711	63,144
Available-for-sale investments	30	155,703	129,051
Club membership		1,257	1,226
Deposits paid for acquisition of land use rights	24	797,342	447,593
Deposits paid for acquisition of subsidiaries	25	253,165	259,259
Deferred tax assets	45	424,348	288,074
		13,931,847	11,204,772
CURRENT ASSETS			
Properties under development	26	53,382,138	63,530,405
Properties held for sale		20,544,333	13,373,329
Other inventories	27	117,825	64,293
Trade and other receivables	28	3,907,545	2,879,566
Prepaid lease payments – current portion	19	12,189	11,674
Short-term loan receivables	29	–	–
Held-for-trading investments	31	972	740
Deposit paid for acquisition of a property development project	32	–	190,894
Amounts due from joint ventures	23	1,790,096	2,296
Amount due from a fellow subsidiary	33(a)	–	11,313
Amounts due from non-controlling shareholders of subsidiaries	33(b)	400,991	799,989
Amounts due from associates	22	467,874	–
Taxation recoverable		772,808	396,455
Pledged bank deposits	34	667,953	962,274
Bank balances, deposits and cash	34	14,826,081	14,307,863
		96,890,805	96,531,091
CURRENT LIABILITIES			
Trade and other payables	35	9,179,335	8,853,339
Pre-sale deposits		19,245,408	18,520,967
Property rental deposits		95,026	99,396
Amount due to the ultimate holding company	33(a)	438,052	427,236
Amount due to an intermediate holding company	33(a)	26,409	770,672
Amounts due to fellow subsidiaries	33(a)	2,215,657	2,453,119
Amounts due to non-controlling shareholders of subsidiaries	33(b)	1,809,525	2,657,543
Amounts due to joint ventures	23	31,081	–
Taxation payable		1,837,665	1,638,757
Bank and other borrowings – due within one year	36	15,455,479	14,845,813
		50,333,637	50,266,842
NET CURRENT ASSETS		46,557,168	46,264,249
TOTAL ASSETS LESS CURRENT LIABILITIES		60,489,015	57,469,021

As at 31st December, 2013

	Notes	2013 HK\$'000	2012 HK\$'000
CAPITAL AND RESERVES			
Share capital	38	1,822,319	1,804,219
Reserves		27,794,728	25,268,367
		29,617,047	27,072,586
Equity attributable to owners of the Company		2,985,097	2,974,768
Non-controlling interests			
TOTAL EQUITY		32,602,144	30,047,354
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year	36	22,665,146	25,869,481
Notes payable	37	3,900,000	–
Amount due to an intermediate holding company	33(a)	–	370,370
Loan from a fellow subsidiary	41	227,848	222,222
Deferred tax liabilities	45	1,093,877	959,594
		27,886,871	27,421,667
		60,489,015	57,469,021

The notes on pages 76 to 181 form part of these consolidated financial statements.

The consolidated financial statements on pages 67 to 181 were approved and authorised for issue by the Board of Directors on 21st March, 2014 and are signed on its behalf by:

XUE MING
Chairman and Managing Director

YE LI WEN
Director

STATEMENT OF FINANCIAL POSITION 71

As at 31st December, 2013

	Notes	2013 HK\$'000	2012 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	21	266,794	182,988
Amounts due from subsidiaries	33(c)	20,867,075	20,022,492
Available-for-sale investments	30	78,378	78,378
		21,212,247	20,283,858
CURRENT ASSETS			
Other receivables		84,426	46,144
Bank balances, deposits and cash	34	3,696,321	934,156
		3,780,747	980,300
CURRENT LIABILITIES			
Other payables	35	33,876	24,463
Amounts due to subsidiaries	33(c)	337,004	691,672
Amount due to an intermediate holding company	33(a)	10,532	33,563
Bank borrowings – due within one year	36	–	419,250
		381,412	1,168,948
NET CURRENT ASSETS (LIABILITIES)		3,399,335	(188,648)
TOTAL ASSETS LESS CURRENT LIABILITIES		24,611,582	20,095,210
CAPITAL AND RESERVES			
Share capital	38	1,822,319	1,804,219
Reserves	40	18,109,263	17,024,115
TOTAL EQUITY		19,931,582	18,828,334
NON-CURRENT LIABILITIES			
Other payables	35	–	9,126
Notes payable	37	3,900,000	–
Bank borrowings – due after one year	36	780,000	1,257,750
		4,680,000	1,266,876
		24,611,582	20,095,210

The notes on pages 76 to 181 form part of these consolidated financial statements.

The consolidated financial statements on pages 67 to 181 were approved and authorised for issue by the Board of Directors on 21st March, 2014 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, 2013

	Attributable to owners of the Company														
	Share capital	Share premium	Share option reserve	Hotel properties revaluation reserve	Translation reserve	Capital redemption reserve	PRC statutory reserves	Investment revaluation reserve	Other capital reserve	Asset revaluation reserve	Other reserve	Accumulated profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'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	(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 42)	-	-	-	-	-	-	-	-	-	-	(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
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 year	-	-	-	17,365	404,182	-	-	26,620	-	-	-	2,715,626	3,163,793	657,498	3,821,291
Exercise of share options	18,100	193,138	(38,896)	-	-	-	-	-	-	-	-	-	172,342	-	172,342
Transfer	-	-	-	-	-	-	349,023	-	-	-	-	(349,023)	-	-	-
Dividends paid (note 15)	-	-	-	-	-	-	-	-	-	-	-	(794,465)	(794,465)	-	(794,465)
Dividends paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(298,035)	(298,035)
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	28,481	28,481
Partial disposal of interest in a subsidiary without loss of control (note 43)	-	-	-	-	-	-	-	-	-	-	2,791	-	2,791	54,171	56,962
Release upon disposal of associates	-	-	-	-	-	-	(271)	-	-	(23,936)	-	24,207	-	-	-
Release upon dissolution of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(17,838)	(17,838)
Release upon disposal of subsidiaries (note 44)	-	-	-	-	-	-	-	-	-	-	-	-	-	(413,948)	(413,948)
At 31st December, 2013	1,822,319	15,814,698	3,281	92,831	1,682,955	23,917	1,251,856	2,937	307,485	8,676	(285,195)	8,891,287	29,617,047	2,985,097	32,602,144

Included in other capital reserve at 31st December, 2013 is deemed capital contribution arising on acquisition of subsidiaries of HK\$244,221,000 (2012: HK\$244,221,000) and deemed capital contribution arising from interest-free loans provided by a fellow subsidiary of HK\$62,678,000 (2012: 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 in the subsidiaries being acquired/disposed from non-controlling interests without change of control during the year.

The notes on pages 76 to 181 form part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2013

Notes	2013 HK\$'000	2012 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	5,462,002	4,581,210
Adjustments for:		
Reversal of impairment loss previously recognised in respect of other receivables	(13,408)	(20,247)
Reversal of impairment loss previously recognised in respect of trade receivables	(1,182)	(223)
Reversal of impairment loss previously recognised in respect of short-term loan receivables	(300)	(200)
Impairment loss on goodwill	68,847	251,839
Impairment loss on trade receivables	3	157
Impairment loss on properties under development	90,454	–
Amortisation of prepaid lease payments	11,783	11,565
Bank interest income	(146,557)	(96,311)
Interest income from loans to joint ventures	(103,333)	–
Interest income from loan to an associate	(213)	–
Dividend income from investment in securities	(3,668)	(4,201)
Depreciation of property, plant and equipment	134,497	127,670
Finance costs	777,749	405,386
Loss (gain) on disposal of investment properties	10,605	(40,246)
Loss on disposal of property, plant and equipment	702	7,693
Gain on disposal of interests in subsidiaries	(459,938)	(18,654)
Gain on dissolution of subsidiaries	(1,589)	–
Loss on disposal of interest in an associate	24,899	–
Imputed interest expense	–	12,579
(Increase) decrease in fair value of held-for-trading investments	(232)	42
Increase in fair value of investment properties	(1,061,102)	(444,503)
Share of results of associates	(67)	(12,297)
Share of results of joint ventures	(25,146)	8,500
Exchange differences	(212,747)	–
Operating cash flows before movements in working capital	4,552,059	4,769,759
Decrease (increase) in properties under development and properties held for sale	471,093	(3,949,459)
Increase in other inventories	(51,904)	(7,222)
Increase in trade and other receivables	(2,364,577)	(1,259,624)
Decrease in short-term loan receivables	300	82,853
Increase in deposit paid for acquisition of a property development project	–	(65,658)
(Decrease) increase in trade and other payables	(1,015,819)	635,969
Increase in pre-sale deposits	4,476,511	6,576,218
Increase in property rental deposits	10,591	8,148
Net cash generated from operations	6,078,254	6,790,984
PRC income tax paid	(2,396,195)	(1,880,115)
Interest paid	(3,734,705)	(4,021,676)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(52,646)	889,193

74 CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2013

	Notes	2013 HK\$'000	2012 HK\$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(82,358)	(46,463)
Deposits paid for acquisition of land use rights		(338,418)	–
Deposits paid for acquisition of subsidiaries		–	(12,345)
Acquisition of additional interests in subsidiaries	42	–	(16,049)
Repayments from fellow subsidiaries		11,599	22,635
Purchase of investment properties		(64,888)	(14,988)
Increase in interests in associates		(321,793)	–
Increase in interests in joint ventures		(52,386)	(70,371)
Net cash (outflows) inflows arising on disposal of subsidiaries	44	(504,962)	18,492
Net proceeds from dissolution of subsidiaries		(94)	–
Partial disposal of a subsidiary	43	56,962	18,148
Proceeds from disposal of an associate		18,750	–
Decrease (increase) in pledged bank deposits		294,321	(636,143)
Bank interest income received		146,557	96,311
Interest income received from loans to joint ventures		103,333	–
Interest income received from loan to an associate		213	–
Dividend income received from investment in securities		3,668	4,201
Dividend received from an associate		–	74,074
Dividend received from joint ventures		365	373
Advance to joint ventures		(437,584)	(2,296)
Advances to non-controlling shareholders of subsidiaries		(23,346)	(9,042)
Advances to associates		(467,874)	–
Proceeds from disposal of investment properties		170,657	199,994
Proceeds from disposal of property, plant and equipment		3,085	870
NET CASH USED IN INVESTING ACTIVITIES		(1,484,193)	(372,599)
FINANCING ACTIVITIES			
Borrowings raised		21,882,784	24,836,875
Repayments to an intermediate holding company		(1,087,339)	(2,757,552)
Repayments to the ultimate holding company		–	(6,828)
Issue of notes payable		3,900,000	–
Proceeds from exercise of share options		172,342	–
Advances from fellow subsidiaries		1,275,436	1,286,179
Advances from non-controlling shareholders of subsidiaries		812,595	246,678
Advances from joint ventures		31,081	–
Repayments to related companies		–	(1,867)
Repayments to an associate		–	(74,074)
Capital contribution by non-controlling shareholders		28,481	50,617
Repayments of borrowings		(24,284,752)	(22,080,813)
Dividends paid		(794,465)	–
Dividends paid to non-controlling shareholders of subsidiaries		(298,035)	(3,457)
NET CASH GENERATED FROM FINANCING ACTIVITIES		1,638,128	1,495,758

Notes	2013 HK\$'000	2012 HK\$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	101,289	2,012,352
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	14,307,863	12,295,634
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	416,929	(123)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14,826,081	14,307,863
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Represented by:		
– bank balances, deposits and cash	14,826,081	14,307,863

The notes on pages 76 to 181 form part of these consolidated financial statements.

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 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”).

3. Basis of preparation

(a) Initial application of Hong Kong Financial Reporting Standards

In the current year, the Group initially applied the following Hong Kong Financial Reporting Standards:-

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

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

- (i) HKFRS 10 "Consolidated Financial Statements" modifies the concept of "control" substantially. The Group'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 Group'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 Group'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 consolidated financial statements.

3. Basis of preparation (Continued)

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

The following Hong Kong Financial Reporting Standards in issue at 31st December, 2013 have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1st January, 2013:–

HKFRS 9	Financial Instruments
HK(IFRIC) – Int 21	Levies
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10	Investment Entities

The Group is required to initially apply these standards and amendments in its annual consolidated financial statements beginning on 1st January, 2014, except that the Group is required to initially apply amendments to HKAS 19 in its annual consolidation financial statements beginning on 1st January, 2015. HKFRS 9 does not have a mandatory effective date.

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.

4. Significant accounting policies (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December together with the Group's share of the results and net assets of its associates and joint ventures. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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 associates or joint ventures or other investments.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, 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.

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.

4. Significant accounting policies (Continued)

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.

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.

4. Significant accounting policies (Continued)

Business combinations and goodwill (Continued)

Business combinations from 1st January, 2010 (Continued)

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.

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.

4. Significant accounting policies (Continued)

Associates and joint ventures

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

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture 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 joint venture, 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 joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture 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 joint venture, 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.

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) Income from 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.
- (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.

4. Significant accounting policies (Continued)

Revenue recognition (Continued)

- (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.

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.

4. Significant accounting policies (Continued)

Property, plant and equipment (Continued)

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.

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.

4. Significant accounting policies (Continued)

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.

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.

4. Significant accounting policies (Continued)

Leasing (Continued)

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.

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.

4. Significant accounting policies (Continued)

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.

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 income statement 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 joint ventures, 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.

4. Significant accounting policies (Continued)

Taxation (Continued)

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.

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.

4. Significant accounting policies (Continued)

Financial instruments (Continued)

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.

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, joint ventures, 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.

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.

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, joint ventures, 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.

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.

4. Significant accounting policies (Continued)

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

- (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 a 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.

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\$53,382,138,000 (2012: HK\$63,530,405,000) and held for sale of HK\$20,544,333,000 (2012: HK\$13,373,329,000) 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. The impairment loss on properties under development of HK\$90,454,000 (2012: HK\$Nil) was made for the year ended 31st December, 2013, while no write-off was made on properties held for sale for the years ended 31st December, 2013 and 31st December, 2012.

5. Key sources of estimation uncertainty (Continued)

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, 2013, the carrying amounts of short-term loan receivables and other receivables are HK\$Nil (2012: HK\$Nil) (net of allowance for doubtful debts of HK\$26,540,000 (2012: HK\$26,840,000)) and HK\$2,485,427,000 (2012: HK\$1,800,002,000) (net of allowance for doubtful debts of HK\$25,933,000 (2012: HK\$32,549,000)), respectively.

Estimation of fair value of investment properties

Investment properties were revalued as at 31st December, 2013 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, 2013 was HK\$8,522,004,000 (2012: HK\$7,085,190,000).

5. Key sources of estimation uncertainty (Continued)

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, 2013 was HK\$484,204,000 (2012: HK\$553,051,000). More details are given in note 20.

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 plus notes payable less bank balances, deposits and cash. Total capital is calculated as "equity", as shown in the consolidated statement of financial position, plus net debt.

During 2013, the Group's strategy, which was unchanged from 2012 and the gearing ratios at 31st December, 2013 and 2012 were as follows:–

	2013	2012
	HK\$'000	HK\$'000
Total bank and other borrowings (note 36)	38,120,625	40,715,294
Notes payable (note 37)	3,900,000	–
Less: bank balances, deposits and cash	(14,826,081)	(14,307,863)
Net debt	27,194,544	26,407,431
Total equity	32,602,144	30,047,354
Total capital	59,796,688	56,454,785
Gearing ratio	45%	47%

7. Financial instruments

(a) Categories of financial instruments

	2013 HK\$'000	2012 HK\$'000
The Group		
Financial assets		
Held-for-trading investments	972	740
Loans and receivables (including cash and cash equivalents)	21,840,899	18,835,420
Available-for-sale investments	155,703	129,051
Financial liabilities		
Amortised cost	55,861,804	56,439,127
The Company		
Financial assets		
Loans and receivables (including cash and cash equivalents)	24,613,375	20,994,145
Available-for-sale investments	78,378	78,378
Financial liabilities		
Amortised cost	5,057,509	2,411,445

(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 associates, amounts due from joint ventures, amount due from a fellow subsidiary, 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, amounts due to joint ventures, loan from a fellow subsidiary, notes payable 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, notes payable and bank borrowings. 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.

7. Financial instruments (Continued)

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

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.

Apart from the bank loan of HK\$780,000,000 (2012: HK\$1,677,000,000) and notes payable of HK\$3,900,000,000 (2012: HK\$Nil) which was denominated in US\$, the following table details the Group's exposure as at 31st December, 2013 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.

	2013	2012
	RMB'000	RMB'000
Bank balances, deposits and cash	132,194	533,538
Short-term loans to subsidiaries	8,309,720	7,650,197
Gross exposure arising from recognised assets	8,441,914	8,183,735

Apart from the bank loan of HK\$780,000,000 (2012: HK\$1,677,000,000) and notes payable of HK\$3,900,000,000 (2012: HK\$Nil) 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, 2013 and 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.

	2013		2012	
	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% (5%)	534,298 (534,298)	5% (5%)	505,169 (505,169)

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, fixed-rate bank and other borrowings and notes payable (see notes 34, 36 and 37 for details of these deposits, borrowings and notes). 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, amounts due from joint ventures, amount due to the ultimate 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 has 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, 2013 would decrease/increase by HK\$46,244,000 (2012: decrease/increase by HK\$61,606,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings and bank balances.

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, 2013 would increase/decrease by HK\$40,000 (2012: increase/decrease by HK\$28,000) for the Group as a result of the changes in fair value of held-for-trading investments; and
- Investment valuation reserve would increase/decrease by HK\$3,803,000 (2012: increase/decrease HK\$2,472,000) for the Group as a result of the changes in fair value of listed available-for-sale investments.

7. Financial instruments (Continued)

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

Credit risk

As at 31st December, 2013, 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.

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\$46,557,168,000 at 31st December, 2013.

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, 2013, the Group has available unutilised bank loan facilities of approximately HK\$7,766,831,000 (2012: HK\$8,789,625,000). Details of which are set out in note 36.

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.

7. Financial instruments (Continued)

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

Liquidity risk (Continued)

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 31.12.2013 HK\$'000
2013								
Non-derivative financial liabilities								
Trade and other payables		1,236,995	536,327	6,442,513	767,336	14,410	8,997,581	8,997,581
Property rental deposits		-	-	6	74,596	20,424	95,026	95,026
Amount due to the ultimate holding company								
– interest-free		-	-	24,249	-	-	24,249	24,249
– variable rate	6.27	-	-	430,009	-	-	430,009	413,803
Amount due to an intermediate holding company								
– interest-free		-	-	25,474	-	-	25,474	25,474
– fixed rate	7.20	-	-	977	-	-	977	935
Amounts due to fellow subsidiaries								
– interest-free		113,644	89,280	1,835,518	-	-	2,038,442	2,038,442
– variable rate	7.27	-	-	185,267	-	-	185,267	177,215
Amounts due to non-controlling shareholders of subsidiaries								
– interest-free		-	-	217,540	-	-	217,540	217,540
– variable rate	6.67	-	-	1,658,361	-	-	1,658,361	1,591,985
Amounts due to joint ventures								
– interest-free		-	-	31,081	-	-	31,081	31,081
Bank and other loans								
– fixed rate	9.25	-	1,285	5,795,094	9,196,225	-	14,992,604	12,532,911
– variable rate	6.76	443	696,298	9,679,058	18,913,635	100,735	29,390,169	25,587,714
Notes payable								
– fixed rate	4.75	-	-	-	4,482,566	-	4,482,566	3,900,000
Loan from a fellow subsidiary	6.00	-	-	-	227,848	-	227,848	227,848
		1,351,082	1,323,190	26,325,147	33,662,206	135,569	62,797,194	55,861,804
Financial guarantee issued								
– Maximum amount guaranteed (note 48)								875,949,000

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 31.12.2012 HK\$'000
2012								
Non-derivative financial liabilities								
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 the 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
		1,930,651	1,367,573	25,750,141	33,740,345	1,411,188	64,199,898	56,439,127

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 31.12.2013 HK\$'000
2013								
Non-derivative financial liabilities								
Other payables		-	-	29,973	-	-	29,973	29,973
Amounts due to subsidiaries		-	-	337,004	-	-	337,004	337,004
Amount due to an intermediate holding company								
– interest-free		-	-	10,532	-	-	10,532	10,532
Bank loans								
– variable rate	3.05	-	-	-	853,569	-	853,569	780,000
Notes payable								
– fixed rate	4.75	-	-	-	4,482,566	-	4,482,566	3,900,000
		-	-	377,509	5,336,135	-	5,713,644	5,057,509
								HK\$'000
Financial guarantee issued:								
– Maximum amount guaranteed (note 48)								4,860,759
– Carrying amount at 31.12.2013								-

7. Financial instruments (Continued)

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

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

The Company (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 31.12.2012 HK\$'000
2012								
Non-derivative financial liabilities								
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 loans								
- 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

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, 2013 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, 2013, the Group had following financial instruments carried at fair value all of which are based on the Level 1 of the fair value hierarchy:–

	2013 HK\$'000	2012 HK\$'000
Assets		
Available-for-sale investments		
– Listed	76,058	49,438
Held-for-trading investments		
– Listed	972	740
	77,030	50,178

At 31st December, 2013 and 2012, the Company did not have any financial instruments carried at fair value.

During the year ended 31st December, 2013, there were no significant transfers between financial instruments in Level 1 and Level 2.

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, 2013 and 2012.

(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:–

	2013	2012
	HK\$'000	HK\$'000
Sales of properties	27,386,840	19,670,368
Rental income and building management service income	874,525	687,068
Income from hotel operations	199,773	202,468
Sales of goods	123,326	130,380
Construction revenue	40,544	5,145
	28,625,008	20,695,429

9. Other income

	2013 HK\$'000	2012 HK\$'000
Reversal of impairment loss previously recognised in respect of other receivables	13,408	20,247
Reversal of impairment loss previously recognised in respect of trade receivables (note 28)	1,182	223
Reversal of impairment loss previously recognised in respect of short-term loan receivables (note 29)	300	200
Exchange gains	212,747	–
Bank interest income	146,557	96,311
Interest income from loans to joint ventures	103,333	–
Interest income from loan to an associate	213	–
Gain on disposal of investment properties	–	40,246
Government subsidy	17,799	32,321
Dividend income	3,668	4,201
Others	83,352	39,024
	582,559	232,773

10. Finance costs

	2013 HK\$'000	2012 HK\$'000
Interest on bank and other borrowings:–		
– wholly repayable within five years	3,612,316	3,972,940
– not wholly repayable within five years	64,647	139,730
Imputed interest expense on loan from a fellow subsidiary	–	12,579
Total borrowing costs	3,676,963	4,125,249
Less: amounts capitalised (note 26)	(2,899,214)	(3,707,284)
	777,749	417,965

Borrowing cost capitalised during the year arose from specific borrowings.

11. Directors' emoluments

The emoluments paid or payable to each of the ten (2012: 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	
	2013				
Chen Hong Sheng	70	–	–	–	70
Wang Xu	–	3,378	–	15	3,393
Xue Ming	–	3,378	–	15	3,393
Zhang Wan Shun	–	2,409	440	15	2,864
Ye Li Wen	–	2,449	440	15	2,904
Ip Chun Chung, Robert	160	–	–	–	160
Yao Kang, J.P.	100	–	–	–	100
Choy Shu Kwan	160	–	–	–	160
Leung Sau Fan, Sylvia	160	–	–	–	160
Wong Ka Lun	160	–	–	–	160
Total	810	11,614	880	60	13,364

11. Directors' emoluments (Continued)

	Other emoluments				Total emoluments HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	
2012					
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
Total	775	10,629	3,038	56	14,498

Note:–

In each of the two years ended 31st December, 2013, 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, 2013 and 2012.

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

12. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2012: four) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining one (2012: one) highest paid individuals are as follows:-

	2013 HK\$'000	2012 HK\$'000
Salaries and other benefits	2,434	2,250
Bonuses	440	628
Retirement benefits scheme contributions	15	14
	2,889	2,892

The emoluments of the remaining one (2012: one) highest paid individuals were within the following bands:-

	2013 Number of employee	2012 Number of employee
HK\$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	-	-
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$3,000,001 to HK\$3,500,000	-	-

13. Profit before taxation

	2013 HK\$'000	2012 HK\$'000
Profit before taxation has been arrived at after charging and (crediting):–		
Staff costs		
– directors' emoluments (note 11)	13,364	14,750
– other staff costs	690,908	617,866
– other staff's retirement benefit scheme contributions	85,307	61,504
	789,579	694,120
Amortisation of prepaid lease payments (included in administrative expenses)	11,783	11,565
Depreciation of property, plant and equipment	134,497	127,670
Total depreciation and amortisation	146,280	139,235
Auditor's remuneration		
– current year	7,266	6,684
Cost of inventories recognised as expenses	21,206,916	13,658,004
Operating lease rentals in respect of		
– rented premises	50,784	36,636
– equipment	1,815	288
Impairment loss on goodwill (note 20)	68,847	251,839
Impairment loss on properties under development (note 26)	90,454	–
Impairment loss on trade receivables (note 28)	3	157
Share of tax of associates (included in share of results of associates)	–	3,495
Gain on dissolution of subsidiaries	(1,589)	–
Loss on disposal of property, plant and equipment	702	7,693
Gain on disposal of interests in subsidiaries	(459,938)	(18,654)
Loss on disposal of interest in an associate	24,899	–
Loss (gain) on disposal of investment properties	10,605	(40,246)
Property rental income and building management service income, net of direct expenses of HK\$6,728,000 (2012: HK\$12,019,000)	(867,797)	(675,049)

14. Income tax expense

	2013	2012
	HK\$'000	HK\$'000
The charge comprises:–		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax		
– current year	974,092	1,201,845
– under-provision in prior year	10,594	7,171
	984,686	1,209,016
LAT	1,123,947	319,240
Deferred taxation		
– current year	112,612	23,370
– over-provision in prior year	(741)	(13,126)
	111,871	10,244
	2,220,504	1,538,500

Hong Kong Profits Tax is calculated at 16.5% (2012: 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.

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:–

	2013 HK\$'000	2012 HK\$'000
Profit before taxation	5,462,002	4,581,210
Tax at PRC statutory tax rate of 25% (2012: 25%)	1,365,500	1,145,303
Tax effect of share of results of associates	(17)	(3,074)
Tax effect of expenses not deductible for tax purpose	9,686	138,470
Tax effect of income not taxable for tax purpose	(62,533)	(22,019)
Tax effect of tax losses not recognised	114,588	73,236
Tax effect of utilisation of tax losses previously not recognised	(51,127)	(28,137)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(4,889)	(5,278)
Effect of land appreciation tax	(280,987)	(79,810)
Land appreciation tax	1,123,947	319,240
Under (over)-provision in prior year	9,853	(5,955)
Others	(3,517)	6,524
Tax charge for the year	2,220,504	1,538,500

15. Dividends

	2013 HK\$'000	2012 HK\$'000
Dividends recognised as distribution during the year:–		
2012 final dividend of HK\$0.218 per share (2012: HK\$Nil for 2011)	794,465	–

No interim dividend was paid for both years.

The directors of the Company recommend the payment of a final dividend of HK\$0.223 per share for the year ended 31st December, 2013 (2012: HK\$0.218 per share).

16. Earnings per share

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

	2013	2012
	HK\$'000	HK\$'000
Earnings:–		
Profit for the year attributable to owners of the Company	2,715,626	2,629,820
	2013	2012
Number of shares:–		
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,633,619,939	3,608,437,046
Effect of dilutive potential ordinary shares on share options	14,110,712	12,065,273
Weighted average number of ordinary shares for the purpose of diluted earnings per share	3,647,730,651	3,620,502,319

The weighted average number of shares has been adjusted for the shares issued during the year ended 31st December, 2013 as set out in note 38. No new shares were issued during the year ended 31st December, 2012.

17. Investment properties

The Group

	HK\$'000
Level 3 fair value measurement	
At 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)
At 31st December, 2012 and 1st January, 2013	7,085,190
Additions	64,888
Transfer to property, plant and equipment	(209,899)
Transfer from properties held for sale	1,299,376
Transfer from properties under development	358,749
Increase in fair value recognised in the consolidated income statement	1,061,102
Disposals	(181,262)
Disposal of subsidiaries (note 44)	(1,116,456)
Exchange differences	160,316
At 31st December, 2013	8,522,004

17. Investment properties (Continued)

The fair values of the Group's investment properties at 31st December, 2013 and 2012 were 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 were determined either on the basis of capitalisation of rental income derived from existing tenancies or 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 fair value of the Group's investment properties measured at the end of the reporting period is categorised as level 3 of fair value hierarchy as defined in HKFRS 13.

The carrying value of investment properties comprises:–

	2013 HK\$'000	2012 HK\$'000
Properties held under		
– long-term leases in Hong Kong	181,700	179,500
– medium-term land use rights in the PRC	8,340,304	6,905,690
	8,522,004	7,085,190

17. Investment properties (Continued)

Information about Level 3 fair value measurements

	Fair value at 31st December, 2013 HK\$'000	Valuation techniques	Significant unobservable inputs	Range or weighted average	Relationship of unobservable inputs to fair value
Completed properties in Hong Kong	181,700	Direct comparison	Transaction price (HK\$/square feet)	18,025 – 18,487	The higher the transaction price, the higher the fair value
Completed properties in the PRC	7,808,405	Direct comparison	Transaction price (RMB/square meter)	5,000 – 44,444	The higher the transaction price, the higher the fair value
Completed properties in the PRC	531,899	Income approach	Capitalisation rate	5.25% to 25%	The higher the capitalisation rate, the lower the fair value

Fair value adjustment of investment properties is recognised in the line item “increase in fair value of investment properties” on the face of the consolidated income statement.

The increase in fair value of investment properties of HK\$1,061,102,000 included HK\$1,033,535,000 increase in fair value of investment properties held at 31st December, 2013 and HK\$27,567,000 increase in fair value of investment properties disposed during the year ended 31st December, 2013.

There were no transfers into or out of Level 3 during the year.

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
The Group								
Cost or valuation:-								
At 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)
At 31st December, 2012 and 1st January, 2013	1,150,987	115,230	615,773	165,553	162,451	256,827	29,253	2,496,074
Exchange adjustments	29,139	-	14,873	4,009	3,867	6,502	741	59,131
Additions	17,880	-	16,373	17,460	12,230	333	18,082	82,358
Transfer	-	-	-	42,341	-	885	(43,226)	-
Disposals	-	-	(1,423)	(9,270)	(5,177)	(20,866)	-	(36,736)
Disposal of subsidiaries (note 44)	-	-	-	(2,008)	(4,194)	-	-	(6,202)
Transfer from investment properties	-	-	209,899	-	-	-	-	209,899
Transfer from properties held for sale	-	-	12,100	-	-	-	-	12,100
Surplus arising on revaluation	30,926	-	-	-	-	-	-	30,926
Less: Elimination of accumulated depreciation	(48,806)	-	-	-	-	-	-	(48,806)
As 31st December, 2013	1,180,126	115,230	867,595	218,085	169,177	243,681	4,850	2,798,744
Comprising:-								
At cost	-	115,230	867,595	218,085	169,177	243,681	4,850	1,618,618
At valuation - 2013	1,180,126	-	-	-	-	-	-	1,180,126
	1,180,126	115,230	867,595	218,085	169,177	243,681	4,850	2,798,744

18. Property, plant and equipment (Continued)

	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
Accumulated depreciation:-								
At 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)
At 31st December, 2012 and 1st January, 2013	-	36,775	158,655	89,454	64,675	213,031	-	562,590
Exchange adjustments	610	-	4,112	2,479	1,724	5,493	-	14,418
Charge for the year	48,196	2,305	26,139	27,040	22,524	8,293	-	134,497
Elimination of disposals	-	-	(1,423)	(8,291)	(3,028)	(20,207)	-	(32,949)
Elimination of disposal of subsidiaries (note 44)	-	-	-	(945)	(1,789)	-	-	(2,734)
Elimination on revaluation	(48,806)	-	-	-	-	-	-	(48,806)
At 31st December, 2013	-	39,080	187,483	109,737	84,106	206,610	-	627,016
Carrying values:-								
At 31st December, 2013	1,180,126	76,150	680,112	108,348	85,071	37,071	4,850	2,171,728
At 31st December, 2012	1,150,987	78,455	457,118	76,099	97,776	43,796	29,253	1,933,484

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%

18. Property, plant and equipment (Continued)

	The Group	
	2013	2012
	HK\$'000	HK\$'000
The carrying value of hotel properties, leasehold land and buildings located at:–		
– Long-term leases in Hong Kong	94,853	97,725
– Medium-term land use rights in the PRC	1,841,535	1,588,835
	1,936,388	1,686,560

The fair value of the Group's hotel properties at 31st December, 2013 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 were determined by either discounting the construction cost or 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.

The fair value of the Group's hotel properties measured at the end of the reporting period is categorised as Level 3 of fair value hierarchy as defined in HKFRS 13.

Information about Level 3 fair value measurements

	Fair value at 31st December, 2013 HK\$'000	Valuation techniques	Significant unobservable inputs	Range or weighted average	Relationship of unobservable inputs to fair value
Hotel property in the PRC	535,823	Income approach	Capitalisation rate	9.2%	The higher the capitalisation rate, the lower the fair value
Hotel properties in the PRC	644,303	Cost approach	Adjustment to construction cost (Discount rate on building cost)	10% to 20%	The higher the discount rate, the lower the fair value

Surplus on revaluation and exchange adjustment of properties held for own use are recognised in other comprehensive income in "Surplus arising on revaluation of properties".

There were no transfers into or out of Level 3 during the year.

19. Prepaid lease payments

	The Group	
	2013	2012
	HK\$'000	HK\$'000
The Group's prepaid lease payments comprise:–		
– Medium-term land use rights in the PRC	424,573	415,678
Analysed for reporting purposes as:–		
– Current asset	12,189	11,674
– Non-current asset	412,384	404,004
	424,573	415,678

20. Goodwill

	The Group	
	2013	2012
	HK\$'000	HK\$'000
Cost:–		
At 1st January and at 31st December	816,630	816,630
Impairment:–		
At 1st January	263,579	11,740
Impairment loss for the year	68,847	251,839
At 31st December	332,426	263,579
Carrying amount:–		
At 31st December	484,204	553,051

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

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 is 10%.

20. Goodwill (Continued)

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, 2013, management determines that except for an impairment loss on goodwill of HK\$68,847,000 (2012: HK\$1,789,000) which was charged to cost of sales as a result of the properties sold and an impairment loss on goodwill of HK\$Nil (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 ended 31st December, 2012, 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	
	2013	2012
	HK\$'000	HK\$'000
Unlisted shares, at cost	266,794	182,988

Details of the Company's principal subsidiaries at 31st December, 2013 are set out in note 53.

The following table lists out the information relating to the subsidiaries of the Group which have material non-controlling interests (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

21. Interests in subsidiaries (Continued)

For the year ended 31st December, 2013

Company Name	上海保利 金鵬置業 有限公司 HK\$'000	廣州 保利置業 有限公司 HK\$'000	哈爾濱保利 房地產綜合 開發有限 責任公司 HK\$'000	黑龍江 保利澳娛房 地產開發 有限公司 HK\$'000	Poly Plaza Limited HK\$'000
NCI percentage	49.90%	49.00%	49.00%	42.00%	25.00%
Current assets	3,078,373	1,081,840	2,232,804	1,511,683	271,819
Non-current assets	8,936	3,106	45,850	61,861	1,254,311
Current liabilities	(2,050,255)	(168,285)	(1,749,405)	(794,371)	(167,791)
Non-current liabilities	–	–	–	(259,494)	(423,026)
Net assets	1,037,054	916,661	529,249	519,679	935,313
Carrying amount of NCI	517,490	449,164	259,332	218,265	233,828
Revenue	1,502,167	51,704	1,528,327	473,863	151,773
Profit for the year	490,030	11,095	154,826	57,634	12,950
Other comprehensive income for the year	21,099	22,496	11,156	13,509	32,608
Total comprehensive income for the year	511,129	33,591	165,982	71,143	45,558
Profit allocated to NCI	244,525	5,437	75,865	24,206	3,238
Dividend paid to NCI	62,375	–	–	47,250	–
Cash flows from operating activities	1,363,117	335,042	472,771	84,696	57,319
Cash flows used in investing activities	(16)	(4)	(494)	(301)	(2,352)
Cash flows used in financing activities	(588,446)	(449,989)	(371,905)	(97,691)	(53,520)

21. Interests in subsidiaries (Continued)

For the year ended 31st December, 2012

Company Name	上海保利 金鵬置業 有限公司 HK\$'000	廣州 保利置業 有限公司 HK\$'000	哈爾濱保利 房地產綜合 開發有限 責任公司 HK\$'000	黑龍江 保利澳娛 房地產開發 有限公司 HK\$'000	Poly Plaza Limited HK\$'000
NCI percentage	49.90%	49.00%	49.00%	42.00%	25.00%
Current assets	2,178,580	1,638,882	2,333,010	1,786,684	261,325
Non-current assets	10,002	3,720	47,430	59,235	1,225,569
Current liabilities	(1,537,657)	(759,532)	(1,276,432)	(915,747)	(154,140)
Non-current liabilities	–	–	(740,741)	(369,136)	(442,999)
Net assets	650,925	883,070	363,267	561,036	889,755
Carrying amount of NCI	324,812	432,704	178,001	235,635	222,439
Revenue	551,028	1,201,345	872,317	274,475	153,137
Profit/(loss) for the year	127,092	267,283	96,311	31,938	(851)
Other comprehensive income for the year	–	–	–	–	9,440
Total comprehensive income for the year	127,092	267,283	96,311	31,938	8,589
Profit/(loss) allocated to NCI	63,419	130,969	47,192	13,414	(213)
Dividend paid to NCI	–	–	–	–	–
Cash flows from (used in) operating activities	665,871	965,802	72,754	(215,244)	48,981
Cash flows (used in) from investing activities	(1,761)	3,675	(124)	(246)	(21,348)
Cash flows (used in) from financing activities	(600,163)	(1,164,932)	493,197	333,069	(36,407)

22. Interests in associates/amounts due from associates

Interests in associates

	The Group	
	2013 HK\$'000	2012 HK\$'000
Cost of unlisted investments in associates	323,980	21,600
Share of post-acquisition (loss) profits and reserves, net of dividends received	(5,639)	19,096
Goodwill	1,660	–
	320,001	40,696

In June 2013, the Group disposed of 30% equity interest in 重慶綠地東原房地產開發有限公司 (“重慶綠地”) with carrying amount of HK\$43,649,000 at a consideration of HK\$18,750,000 resulting in a loss of HK\$24,899,000.

22. Interests in associates/amounts due from associates (Continued)

Interests in associates (Continued)

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

	2013 HK\$'000	2012 HK\$'000
Total assets	4,935,179	252,677
Total liabilities	(3,896,810)	(117,023)
Net assets	1,038,369	135,654
Group's share of net assets of associates	320,001	40,696
Revenue	25,403	158,171
Profit for the year	874	40,990
Group's share of results of associates for the year	67	12,297

Details of the Group's principal associates as at 31st December, 2013 are as follows:–

Name of associates	Place of establishment/ operation	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
廣州保睿房地產銷售代理有限公司	PRC	49%	–	49%	Property agency
南寧市柳沙房地產開發有限公司	PRC	30%	–	30%	Property development

Amounts due from associates

	2013 HK\$'000	2012 HK\$'000
Amounts due from associates		
– Interest-free	215	–
– Fixed rate of 8%	9,494	–
– Fixed rate of 8.9%	458,165	–
	467,874	–

The amounts are unsecured and repayable on demand except HK\$9,494,000 (2012: HK\$Nil) are repayable within one year.

23. Interests in joint ventures/amounts due from (to) joint ventures

Interests in joint ventures

	The Group	
	2013	2012
	HK\$'000	HK\$'000
Cost of unlisted investments in joint ventures	406,725	104,217
Share of post-acquisition losses and reserves, net of dividends received	(17,014)	(41,073)
	389,711	63,144

The summarised combined financial information in respect of the Group's joint ventures are set out below:–

	2013	2012
	HK\$'000	HK\$'000
Total assets	18,348,681	138,899
Total liabilities	(17,508,510)	(12,240)
Net assets	840,171	126,659
Group's share of net assets of joint ventures	389,711	63,144
Revenue	2,132,971	37,259
Profit for the year	68,859	18,270
Group's share of results of joint ventures for the year	25,146	(8,500)

23. Interests in joint ventures/amounts due from (to) joint ventures (Continued)

Interests in joint ventures (Continued)

Details of the Group's joint ventures as at 31st December, 2013 are as follows:–

Name of joint ventures	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
上海保利盛冠投資有限公司	PRC	50%	–	50%	Investment holding
武漢常陽潤力房地產開發有限公司	PRC	50%	–	50%	Property development
廣西保利領秀投資有限公司	PRC	38%	–	38%	Property development
貴陽保利鐵投房地產開發有限公司	PRC	50%	–	50%	Property development

Amounts due from (to) joint ventures

	2013 HK\$'000	2012 HK\$'000
Amounts due from joint ventures:–		
– Interest-free	155,778	2,296
– Fixed rate of 8%	736,562	–
– Benchmark rate in the PRC	897,756	–
	1,790,096	2,296
Amounts due to joint ventures:–		
– Interest-free	31,081	–

The amounts are unsecured 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 three (2012: two) pieces of land in the PRC for property development purpose.

25. Deposits paid for acquisition of subsidiaries

At 31st December, 2013, 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, 2013.

26. Properties under development

	The Group	
	2013 HK\$'000	2012 HK\$'000
Properties under development comprises:–		
Land, construction costs and capitalised expenditures	48,913,849	59,076,988
Less: Impairment loss for the year	(90,454)	–
Interest capitalised	4,558,743	4,453,417
	53,382,138	63,530,405

The capitalisation rate of borrowings was 7.71% (2012: 7.93%) for the year ended 31st December, 2013.

During the year, interest of HK\$2,899,214,000 (2012: HK\$3,707,284,000) 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.

27. Other inventories

	The Group	
	2013 HK\$'000	2012 HK\$'000
Raw materials	32,816	18,907
Work in progress	23,263	456
Finished goods	61,746	44,930
	117,825	64,293

28. Trade and other receivables

	The Group	
	2013 HK\$'000	2012 HK\$'000
Trade receivables	1,405,382	1,075,497
Less: Allowance for doubtful debts	(12,684)	(13,535)
	1,392,698	1,061,962
Bills receivables	29,420	17,602
Other receivables (net of allowance of HK\$25,933,000) (2012: HK\$32,549,000)	2,485,427	1,800,002
Total trade and other receivables	3,907,545	2,879,566

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:–

	2013	2012
	HK\$'000	HK\$'000
0 to 30 days	1,180,640	828,027
31 to 90 days	10,040	52,977
More than 90 days	202,018	180,958
	1,392,698	1,061,962

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK\$202,018,000 (2012: HK\$180,958,000) 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\$200,637,000 (2012: HK\$178,523,000) and HK\$1,381,000 (2012: HK\$2,435,000) 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

	2013	2012
	HK\$'000	HK\$'000
91-365 days	202,018	180,958

Movement in the allowance for doubtful debts of trade receivables

	2013	2012
	HK\$'000	HK\$'000
Balance at beginning of the year	13,535	13,601
Exchange adjustments	328	–
Impairment loss recognised on trade receivables	3	157
Reversal of impairment loss previously recognised	(1,182)	(223)
Balance at end of the year	12,684	13,535

29. Short-term loan receivables

	The Group	
	2013	2012
	HK\$'000	HK\$'000
Other loans (note)	26,540	26,840
Less: Impairment loss recognised	(26,540)	(26,840)
	—	—

Movement in the allowance of short-term loan receivables

	2013	2012
	HK\$'000	HK\$'000
Balance at beginning of the year	26,840	27,040
Reversal of impairment loss previously recognised	(300)	(200)
Balance at end of the year	26,540	26,840

Note: In accordance with loan agreements, the other loans carry interest at 12% (2012: 12%) per annum and repayable on demand. No interest was accrued for the two years ended 31st December, 2012 and 2013.

30. Available-for-sale investments

	The Group		The Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Listed investments:–				
– Interests in equity securities listed in Hong Kong (note a)	76,058	49,438	–	–
Unlisted securities:–				
– Equity securities (note b)	79,645	79,613	78,378	78,378
	155,703	129,051	78,378	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\$26,620,000 (2012: HK\$19,332,000) was credited (2012: charged) 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.

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 for acquisition of a property development project in the PRC. During the year ended 31st December, 2013, the acquisition was completed and the amount was transferred to properties under development.

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

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

	The Group	
	2013	2012
	HK\$'000	HK\$'000
Amount due from a fellow subsidiary:–		
– Interest-free	–	11,313
Amounts due to fellow subsidiaries:–		
– Interest-free	2,038,442	2,082,749
– 7.27% plus the movement of the benchmark rate in the PRC (2012: Fixed rate of 9.3%)	177,215	370,370
	2,215,657	2,453,119

The amounts are unsecured and repayable on demand.

	The Group	
	2013	2012
	HK\$'000	HK\$'000
Amount due to the ultimate holding company:–		
– Interest-free	24,249	23,651
– 92% of benchmark rate in the PRC	34,056	33,215
– Benchmark rate in the PRC minus 0.231%	379,747	370,370
	438,052	427,236

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

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

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

	The Group		The Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Amount due to an intermediate holding company:-				
– Interest-free*	25,474	106,180	10,532	33,563
– Fixed rate of 7.2%	935	370,370	–	–
– Benchmark rate in the PRC plus 0.5%	–	593,464	–	–
– Benchmark rate in the PRC plus 1%	–	71,028	–	–
	26,409	1,141,042	10,532	33,563
Less: Amount due within one year shown under current liabilities	(26,409)	(770,672)	(10,532)	(33,563)
Amount due after one year	–	370,370	–	–

* The amounts in 2012 included loan nature of HK\$33,563,000.

The Group

The amounts are unsecured and repayable on demand, except an amount of HK\$935,000 which was repayable within one year (2012: The amounts are repayable within one year except HK\$370,370,000 which is repayable after one year and HK\$72,617,000 which is interest-free and repayable on demand).

The Company

The amount is unsecured and repayable on demand (2012: The amount is repayable within one year).

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

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

	The Group	
	2013 HK\$'000	2012 HK\$'000
Amounts due from non-controlling shareholders of subsidiaries:–		
– Benchmark rate in the PRC	303,924	168,765
– Fixed rate of 8.55%	–	12,346
– Fixed rate of 12%	10,127	514,327
– Interest-free	86,940	104,551
	400,991	799,989
Amounts due to non-controlling shareholders of subsidiaries:–		
– Interest-free	217,540	742,962
– Benchmark rate in the PRC	985,130	1,461,248
– Benchmark rate in the PRC plus 1.5%	181,342	178,798
– Benchmark rate in the PRC plus 2.6%	203,994	274,535
– 7.27% plus the movement of the benchmark rate in the PRC	221,519	–
	1,809,525	2,657,543

The amounts are unsecured and repayable on demand.

(c) 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\$667,953,000 (2012: HK\$962,274,000) 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% (2012: 0.35%) per annum. The pledged bank deposits will be released upon settlement of relevant bank borrowings.

Bank balances include HK\$2,771,151,000 (2012: HK\$66,432,000) which carry interest at fixed rates ranging from 1.98% to 2.84% (2012: 1.98% to 2.84%) per annum and HK\$12,048,960,000 (2012: HK\$14,237,248,000) which carry interest at variable rates ranging from 0% to 1.15% (2012: 0% to 1.15%) per annum.

The Company

Bank balances carry interest at market rates ranging from 0% to 1% (2012: 0% to 1%) per annum.

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	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
0 to 30 days	3,526,253	3,648,694	–	–
31 to 90 days	241,356	49,715	–	–
More than 90 days	2,168,430	623,543	–	–
Total trade payables	5,936,039	4,321,952	–	–
Bills payables	847,160	1,161,597	–	–
Deferred income	–	–	–	12,856
Other payables	2,396,136	3,369,790	33,876	20,733
	3,243,296	4,531,387	33,876	33,589
	9,179,335	8,853,339	33,876	33,589
Less: Amount due within one year shown under current liabilities	(9,179,335)	(8,853,339)	(33,876)	(24,463)
Amount due after one year	–	–	–	9,126

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\$12,856,000 (2012: HK\$8,238,000) was amortised in profit or loss and recorded as other income of the Company.

36. Bank and other borrowings

	The Group		The Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Bank and other loans				
– secured (note 49)	23,653,290	28,893,709	–	1,677,000
– unsecured	14,467,335	11,821,585	780,000	–
	38,120,625	40,715,294	780,000	1,677,000

The bank and other loans are repayable as follows:–

	The Group		The Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
On demand or within one year	15,455,479	14,845,813	–	419,250
In more than one year, but not more than two years	15,449,935	15,997,795	780,000	1,257,750
In more than two years, but not more than three years	4,466,794	7,576,233	–	–
In more than three years, but not more than four years	1,026,899	822,305	–	–
In more than four years, but not more than five years	1,653,481	689,198	–	–
In more than five years	68,037	783,950	–	–
	38,120,625	40,715,294	780,000	1,677,000
Less: Amount due within one year shown under current liabilities	(15,455,479)	(14,845,813)	–	(419,250)
Amount due after one year	22,665,146	25,869,481	780,000	1,257,750

36. Bank and other borrowings (Continued)

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

- HK\$12,532,911,000 fixed-rate borrowings which carry interest from 6.08% to 12.00% (2012: HK\$12,863,741,000 fixed-rate borrowings which carry interest from 5.40% to 12.00%);
- HK\$780,000,000 (2012: HK\$1,677,000,000) variable-rate borrowings which carry interest at LIBOR plus 2.85% (2012: LIBOR plus 2.70%);
- HK\$24,807,714,000 (2012: HK\$25,804,183,000) variable-rate borrowings which carry interest rates ranging from 90% of benchmark rate in the PRC to 135% of benchmark rate in the PRC (2012: ranging from 90% of benchmark rate in the PRC to 135% of benchmark rate in the PRC); and
- HK\$Nil (2012: HK\$370,370,000) variable-rate borrowings which carry interest at 11.30% plus the increase in the movement of benchmark rate in the PRC.

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

	2013	2012
	HK\$'000	HK\$'000
Variable rate		
– expiring within one year	751,899	817,284
– expiring beyond one year	6,635,185	7,972,341
Fixed rate		
– expiring beyond one year	379,747	–
	7,766,831	8,789,625

The Group's certain banking facilities of HK\$780,000,000 (2012: HK\$1,677,000,000), all of which were outstanding as at 31st December, 2013, are subject to the fulfillment of covenants relating to the following ratios and conditions, which are commonly found in lending arrangements with financial institutions:–

- (a) the consolidated tangible net worth shall not be at any time be less HK\$12 billion; and
- (b) 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, 2013 and 31st December, 2012, none of the above covenants relating to drawn down facilities had been breached.

The Company's variable-rate borrowings carry interest at LIBOR plus 2.85% (2012: LIBOR plus 2.70%).

37. Notes payable

	The Group and the Company	
	2013 HK\$'000	2012 HK\$'000
At 1st January	–	–
Issued during the year	3,900,000	–
At 31st December	3,900,000	–

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

38. Share capital

	Number of ordinary shares	Amount HK\$'000
Ordinary share of HK\$0.50 each		
Authorised:–		
At 1st January, 2012, 31st December, 2012 and 1st January, 2013 and 31st December, 2013	8,000,000,000	4,000,000
Issued and fully paid:–		
At 1st January, 2012, 31st December, 2012 and 1st January, 2013	3,608,437,046	1,804,219
Exercise of share options (Note)	36,200,000	18,100
At 31st December, 2013	3,644,637,046	1,822,319

Note: During the year ended 31st December, 2013, 36,200,000 share options were exercised by the eligible option holders, resulting in the issue of 36,200,000 ordinary shares of HK\$0.5 each in the Company at a total consideration of HK\$172,342,000.

39. Share option schemes

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

2003 Share Option Scheme

As approved by the shareholders of the Company at the annual general meeting held on 28th May, 2003, the Company adopted a share option scheme (“2003 Share Option Scheme”), which was in accordance with the revised Chapter 17 of the Listing Rules effective on 1st September, 2001.

The purpose of the 2003 Share Option Scheme is to provide incentives to eligible participants. According to the 2003 Share Option Scheme, the Board of Directors of the Company may grant options to (i) any director and employee of the Company or subsidiaries, or an entity in which the Group holds an interest (“Affiliate”); (ii) any customer, supplier, agent, partner, consultant, adviser or shareholder of or contractor to the Group or an Affiliate; (iii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, customer, supplier, agent, 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 2003 Share Option Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 30% of the total number of shares in issue.

The total number of shares issued and to be issued upon exercise of the options granted to each individual under the 2003 Share Option Scheme and any other share option schemes of the Company (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

39. Share option schemes (Continued)

2003 Share Option Scheme (Continued)

Pursuant to a resolution passed at the annual general meeting of the Company held on 29th May, 2008, a refreshment of the 2003 Share Option 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 2003 Share Option Scheme shall not exceed 10% of the total number of shares in issue as at 29th May, 2008.

The 2003 Share Option Scheme expired at the tenth anniversary of the Adoption Date on 28th May, 2013. Following the termination of the 2003 Share Option Scheme, no further Share Options can be granted but the provisions of the scheme 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 2003 Share Option Scheme and yet to be exercised remain valid.

The following table discloses details of the Company's options under the 2003 Share Option Scheme held by employees (including directors) and movement in such holdings during each of the two years ended 31st December, 2013:–

	Date of grant	Exercise price per share HK\$	Exercisable period	Outstanding at 1.1.2012	Exercised during 2012	Outstanding at 1.1.2013	Exercised during 2013	Outstanding at 31.12.2013
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	(11,850,000)	8,000,000
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	(24,350,000)	8,900,000
Total all categories				53,100,000	–	53,100,000	(36,200,000)	16,900,000

36,200,000 (2012: Nil) share options were exercised during the year. The weighted average share price at the date of shares options exercised during the year was HK\$5.48 (2012: not applicable).

40. Reserves

	Share premium HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
The Company					
At 1st January, 2012	15,621,560	42,177	23,917	1,352,582	17,040,236
Loss for the year	–	–	–	(16,121)	(16,121)
At 31st December, 2012 and 1st January, 2013	15,621,560	42,177	23,917	1,336,461	17,024,115
Exercise of share options	193,138	(38,896)	–	–	154,242
Dividend paid (note 15)	–	–	–	(794,465)	(794,465)
Profit for the year	–	–	–	1,725,371	1,725,371
At 31st December, 2013	15,814,698	3,281	23,917	2,267,367	18,109,263

Notes:–

- (a) As at 31st December, 2013, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK\$2,267,367,000 (2012: HK\$1,336,461,000).
- (b) The consolidated profit attributable to owners of the Company includes a profit of HK\$1,725,371,000 (2012: loss of HK\$16,121,000) which has been dealt with in the financial statements of the Company.

41. 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%.

42. 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, 2013, consideration of RMB60,000,000 (equivalent to HK\$75,949,000) (2012: RMB160,000,000 (equivalent to HK\$197,531,000)), has not been paid to the vendor and is included in other payables.

43. Transactions with non-controlling interests

Disposal of interest in a subsidiary without loss of control

On 26th November, 2013, the Group disposed of 45% equity interest in a subsidiary at a consideration of RMB45,000,000 (equivalent to HK\$56,962,000). 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\$54,171,000. Accordingly, the Group recognised an increase in non-controlling interests of HK\$54,171,000 and an increase in equity attributable to shareholders of the Company of HK\$2,791,000. The effect of partial disposal of interests of this subsidiary does not result in loss of control on the equity attributable to shareholders of the Company during the year 2013 is summarised as follows:–

	HK\$'000
Carrying amount of 45% interest in a subsidiary disposed of	54,171
Consideration received from non-controlling interests	(56,962)
	<hr/>
Changes recognised on disposal within equity	(2,791)

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	(18,148)
	<hr/>
Changes recognised on disposal within equity	(2,809)

44. Disposal of subsidiaries

- (a) On 31st July, 2013, the Group entered into a sale and purchase agreement to dispose of its 50% equity interest in 上海保利盛冠投資有限公司(“上海保利盛冠”). The disposal was completed on 31st July, 2013.
- (b) On 28th October, 2013, the Group entered into a sale and purchase agreement to dispose of its 51% equity interest in 廣州保睿房地產銷售代理有限公司(“廣州保睿”). The disposal was completed on 22nd November, 2013.
- (c) On 13th November, 2013, the Group entered into a sale and purchase agreement to dispose of 1% equity interest in 貴陽保利鐵投房地產開發有限公司 and its subsidiary, 遵義保利置業有限公司 (“貴陽保利Group”). The disposal was completed on 25th November, 2013.
- (d) On 31st December, 2013, the Group entered into a sale and purchase agreement to dispose of its entire equity interest in China Dynasty Development Ltd (“China Dynasty”), which is engaged in property investment business. The disposal was completed on 31st December, 2013.

44. Disposal of subsidiaries (Continued)

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

	上海保利盛冠 HK\$'000	廣州保睿 HK\$'000	貴陽保利 Group HK\$'000	China Dynasty HK\$'000	Total HK\$'000
Net assets disposed of:–					
Property, plant and equipment	–	–	3,468	–	3,468
Investment properties	–	–	–	1,116,456	1,116,456
Deferred tax assets	–	–	4,589	–	4,589
Properties under development	–	–	7,674,941	–	7,674,941
Properties held for sale	–	–	535,221	–	535,221
Trade and other receivables	589,000	503,144	298,533	6,557	1,397,234
Amount due from an intermediate holding company	–	–	6,801	–	6,801
Taxation recoverable	–	–	83,827	–	83,827
Bank balances, deposits and cash	2,495	313	1,225,372	745	1,228,925
Trade and other payables	(590,250)	(502,201)	(332,217)	(9)	(1,424,677)
Pre-sale deposits	–	–	(4,220,955)	–	(4,220,955)
Property rental deposits	–	–	–	(17,114)	(17,114)
Amount due to an intermediate holding company	–	–	(1,356,997)	–	(1,356,997)
Amounts due to non-controlling shareholders	–	–	(1,337,993)	–	(1,337,993)
Amounts due to fellow subsidiaries	–	–	(531,956)	–	(531,956)
Deferred tax liabilities	–	–	–	(141,102)	(141,102)
Bank and other borrowings	–	–	(2,091,250)	–	(2,091,250)
	1,245	1,256	(38,616)	965,533	929,418
Non-controlling interests	–	–	(27,735)	(386,213)	(413,948)
Net assets (liabilities) disposed of	1,245	1,256	(66,351)	579,320	515,470
Gain (loss) on disposal of interests in subsidiaries	3	(3)	316,558	143,380	459,938
Total consideration	1,248	1,253	250,207	722,700	975,408
Total consideration satisfied by:–					
Cash consideration	625	638	–	722,700	723,963
Other receivables	–	–	5,787	–	5,787
Interests in associates	–	615	–	–	615
Interests in joint ventures	623	–	244,420	–	245,043
Total consideration	1,248	1,253	250,207	722,700	975,408
Net cash (outflow) inflow arising on disposal:–					
Cash consideration	625	638	–	722,700	723,963
Bank balances, deposits and cash disposed of	(2,495)	(313)	(1,225,372)	(745)	(1,228,925)
	(1,870)	325	(1,225,372)	721,955	(504,962)

44. Disposal of subsidiaries (Continued)

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
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/> 1,358
Net assets disposed of	1,358
Translation reserve realised on disposal	(707)
Gain on disposal of interests in subsidiaries	18,654
	<hr/> 19,305
Total consideration	<hr/> <hr/> 19,305
Total consideration satisfied by:–	
Cash consideration	19,305
	<hr/> <hr/> 19,305
Net cash inflow arising on disposal:–	
Cash consideration	19,305
Bank balances, deposits and cash disposed of	(813)
	<hr/> <hr/> 18,492

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
Deferred tax assets				
At 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
At 31st December, 2012 and 1st January, 2013	106,938	152,874	28,262	288,074
Exchange adjustments	2,905	5,195	805	8,905
Disposal of subsidiaries (note 44)	–	(3,443)	(1,146)	(4,589)
Credit to consolidated income statement for the year				
– current year	14,841	108,089	8,287	131,217
– under-provision in prior year	741	–	–	741
At 31st December, 2013	125,425	262,715	36,208	424,348

45. Deferred tax assets/liabilities (Continued)

	Revaluation of properties				
	Investment properties	Hotel properties	Properties under development	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax liabilities					
At 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	114,970	–	(15,896)	(9,427)	89,647
At 31st December, 2012 and 1st January, 2013	819,622	43,461	93,122	3,389	959,594
Exchange adjustments	20,461	1,101	2,176	86	23,824
Disposal of subsidiaries (note 44)	(141,102)	–	–	–	(141,102)
Charge to other comprehensive income for the year	–	7,732	–	–	7,732
Charge (credit) to consolidated income statement for the year	258,104	–	(14,286)	11	243,829
At 31st December, 2013	957,085	52,294	81,012	3,486	1,093,877

At 31st December, 2013, the Group other than its subsidiaries in the PRC had unused tax losses of approximately HK\$333,147,000 (2012: HK\$261,931,000) for offset against future assessable profits. Such unused tax losses may be carried forward indefinitely.

In addition, at 31st December, 2013, the Group's PRC subsidiaries had unused tax losses of approximately HK\$869,760,000 (2012: HK\$687,131,000) 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.

46. Operating leases

The Group as lessee:–

The Group	
2013	2012
HK\$'000	HK\$'000

Lease payments paid under operating leases during the year:–

– office and factory premises	50,784	36,636
– equipment	1,815	288
	52,599	36,924

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	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	13,454	15,755	–	218
In the second to fifth year inclusive	29,810	14,343	–	12
Over five years	16,966	17,895	–	–
	60,230	47,993	–	230

The Group as lessor:–

The Group	
2013	2012
HK\$'000	HK\$'000

Income from operating lease arrangements in respect of office and management service	874,525	687,068
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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		Equipment	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Within one year	283,515	297,379	21,918	20,076	379	–
In the second to fifth year inclusive	545,569	553,204	63,396	60,155	571	–
Over five years	736,819	508,069	42,420	48,119	–	–
	1,565,903	1,358,652	127,734	128,350	950	–

Significant leases are negotiated for a lease term of 1 to 20 years (2012: 1 to 18 years). Certain leases contain a contingent rental element.

47. Capital commitments

	The Group	
	2013 HK\$'000	2012 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– property development expenditures	17,557,913	16,619,736
– acquisition of land use rights	924,444	125,713
	18,482,357	16,745,449

48. Contingent liabilities

The Group

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\$19,065,110,000 as at 31st December, 2013 (2012: HK\$17,035,016,000). 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, 2013, the Group had given guarantees to certain banks in respect of credit facilities granted to certain joint ventures of the Group amounting to HK\$875,949,000 (2012: HK\$Nil), of which HK\$875,949,000 (2012: HK\$Nil) had been utilised by the joint ventures.

The Company

At 31st December, 2013, the Company had given guarantees to certain banks in respect of credit facilities granted to certain subsidiaries of the Company amounted to HK\$5,292,152,000 (2012: HK\$6,246,543,000), of which HK\$4,860,759,000 (2012: HK\$6,202,469,000) had been utilised by the 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	
	2013	2012
	HK\$'000	HK\$'000
Investment properties	3,589,474	3,315,988
Hotel properties	702,911	1,150,987
Buildings	184,430	258,963
Prepaid lease payments	291,860	386,031
Properties under development	21,367,073	22,896,952
Bank deposits	667,953	962,274
Properties held for sales	5,162,955	2,690,794
Leasehold land	-	78,455
	31,966,656	31,740,444

49. Pledge of assets (Continued)

In addition to above pledge of assets, at 31st December, 2013 and 2012, 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:–

	2013	2012
	HK\$'000	HK\$'000
Total assets	17,900,503	34,241,306
Total liabilities	(16,061,610)	(30,520,825)
	1,838,893	3,720,481

50. 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.

50. 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\$85,367,000 (2012: HK\$61,560,000) represents contributions payable to the schemes by the Group during the year.

51. 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

	The Group	
	2013	2012
	HK\$'000	HK\$'000
Transactions:–		
Construction services fee paid or payable (note i)	3,999,865	4,992,360
Balances:–		
Bank balances and deposits (note ii)	695,670	1,275,301

Notes:–

- (i) Construction services fee paid or payable to Poly Construction Developments Company Limited (“Poly Construction”) with the annual cap amount of RMB3,400,000,000 (equivalent to approximately HK\$4,250,000,000, 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 RMB3,400,000,000 (equivalent to approximately HK\$4,303,797,000, translated at closing rate).

51. 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	
	2013	2012
	HK\$'000	HK\$'000
Transactions:–		
Property rental income (note i)	16,718	15,444
Imputed interest expenses (note 41)	–	12,579
Interest expenses (note ii)	162,610	176,451
Property leasing commission and management fees	–	2
Guarantee charges (note iii)	22,056	10,370
Theatre operating expenses (note iv)	8,750	16,444
Management fee income	1,248	1,232
Rental expenses paid	1,890	1,916
Balances:–		
Amount due from a fellow subsidiary (note v)	–	11,313
Amount due to the ultimate holding company (note v)	438,052	427,236
Amount due to an intermediate holding company (note v)	26,409	1,141,042
Amounts due to fellow subsidiaries (note v)	2,215,657	2,453,119
Loan from a fellow subsidiary (note 41)	227,848	222,222
Bank and other borrowings (note vi)	1,098,734	824,691

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. Details of terms of loan from a fellow subsidiary are set out in note 51(I)(A)(b)(vi). Details of terms of loans from an intermediate holding company, fellow subsidiaries and the ultimate holding company are set out in note 33(a).

51. 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:– (Continued)

- (iii) The guarantee charges paid to a fellow subsidiary, 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 joint venture and a fellow subsidiary for the operation and management of a theatre.
- (v) Details of the terms are set out in note 33(a).
- (vi) The amount of HK\$1,098,734,000 (2012: HK\$824,691,000) represented loan from a fellow subsidiary. The balance was unsecured, carried interest at a variable rate of 105% of benchmark rate in the PRC (2012: 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) and repayable within two (2012: two) years.

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

	The Group	
	2013	2012
	HK\$'000	HK\$'000
Transactions:–		
Interest expenses (note i)	60,491	142,626
Balances:–		
Amounts due from non-controlling shareholders of subsidiaries (note i)	400,991	799,989
Amounts due to non-controlling shareholders of subsidiaries (note i)	1,809,525	2,657,543

Note:–

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

51. Connected and related party transactions and balances (Continued)

(II) Related parties, other than connected persons

	The Group	
	2013	2012
	HK\$'000	HK\$'000
Transactions:–		
Interest income from loan to an associate (note i)	213	–
Interest income from loans to joint ventures (note ii)	103,333	–
Balances:–		
Amounts due from associates (note i)	467,874	–
Amounts due from joint ventures (note ii)	1,790,096	2,296
Amounts due to joint ventures (note ii)	31,081	–

Notes:–

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

The Company

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

51. 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:–

	2013 HK\$'000	2012 HK\$'000
Short-term benefits	23,353	25,435
Post-employment benefits	258	364
	23,611	25,799

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

52. 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 China Poly, other connected persons and related parties disclosed in note 51, 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.

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

	2013 HK\$'000	2012 HK\$'000
Transactions:–		
Trade sales	91,275	91,307
Trade purchases	10,276	17,595
Balances:–		
Amounts due from other state-controlled entities	–	614

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

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.

53. Principal subsidiaries

Details of the Company's principal subsidiaries at 31st December, 2013 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
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

53. 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	
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 Poly Hotel Company Limited ("Hubei Poly") (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
Polystar Digidisc Co., Ltd. ("Polystar") (note iii)	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

53. 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	
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 (note i)	PRC	US\$350,000,000	–	100%	Property development
海南帝港置業有限公司 (note i)	PRC	HK\$280,000,000	–	100%	Property development
保利置業集團有限公司 (note i)	PRC	RMB2,200,000,000	–	100%	Investment holding
上海浦利房地產發展有限公司 (note 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
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集團有限公司	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

53. 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
上海盈佳資產經營管理有限公司	PRC	RMB100,000,000	–	100%	Property development
上海盛淞資產管理有限公司	PRC	RMB200,000,000	–	100%	Property development
上海保利物產經營管理有限公司	PRC	RMB208,170,000	–	100%	Property investment
湖北保利置業有限公司	PRC	RMB100,000,000	–	100%	Property development and investment holding
湖北保利建築工程有限公司	PRC	RMB120,000,000	–	100%	Provision of construction service

53. 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	RMB100,000,000	–	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
佛山市保信置業有限公司	PRC	USD15,000,000	–	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
廣州保航房地產開發有限公司	PRC	RMB30,000,000	–	100%	Property development
廣州東灝房地產開發有限公司	PRC	RMB100,000,000	–	55%	Property development
惠州保利龍勝房地產開發有限公司	PRC	RMB100,000,000	–	80%	Property development

53. 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	
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
深圳市保利置地房地產開發有限公司	PRC	RMB50,000,000	–	70%	Property development
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
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
保利置業集團黑龍江有限公司	PRC	RMB50,000,000	–	100%	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

53. 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	
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
山東保利芙蓉房地產開發有限公司	PRC	RMB10,000,000	–	100%	Property development
濟南保利城置業有限公司	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
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	RMB50,000,000	–	80%	Property development
煙台利發置業有限公司	PRC	RMB50,000,000	–	55%	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	RMB250,000,000	–	100%	Investment holding
廣西保利房地產有限責任公司	PRC	RMB150,000,000	–	100%	Property development
南寧新滙天河房地產有限公司	PRC	RMB10,000,000	–	100%	Property development

53. 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	
南寧市新保越房地產有限公司	PRC	RMB10,000,000	–	100%	Property development
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\$232,000,000	–	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.

54. 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 joint ventures, 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 joint ventures, 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.

54. Segment and entity-wide information (Continued)**Reportable segments** (Continued)

Information about these segments is presented below:–

For the year ended 31st December, 2013

	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	27,427,384	874,525	199,773	123,326	–	28,625,008
Inter-segment revenue*	–	81,670	–	–	(81,670)	–
Total revenue	27,427,384	956,195	199,773	123,326	(81,670)	28,625,008
SEGMENT RESULT	4,295,983	1,325,228	(34,817)	18,719	–	5,605,113
Unallocated income						366,236
Unallocated expenses						(101,396)
Gain on disposal of interests in subsidiaries	316,558	143,380	–	–	–	459,938
Loss on disposal of interest in an associate	(24,899)	–	–	–	–	(24,899)
Impairment loss on properties under development	(90,454)	–	–	–	–	(90,454)
Finance costs						(777,749)
Share of results of associates	67	–	–	–	–	67
Share of results of joint ventures	33,520	–	–	(8,374)	–	25,146
Profit before taxation						5,462,002
Income tax expense						(2,220,504)
Profit for the year						3,241,498

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

54. Segment and entity-wide information (Continued)

Assets and liabilities

At 31st December, 2013

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Total HK\$'000
Assets					
Segment assets	82,448,608	9,064,890	1,597,067	274,383	93,384,948
Interests in associates	320,001	–	–	–	320,001
Interests in joint ventures	387,985	–	–	1,726	389,711
Unallocated corporate assets					16,727,992
Total assets					110,822,652
Liabilities					
Segment liabilities	(32,362,022)	(471,248)	(229,654)	(38,968)	(33,101,892)
Unallocated corporate liabilities					(45,118,616)
Total liabilities					(78,220,508)
Other information					
Capital expenditure	53,310	73,664	18,151	2,121	147,246
Depreciation	37,186	28,670	60,995	7,646	134,497
Impairment loss on goodwill	68,847	–	–	–	68,847
Impairment loss on properties under development	90,454	–	–	–	90,454
Amortisation of prepaid lease payments	1,553	1,801	8,281	148	11,783

54. 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	5,780	28,619,228	28,625,008

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	361,790	93,023,158	93,384,948
Capital expenditure	1,384	145,862	147,246

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

54. Segment and entity-wide information (Continued)*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	19,675,513	706,997	202,468	130,380	(19,929)	20,695,429
SEGMENT RESULT	4,287,571	688,311	(32,503)	16,992	–	4,960,371
Unallocated income						124,617
Unallocated expenses						(108,264)
Gain on disposal of interest in subsidiaries	18,654	–	–	–	–	18,654
Finance costs						(417,965)
Share of results of associates	12,297	–	–	–	–	12,297
Share of results of joint ventures	(253)	–	–	(8,247)	–	(8,500)
Profit before taxation						4,581,210
Income tax expense						(1,538,500)
Profit for the year						3,042,710

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

54. 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
ASSETS					
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 joint ventures	61,476	–	–	1,668	63,144
Unallocated corporate assets					15,970,599
Total assets					107,735,863
Liabilities					
Segment liabilities	(33,590,348)	(411,339)	(218,809)	(40,643)	(34,261,139)
Unallocated corporate liabilities					(43,427,370)
Total liabilities					(77,688,509)
OTHER INFORMATION					
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	1,424	1,779	8,215	147	11,565

54. 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	5,694	20,689,735	20,695,429

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	336,914	91,324,510	91,661,424
Capital expenditure	459	60,992	61,451

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

55. 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.

	Year ended 31st December,				
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
RESULTS					
Revenue	7,196,898	8,514,136	14,104,913	20,695,429	28,625,008
Profit before taxation	1,130,287	3,185,845	5,001,371	4,581,210	5,462,002
Income tax expense	(314,127)	(1,049,392)	(1,778,964)	(1,538,500)	(2,220,504)
Profit for the year	816,160	2,136,453	3,222,407	3,042,710	3,241,498
Attributable to:					
Owners of the Company	662,114	1,838,367	2,777,119	2,629,820	2,715,626
Non-controlling interests	154,046	298,086	445,288	412,890	525,872
Profit for the year	816,160	2,136,453	3,222,407	3,042,710	3,241,498
At 31st December,					
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
ASSETS AND LIABILITIES					
Total assets	38,365,170	73,861,363	95,507,232	107,735,863	110,822,652
Total liabilities	(22,226,270)	(50,031,867)	(68,335,480)	(77,688,509)	(78,220,508)
	16,138,900	23,829,496	27,171,752	30,047,354	32,602,144
Equity attributable to owners of the Company	14,619,950	22,010,167	24,670,940	27,072,586	29,617,047
Non-controlling interests	1,518,950	1,819,329	2,500,812	2,974,768	2,985,097
	16,138,900	23,829,496	27,171,752	30,047,354	32,602,144

SUMMARY OF 183

PROPERTIES HELD FOR INVESTMENT PURPOSES

At 31st December, 2013

Details of the Group's properties held for investment purposes at 31st December, 2013 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%
3 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, 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%

At 31st December, 2013

Location	Term of lease	Type of use	Group's interest
<i>INVESTMENT PROPERTIES: (Continued)</i>			
4 houses, 12 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%

Location	Term of lease	Type of use	Group's interest
<i>INVESTMENT PROPERTIES: (Continued)</i>			
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%
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%

At 31st December, 2013

Location	Term of lease	Type of use	Group's interest
<i>INVESTMENT PROPERTIES: (Continued)</i>			
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%
A commercial unit, Guiyang Poly Park 2010, Wudang District, Guiyang, Guizhou Province, The People's Republic of China	Held under a land use right for a term expiring on 15th March, 2051	Commercial	100%
Various Office Units, Wuhan Poly Plaza, No.790 Wuchang Minzhu Road, Wu Chang District, Wuhan, Hubei Province, The People's Republic of China	Held under a land use right for a term expiring on 19th August, 2049	Commercial	100%
A commercial unit, Kunming Sunny Lake & Splendid Life, Da Tun Xin Qu, Lian Ran Zhen, An Ning County, Kunming, Yunnan Province, The People's Republic of China	Held under a land use right for a term expiring on 21st May, 2078	Commercial	80%

SUMMARY OF 187 PROPERTIES HELD FOR DEVELOPMENT

At 31st December, 2013

Details of the Group's properties held for development at 31st December, 2013 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	March 2017	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	December 2014 (Phase IV)	210,000 sq.m./ 54,000 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	July 2014 (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 2015	482,000 sq.m./ 1,053,000 sq.m.	Residential	66.5%
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 2017	465,000 sq.m./ 517,000 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 2017	567,000 sq.m./ 650,000 sq.m.	Residential	58%

188 SUMMARY OF PROPERTIES HELD FOR DEVELOPMENT

At 31st December, 2013

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 Zi Xing Jie, Gong Dian Lu, Nan Gang District, Harbin, Heilongjiang Province, The People's Republic of China	Under construction	October 2014	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	December 2016	358,000 sq.m./ 493,000 sq.m.	Commercial/ Residential	80%
A parcel of land on Donghua Road, Longjiang, Shunde District, Foshan City, Guangdong Province, The People's Republic of China	Under construction	November 2015 (Phase III)	95,000 sq.m./ 434,000 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	June 2017	390,000 sq.m./ 619,000 sq.m.	Commercial/ Residential	66.5%
Two parcels of land in the Northwest of Yongwu Overpass, Nanning, Guangxi Province, The People's Republic of China	Under construction	May 2016	74,000 sq.m./ 378,000 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	December 2014 (Phase II)	169,000 sq.m./ 895,000 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 2016	1,118,000 sq.m./ 1,984,000 sq.m.	Commercial/ Residential	100%

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 the South of Zhu Shun Lu, Li Cheng District, Jinan, Shandong Province, The People's Republic of China	Under construction	December 2017	142,000 sq.m./ 434,000 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 2015	70,000 sq.m./ 359,000 sq.m.	Residential	70%
Five parcels of land in Dong Ao Zhen, Shenzhou Peninsula, Wanning City, Hainan Province, The People's Republic of China	Under construction	June 2018	365,000 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	June 2018	369,000 sq.m./ 1,055,000 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	December 2016	293,000 sq.m./ 360,000 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	June 2015 (Phase I)	66,000 sq.m./ 183,000 sq.m.	Commercial/ Residential	100%

190 SUMMARY OF PROPERTIES HELD FOR DEVELOPMENT

At 31st December, 2013

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 known as A04-1, A04-2 located in Jiading New City, Jiading District, Shanghai, The People's Republic of China	Under construction	October 2014 (Phase II)	73,000 sq.m./ 181,000 sq.m.	Commercial/ Residential	100%
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	April 2014 (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	September 2014 (Phase II)	164,000 sq.m./ 526,000 sq.m.	Commercial/ Residential	100%
A parcel of land in Zhenhai New City, Ning Bo City, The People's Republic of China	Under construction	December 2014 (Phase II)	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	November 2014 (Phase II)	201,000 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	October 2014 (Phase II)	149,000 sq.m./ 478,000 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	April 2015 (Phase I)	332,000 sq.m./ 1,494,000 sq.m.	Commercial/ Residential	68%

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	September 2016 (Phase II)	86,000 sq.m./ 168,000 sq.m.	Commercial/ Residential	55%
Two parcels of land in Tu Hu Cun Xia Liao, Danshui, Huiyang District, Huizhou, Guangdong Province, The People's Republic of China	Under construction	December 2015 (Phase I)	161,000 sq.m./ 519,000 sq.m.	Residential	70%
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%
Two parcels of land in Bei Dao Huai Shu region, Huaiyin District, Jinan, Shandong Province, The People's Republic of China	Under construction	October 2016	39,000 sq.m./ 217,000 sq.m.	Commercial/ Residential	85%

192 SUMMARY OF PROPERTIES HELD FOR DEVELOPMENT

At 31st December, 2013

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	December 2015 (Phase I)	112,000 sq.m./ 421,000 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	October 2014	43,000 sq.m./ 361,000 sq.m.	Residential	90%
Two parcels of land at junction of Long Guan Dong Lu and Qing Long Lu, Long Hua Xin District, Shenzhen, The People's Republic of China	Under construction	September 2016	40,000 sq.m./ 138,000 sq.m.	Commercial/ Residential	70%
Two parcels of land at east of Hua Xi Da Dao, Nan Ming District, Guiyang, Guizhou Province, The People's Republic of China	Under construction	December 2018	186,000 sq.m./ 929,000 sq.m.	Commercial/ Residential	51%
A parcel of land at junction of Qun Li Da Di Wu Dao and San Huan, Qun Li Xin Qu, Dao Li District, Harbin, Heilongjiang Province, The People's Republic of China	Under planning	October 2016	65,000 sq.m./ 190,000 sq.m.	Residential	100%
A parcel of land at west of Qing Nian Lu, east of Gui Hua Lu, Zhi Fu District, Yantai, Shandong Province, The People's Republic of China	Under construction	April 2016	71,000 sq.m./ 147,000 sq.m.	Residential	55%

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 Dong Jiao Village Li Wan District, Guangzhou, Guangdong Province, The People's Republic of China	Under planning	May 2015 (Phase I)	127,000 sq.m./ 641,000 sq.m.	Commercial/ Residential	55%
A parcel of land at Jiu Tan Lu, Hua Du District, Guangzhou, Guangdong Province, The People's Republic of China	Under planning	May 2016	33,000 sq.m./ 151,000 sq.m.	Residential	100%

194 SUMMARY OF PROPERTIES HELD FOR SALE

At 31st December, 2013

Details of the Group's properties held for sale at 31st December, 2013 are as follows:–

Location	Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR SALE:</i>			
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%
Various villas, residential units, commercial units and carparking spaces, Harbin Poly The Water's Fragrant Dike, San Huan Lu, Song Bei District, Harbin, Heilongjiang Province, The People's Republic of China	128,859 sq.m.	Commercial/ Residential	58%
Various carparking spaces, Nanning Poly Century, China Asean International Business District, Nanning, Guangxi Province, The People's Republic of China	N/A	Residential	100%

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, Poly Harbin Contemporary No. 9 Park Life, Song Bei Zhen, Song Bei District, Harbin, Heilongjiang Province, The People's Republic of China	17,583 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	22,773 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	3,751 sq.m.	Commercial/ Residential	80%
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	30,029 sq.m.	Commercial/ Residential	100%
Various villas, apartment units and carparking spaces, Shanghai Poly Town, Zong Fang Cun, Ma Lu Zhen, Jiading District, Shanghai, The People's Republic of China	1,230 sq.m.	Residential	100%

Location	Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR SALE: (Continued)</i>			
Various 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	6,703 sq.m.	Commercial	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	11,267 sq.m.	Commercial/ Residential	100%
Various commercial units, office units and carparking spaces, Shanghai Poly Plaza, No.18 Dong Fang Lu, Pudong New District, Shanghai, The People's Republic of China	1,069 sq.m	Commercial	90%
Various residential units and carparking spaces, Shanghai Poly Lakeside Garden, Ma Lu Zhen, Jiading District, Shanghai, The People's Republic of China	8,068 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	837 sq.m	Commercial/ Residential	51%
Various carparking spaces, Shanghai Poly Villa Garden, Yang Pu District, Shanghai, The People's Republic of China	N/A	Residential	100%

Location	Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR SALE: (Continued)</i>			
Various residential units, Shanghai Poly Royal Garden, Tang On Lu, Tangzhen, Pudong New District, Shanghai, The People's Republic of China	93,820 sq.m	Residential	50.1%
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	79,694 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	97,967 sq.m.	Residential	100%
Various villas, residential units, commercial units and carparking spaces, Guiyang Poly Spring Street, Shui Dong Lu, Wu Dang District, Guiyang, Guizhou Province, The People's Republic of China	132,181 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	12,573 sq.m.	Commercial/ Residential	100%

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	42,449 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	385 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	38,673 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	17,463 sq.m	Commercial/ Residential	100%
Various residential units, commercial units and carparking spaces, Foshan Poly Prestige City, Donghua Road, Longjiang, Shunde District, Foshan City, Guangdong Province, The People's Republic of China	36,501 sq.m	Commercial/ Residential	100%

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, Nanning Poly Sincere Garden, Feng Lin Lu, Nanning, Guangxi Province, The People's Republic of China	2,916 sq.m.	Commercial/ 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	16,318 sq.m.	Commercial/ Residential	100%
Various residential units, commercial units and carparking spaces, Guiyang Poly International Center, Shi Nan Lu, Nanming District, Guiyang, Guizhou Province, The People's Republic of China	18,215 sq.m.	Residential	66.5%
Various villas and residential units, Guiyang Poly Park 2010, Wudang District, Guiyang, Guizhou Province, The People's Republic of China	160,450 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	29,271 sq.m.	Commercial/ Residential	51%

Location	Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR SALE: (Continued)</i>			
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	35,184 sq.m.	Commercial/ Residential	70%
Various residential units and commercial units, Nanning Poly City, Wuyi Xi Lu, Jiangnan District, Nanning, Guangxi Province, The People's Republic of China	154,201 sq.m	Commercial/ Residential	100%
Various residential units, Jinan Poly Hyde Mansion, Zhu Shun Lu, Li Cheng District, Jinan, Shandong Province, The People's Republic of China	151,125 sq.m	Residential	100%
Various villas, residential units and commercial units, Weihai Poly Triumph Mansion, north of Wa Shan, Qi Jia Zhuang, Huan Cui District, Weihai, Shandong Province, The People's Republic of China	15,246 sq.m	Commercial/ Residential	100%
Various residential units and commercial units, Yantai Poly Champs Elysees Mansion, west of Hu Shan Nan Lu, north of Feng Huang Nan Lu, Lai Shan District, Yantai, Shandong Province, The People's Republic of China	17,438 sq.m	Commercial/ Residential	100%

Location	Gross floor area	Type of use	Group's interest
<i>PROPERTIES HELD FOR SALE: (Continued)</i>			
Various residential units and carparking spaces, Suzhou Poly Lake Mansion, junction of Guo Xiang Bei Lu and Yin Shan Lake Lu, Suzhou Wuzhong Economic Development Zone, Suzhou, Jiangsu Province, The People's Republic of China	9,091 sq.m.	Residential	100%
Various residential units, commercial units and carparking spaces, Shanghai Poly Elegant Mansion, Jiading New City, Jiading District, Shanghai, The People's Republic of China	18,441 sq.m	Commercial/ Residential	100%
Various residential units and commercial units, Shanghai Poly Grace Garden, Nan Chang Zhen, Jiading District, Shanghai, The People's Republic of China	188,156 sq.m	Commercial/ Residential	100%
Various residential units, commercial units and carparking spaces, Deqing Poly Origin De Qing County Zhe Jiang Province, The People's Republic of China	14,406 sq.m	Commercial/ Residential	100%
Various residential units and commercial units, Wuhan Poly Blue Ocean District Hong Shan District, Wuhan, Hubei Province, The People's Republic of China	59,240 sq.m	Commercial/ Residential	100%

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, Foshan Poly Cullinan Garden Chan Cheng District, Foshan City, Guangdong Province, The People's Republic of China	68,475 sq.m	Commercial/ Residential	100%
Various residential units, commercial units and carparking spaces, Guangzhou Poly Golf Shire Hua Du District, Guangzhou, Guangdong Province, The People's Republic of China	16,512 sq.m	Commercial/ Residential	51%
Various residential units, commercial units and carparking spaces, Guangzhou Poly Zephyr City, Hua Du District, Guangzhou, Guangdong Province, The People's Republic of China	13,886 sq.m	Commercial/ Residential	100%
Various residential units, commercial units and carparking spaces, Kunming Poly Lakeside Mansion, An Ning County, Kunming, Yunnan Province, The People's Republic of China	51,517 sq.m	Commercial/ Residential	100%
Various residential units, commercial units and carparking spaces, Poly City, Ningbo, The People's Republic of China	20,162 sq.m	Commercial/ Residential	100%