



## Interim Report 2014



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

Stock Code: 119

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## CORPORATE INFORMATION

### Board of Directors

#### Executive directors

CHEN Hong Sheng

(Retired on 27th June, 2014)

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

CHOY Shu Kwan

LEUNG Sau Fan, Sylvia

WONG Ka Lun

### Audit Committee

LEUNG Sau Fan, Sylvia

(Chairlady of the Committee)

IP Chun Chung, Robert

CHOY Shu Kwan

WONG Ka Lun

### Remuneration Committee

WONG Ka Lun

(Chairman of the Committee)

WANG Xu

XUE Ming

CHOY Shu Kwan

LEUNG Sau Fan, Sylvia

### Company Secretary

POON Man Man

### Legal Advisor

Ashurst Hong Kong

### Auditor

PKF (Retired on 28th May, 2014)

Shu Lun Pan Union (HK) CPA Limited

(Appointed on 28th May, 2014)

### 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

### Investor Relations Consultant

Artemis Associates Limited

2502 Fook Lee Commercial Centre

33 Lockhart Road

Wanchai, Hong Kong

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

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





## MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2014, Poly Property Group Co., Limited (“the Group”) recorded a consolidated turnover of HK\$11,209 million (corresponding period in 2013: HK\$10,358 million), representing an increase of HK\$851 million, or 8.2%, compared with the corresponding period last year. Profit attributable to shareholders amounted to HK\$1,133 million (corresponding period in 2013: HK\$1,959 million), representing a decrease of HK\$826 million, or 42.2%, compared with the corresponding period last year. Basic earnings per share was HK31.10 cents (corresponding period in 2013: HK54.07 cents), representing a decrease of HK22.97 cents, or 42.5%, compared with the corresponding period last year. Diluted earnings per share was HK31.00 cents (corresponding period in 2013: HK53.83 cents), representing a decrease of 42.4% from the corresponding period last year. As at 30th June, 2014, shareholders’ equity amounted to HK\$30.0 billion (31st December, 2013: HK\$29.6 billion) and book net asset value per share was HK\$8.22 (31st December, 2013: HK\$8.13), representing increases of 1.4% and 1.1% respectively, compared with the end of last year.

### Business Review

In the first half of 2014, overall economic growth in China showed signs of slowing down. The central government has introduced a series of micro-stimulation policies since the second quarter, with more focus on a long-term mechanism for reform and a transition from short-term regulation to system construction. In general, the sales performance of property developers in the first half of the year was sluggish when compared with the corresponding period last year. Under the guidelines of “two-way regulation”, the central government focused more on market-oriented measures rather than administrative intervention, in order to maintain the stability of the regulations while placing a stronger emphasis on differentiation and diversification in its property policies. In line with the policy adjustment, the Group prudently adjusted its project portfolio and the timing in regards to launching its projects. In addition, the Group focused on products for first-time homebuyers and first-time home upgraders, who represented genuine demand in the market; as such the Group basically met its sales target for the first half of 2014.

During the period, the Group upheld its “sales-focused and market-oriented” business philosophies and took proactive measures in response to customers’ demand and requirements, while further improving its marketing system through brand differentiation. Since launching its marketing campaign, “House of Peace and Happiness (悠悦置家)” under the theme “Back Home, Back to Poly” (回家·回保利)” earlier this year, the Group conducted a series of promotional sales activities, catering to market demand in various regions and cities. The Group further promoted its brand through the celebration of the 30th anniversary of Poly Group under the theme “Salute to China: 30th Anniversary of Poly Group (保利30年·禮贊中國)”. Echoing the theme “Year of Quality Life (品質生活年)”, the Group organized the “Poly Artists — Young Artists of China (保利藝術家 — 全國青少年藝術活動)” to expand its visibility, customer base and brand awareness.



Furthermore, the Group made adjustments to its organizational framework, investing in a structured manner as part of its ongoing effort to optimize its operation and management. During the period, the Group successfully obtained a syndicated loan of US\$500 million at a coupon rate of 4.125% per annum, as it endeavors to diversify its financing sources, further optimizing its debt structure and reducing its capital costs. Aside from this, the Group continued to focus on cash flow management, strengthening its budget management measures and focusing on financial cost control. As a result, the Group's average cost of trust and institutional loans decreased by approximately 0.5% compared to the beginning of the year.

Looking into the second half of 2014, the overall economy in China will remain stable. However, considerable pressure still exists due to sluggish demand and excessive production capacity. It is expected that the central government will carry out pre-adjustments and fine-tuning, and will control the growth range of targeted segments, to ensure reasonable economic growth. It is expected that in the second half of 2014, the imbalance of demand and supply in the real estate sector, which is a key driver to economic growth, will be resolved through market corrections under the central government's principle to maintain stable development through differentiated regulation, and that property developers will be set further apart in terms of their market share. The Group resolved to maintain a reasonable business presence and to pursue market expansion in a prudent manner. The Group's Hong Kong Kai Tak Project (香港啟德項目), secured earlier this year, is the first project for the Group outside mainland China and is important to the Group's strategic layout. In the second half of 2014, the Group will continue to launch new projects at a rational pace and in line with the market demand, while ensuring reasonable pricing based on market conditions. The Group is confident about reaching its annual sales target.

## Property Sales

In the first half of 2014, the Group recorded contracted sales of approximately 1,195,000 square metres or approximately RMB12.3 billion. The Group has achieved 44% of its annual sales target of RMB28.0 billion set at the beginning of the year.

During the period, the Group launched a total of 44 projects for sale. Of these projects, three were debut projects, which were Wuhan Poly City, Yantai Poly Blossom Garden and Guiyang Poly Phoenix Bay. Wuhan Poly City was launched for sale in January and received a positive market response. All 764 units offered were subscribed within the first month of its debut. Yantai Poly Blossom Garden made its debut with a subscription rate of close to 80%. As for continual launches, Zunyi Poly Metropolis of Future offered a total of 246 units during the second quarter, which were nearly sold out; Guangzhou Poly Zephyr City, Jinan Poly Elegant Garden and Guiyang Poly The Place of A Lake also performed well, with subscription rates over 80%.



The contracted sales of properties in the Yangtze River Delta Region, the Pearl River Delta Region, South-western Regions and Other Regions accounted for 29%, 23%, 23% and 25% of the total contracted sales, respectively.

Region and Respective Projects	Contracted Sales* for the First Half of 2014 (RMB million)	Percentage of Total Contracted Sales (%)
<b>Yangtze River Delta Region</b>	<b>3,570</b>	29%
Shanghai	3,017	
Suzhou	406	
Deqing	41	
Ningbo	106	
<b>Pearl River Delta Region</b>	<b>2,763</b>	23%
Guangzhou / Foshan	1,601	
Shenzhen / Huizhou	1,162	
<b>South-western Regions</b>	<b>2,853</b>	23%
Guiyang	926	
Zunyi	366	
Nanning	643	
Liuzhou	612	
Kunming	297	
Chongqing	9	
<b>Other Regions</b>	<b>3,088</b>	25%
Wuhan	947	
Harbin	283	
Jinan	1,091	
Yantai / Weihai	561	
Hainan	206	
<b>Total:</b>	<b>12,274</b>	

\* Note: including car parking spaces

In the second half of 2014, the Group plans to launch 8 new residential projects for sale, including Shanghai Poly Deluxe Mansion, Foshan Poly Central Park and Wuhan Poly Up Town, among other projects, depending on market conditions and the progress of construction.

### Newly Commenced Construction

In the first half of 2014, the Group commenced construction as scheduled on 15 new projects with a gross floor area of approximately 1,650,000 square metres. Of these new projects, Shanghai Poly Phili House (上海保利翡麗公館), Guangzhou Poly Up House (廣州保利悅廷), Guangzhou Nansha Poly City (廣州南沙保利城) and Wuhan Poly Up Town (武漢保利上城) commenced construction for the first time. As at the end of 30th June, 2014, the Group held a total of 44 projects under construction, with a gross floor area of approximately 9,020,000 square metres.



Project	Gross Floor Area of Commenced Construction ('000 square metres)	Interests Attributable to the Group (%)
Shanghai Poly Phili House	249	50%
Suzhou Poly Lake Mansion	105	100%
Guangzhou Poly Up House	151	100%
Guangzhou Nansha Poly City	173	49%
Foshan Poly Prestige City	66	100%
Foshan Poly Central Park	146	100%
Guiyang Poly The Place of A Lake	148	50%
Guiyang Poly Phoenix Bay	150	51%
Zunyi Poly Metropolis of Future	27	35%
Nanning Poly Dream River	128	30%
Wuhan Poly City	191	68%
Wuhan Poly Up Town	3	50%
Jinan Poly Hyde Mansion	50	100%
Jinan Poly Elegant Garden	66	80%
Hainan Poly Peninsula No. 1	1	100%
<b>Total:</b>	<b>1,654</b>	

## Recognized Property Sales

In the first half of 2014, the Group recognized total sales of RMB8.77 billion from property development, with a respective recognized area of approximately 693,200 square metres. The breakdown of the recognized amount for each project is as follows

Region with Respective Projects	Sales Recognized in the First Half of 2014* (RMB million)	Percentage of Total Recognized Sales (%)
<b>Yangtze River Delta Region</b>	<b>3,992</b>	<b>47%</b>
1. Shanghai Poly Royal Garden	1,487	
2. Shanghai Poly Town	3	
3. Shanghai Poly Lakeside Garden	77	
4. Shanghai Poly Star Island	1,025	
5. Shanghai Poly Elegant Mansion	117	
6. Shanghai Poly Grace Garden	378	
7. Shanghai Poly Felicity	824	
8. Suzhou Poly Lake Mansion	49	
9. Ningbo Poly City	32	



Region with Respective Projects	Sales Recognized in the First Half of 2014* (RMB million)	Percentage of Total Recognized Sales (%)
<b>Pearl River Delta Region</b>	<b>1,093</b>	13%
10. Guangzhou Poly City	3	
11. Guangzhou Poly Zephyr City	227	
12. Guangzhou Poly Golf Shire	168	
13. Foshan Poly Cullinan Garden	215	
14. Foshan Poly Prestige City	272	
15. Huizhou Poly Deutch Kultur	35	
16. Shenzhen Poly Up Town	173	
<b>South-western Regions</b>	<b>1,364</b>	16%
17. Nanning Poly Sincere Garden	13	
18. Nanning Poly City	637	
19. Nanning Poly Landscape	1	
20. Nanning Poly Crescendo	88	
21. Liuzhou Poly Merization World	287	
22. Guiyang Poly Spring Street	42	
23. Guiyang Poly Clouds Hill International	2	
24. Guiyang Poly International Center	144	
25. Guiyang Poly Hot Spring Newisland	8	
26. Guiyang Poly Park 2010	132	
27. Kunming Poly Lakeside Mansion	10	
<b>Other Regions</b>	<b>2,005</b>	24%
28. Wuhan Poly Royal Palace	31	
29. Wuhan Poly Blue Ocean District	110	
30. Jinan Poly Hyde Mansion	755	
31. Jinan Poly Daming Lake	206	
32. Yantai Poly Champs Elysees Mansion	193	
33. Poly Harbin Contemporary No. 9 Park Life	11	
34. Harbin Poly The Water's Fragrant Dike	100	
35. Harbin The Tsinghua Summer Palace of Poly	133	
36. Hainan Poly Peninsula No. 1	466	
<b>Total:</b>	<b>8,454</b>	100%

\* Excluding car parking spaces





## Land Reserves

In the first half of 2014, the Group obtained nine land parcels through listing, acquisition, and auctioning. They are located in Shanghai, Ningbo, Guiyang, Nanning, Guilin, Jinan, Harbin and Hong Kong. The new land reserves have a total gross floor area of approximately 2,250,000 square metres. This is the first time the Group has had a presence in Guilin and Hong Kong.

Land Reserves	Planned Property Type	Total Site Area (square metres)	Total Planned Gross Floor Area (square metres)	Interests Attributable to the Group
Shanghai Yang Pu Bin Jiang Project	Commercial	21,152	94,168	50%
Shanghai Yang Pu Ping Liang Project	Residential	34,710	110,130	50%
Ningbo Eastern New City Project	Residential	129,899	325,026	50%
Guiyang Poly Phoenix Bay, Phase II	Residential	57,842	595,564	51%
Nanning Poly Zhuang Yuan Xue Fu	Residential	15,450	113,670	100%
Guilin Poly Culture and Arts Center	Commercial	45,969	139,922	50%
Jinan Poly Center, Phase III	Residential	49,975	260,642	85%
Harbin Poly City	Residential	157,169	540,718	100%
Hong Kong Kai Tak Project	Residential	10,149	70,342	100%
<b>Total:</b>		<b>522,315</b>	<b>2,250,182</b>	

### Shanghai Yang Pu Bin Jiang Project (上海楊浦濱江項目)

The project is located on the waterfront of the East Bund within the inner ring and near the Yangshupu Road Station of metro line No. 4 and the planned Changyang Road Station of metro line No. 12. It is only 500 metres away from the planned Dandong Road Station of metro line No. 18. The government intends to develop this district into an area with modern facilities, mainly consisting of water-theme resorts, industrial exhibition centers, technology and commercial facilities as well as an academic community. The project will become a landmark on the Yangpu waterfront, forming a high-end commercial, office, recreational and leisure area, in conjunction with the surrounding developments of the North Bund modern service zone.



### **Shanghai Yang Pu Ping Liang Project (上海楊浦平涼街道項目)**

The project is located in the center of Dalian Road modern service zone and within the inner ring of the Yangpu district. It is located 600 metres away from the Dalian Road Station of metro line No. 4 and metro line No. 12, and 800 metres away from the Jiangpu Park Station of metro line No. 12, which makes it a convenient location for transportation. Being adjacent to the North Bund, the project is well connected to East Nanjing Road, the Bund and Lujiazui in Pudong, through the Bund Tunnel and the Dalian Road Tunnel. The project is surrounded by the headquarters of a number of renowned local and international corporations, research and development centers and professional service centers. The area which the project is located will be developed into the best in Yangpu district with the most excellent commercial, office, educational and entertainment facilities. The project will be developed into a high-rise residential community demonstrating a classic, modern style.

### **Ningbo Eastern New City Project (寧波東部新城項目)**

The project is located in the core area of the rapidly developing Eastern New City of Ningbo. This area will be the future political, economic, cultural and commercial center of Ningbo; the office of the municipal government has already moved into the area last year. The location of the project is very convenient, and is surrounded by a wide range of commercial, educational, cultural and recreational facilities. The project will be developed into a high-end residential community consisting of multi-storey and high-rise apartments.

### **Guiyang Poly Phoenix Bay, Phase II (貴陽保利鳳凰灣二期)**

The project is located in Nanming District, Guiyang, a wonderful residential area. The project enjoys the breathtaking scenery of Nanming River and the tranquility of Mount Phoenix. The project is easily accessible as it is only 12 kilometres away from Guiyang Longdongbao International Airport and 2.5 kilometres away from Guiyang Railway Station. A great number of high-quality ancillary facilities, such as medical and educational facilities, are in the vicinity. The first phase of the project was launched in the first quarter of this year.

### **Nanning Poly Zhuang Yuan Xue Fu (南寧保利壯源學府)**

The project is an urban renewal project in Mingxiu Road East, Xixiangtang District, Nanning. The project is situated at the junction of Xingning District, Qingxiu District and Xixiangtang District, which is a traditionally core commercial area at the center of Nanning. The area is well-developed with convenient transportation and comprehensive ancillary facilities, such as educational, medical and commercial amenities. The project is designed to become a prominent property development in the region, featuring an exquisitely decorated, high-quality residential community complemented by comprehensive ancillary facilities.

### **Guilin Poly Culture and Arts Center (桂林保利文化藝術中心)**

The project is located in the core area of the new Lingui district, which is being developed into a sub-city center in Guilin by the Guilin Municipal Government. The district will become a new CBD, providing comprehensive urban services as an urban center. The project is located 15 kilometres away from the center of Guilin, and is well equipped with municipal facilities and enjoys superior natural landscapes. With the scenery and tourism resources, a number of unique mini-theatre complexes and a residential and commercial development project have been planned for the area.



### **Jinan Poly Center, Phase III (濟南保利中心三期)**

The project is located in the West Market (西市場), a business district with a hundred-year history located in the west of Jinan. The West Market is a commercial center and a major grocery market. With well developed commercial facilities, the project is about 6 kilometres away from Jinan Station of Beijing-Shanghai High-speed Railway and is one of the key developed areas under the Development Plan of Jinan (濟南市發展規劃). The project will be developed into an integrated community comprising of residential, commercial and office buildings.

### **Harbin Poly City (哈爾濱保利城)**

The project is located in the new Qunli district of Harbin, which is a new major residential region planned by the government. The project is about 8.1 kilometres away from Harbin Railway Station and 4.4 kilometres away from the airport expressway entrance. The district enjoys superior environmental and living conditions.

### **Hong Kong Kai Tak Project (香港啟德項目)**

The project is located in the Kai Tak Development Area of Kowloon East, which was previously the north tarmac of the former Hong Kong Kai Tak Airport. The area, which is set to become a part of the core business district of Kowloon East, is an important region being revitalised under the urban development plan for Hong Kong. The project is near the Kai Tak Station along the Shatin-Central MTR line, which will be completed by 2018. It will take only 10 minutes by MTR to Hong Kong Island financial center in the future. The project is planned to be developed into a residential community in the Kai Tak Development Area.

## **Investment Properties**

The Group has various investment properties and hotels located in first-tier cities and second-tier provincial capitals with a total gross floor area of approximately 480,000 square metres, of which approximately 430,000 square metres are attributable to the Group.

In the first half of 2014, the occupancy rate for the Group's office buildings and shopping malls remained stable, with higher occupancy rates and rental rates compared with the corresponding period last year. As for hotel operations, Beijing Poly Plaza, Hubei Poly Hotel and Regal Poly Guiyang Hotel also maintained satisfactory occupancy rates.



Location	Project	Gross Floor Area ('000 square metres)	Interests Attributable to the Group	Property Category
Shanghai	Shanghai Stock Exchange Building (partial)	48	100%	Office building
Shanghai	Shanghai Poly Plaza (partial)	34	90%	Office building and commercial
Beijing	Beijing Poly Plaza	95	75%	Office building, hotel and theatre
Beijing	Beijing Legend Garden Villas (partial)	24	51%	Apartment, villa and others
Shenzhen	Shenzhen Poly Cultural Plaza (partial)	135	100%	Shopping mall and theatre
Wuhan	Poly Hotel	34	100%	Hotel
Wuhan	Wuhan Poly Plaza	68	100%	Office building and commercial
Guiyang	Regal Poly Guiyang Hotel	39	66.5%	Hotel
<b>Total:</b>		<b>477</b>		

## Property Management

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

In the first half of 2014, the Group's property management companies recorded total income of RMB176.28 million, representing an increase of 33% compared with the corresponding period last year. The companies managed 114 property projects, including office buildings, hotels, shopping malls, villas and private residences. These projects have an aggregate gross floor area of 19.07 million square metres, representing an increase of 19% compared with the corresponding period last year.

## FINANCIAL REVIEW

### Liquidity and Capital Structure

As at 30th June, 2014, the shareholders' equity of the Group amounted to HK\$29,956,956,000 (31st December, 2013: HK\$29,617,047,000), while the net asset value per share was HK\$8.22 (31st December, 2013: HK\$8.13). As at 30th June, 2014, the Group's gearing ratio (on the basis of the amount of total liabilities divided by total assets) was 73.0% (31st December, 2013: 70.6%).



As at 30th June, 2014, the Group had outstanding bank and other borrowings (including the notes payable) of HK\$49,979,768,000. In terms of maturity, the outstanding bank and other borrowings (including the notes payable) can be divided into HK\$19,809,503,000 (40%) to be repaid within one year, HK\$11,196,986,000 (22%) to be repaid after one year but within two years, HK\$18,799,544,000 (37%) to be repaid after two years but within five years and HK\$173,735,000 (1%) to be repaid after five years. In terms of currency denomination, the outstanding bank and other borrowings (including the notes payable) can be divided into HK\$41,326,768,000 (83%) in Renminbi, HK\$7,800,000,000 (15%) in United State dollars and HK\$853,000,000 (2%) in Hong Kong dollars.

40% of the bank and other borrowings (including the notes payable) of the Group are subject to fixed interest rates and the remaining 60% are subject to floating interest rates. Therefore, under circumstances of interest rates uncertainty or fluctuations or otherwise as appropriate, the Group will consider the use of hedging instruments (including interest rates swaps), in order to manage interest rate risks.

As at 30th June, 2014, the Group had net current assets of HK\$51,049,802,000 and total bank balances of HK\$14,802,086,000 (31st December, 2013: HK\$46,557,168,000 and HK\$15,494,034,000 respectively). With the available banking facilities and cash revenue from business operations, it is believed that the Group has sufficient resources to meet the foreseeable working capital demands and capital expenditure.

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

## Pledge of Assets

As at 30th June, 2014, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	The Group	
	30th June, 2014	31st December, 2013
	HK\$'000	HK\$'000
Investment properties	3,864,944	3,589,474
Hotel properties	702,911	702,911
Buildings	182,318	184,430
Prepaid lease payments	287,978	291,860
Properties under development	20,677,775	21,367,073
Properties held for sale	4,525,304	5,162,955
Bank deposits	552,598	667,953
	30,793,828	31,966,656



In addition to above pledge of assets, as at 30th June, 2014, the Group's interests in certain subsidiaries were pledged to secure credit facilities granted to the Group. The details of net assets value of subsidiaries are as follows:

	The Group	
	30th June, 2014	31st December, 2013
	HK\$'000	HK\$'000
Total assets	17,930,580	17,900,503
Total liabilities	(16,224,617)	(16,061,610)
	<u>1,705,963</u>	<u>1,838,893</u>

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

### Contingent Liabilities

The Group arranged mortgage loan facilities with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayment. The maximum guarantees given to banks amounted to HK\$19,422,789,000 as at 30th June, 2014 (31st December, 2013: HK\$19,065,110,000). Such guarantees will terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgage loans by the buyers of the properties. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

At 30th June, 2014, the Group had given guarantees to certain banks in respect of credit facilities granted to certain joint ventures of the Group amounting to HK\$829,956,000 (31st December, 2013: HK\$875,949,000), of which HK\$829,956,000 (31st December, 2013: HK\$875,949,000) had been utilised by the joint ventures.

### STAFF

As at 30th June, 2014, the Group employed about 9,235 (30th June, 2013: 8,023) staff with remuneration for the period amounted to approximately HK\$438 million. The Group provides its staff with various benefits including year-ended double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.



## INTERIM RESULTS

The directors (the "Directors/Board") of Poly Property Group Co., Limited (the "Company") hereby announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2014 with comparative figures for the six months ended 30th June, 2013 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30th June,	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	2	<b>11,208,881</b>	10,357,773
Cost of sales		<b>(8,391,704)</b>	(7,130,156)
Gross profit		<b>2,817,177</b>	3,227,617
Other income		<b>204,247</b>	366,763
Selling expenses		<b>(321,248)</b>	(370,970)
Administrative expenses		<b>(647,317)</b>	(625,947)
Decrease in fair value of held-for-trading investments		<b>(126)</b>	(63)
Increase in fair value of investment properties		<b>828,236</b>	962,456
Gain on disposal of interests in subsidiaries		<b>20,668</b>	–
Finance costs		<b>(415,292)</b>	(263,585)
Share of results of associates		<b>(2,076)</b>	2,444
Share of results of joint ventures		<b>32,443</b>	(4,956)
Profit before taxation	3	<b>2,516,712</b>	3,293,759
Income tax expense	4	<b>(1,027,784)</b>	(1,162,175)
Profit for the period		<b>1,488,928</b>	2,131,584
Attributable to:			
Owners of the Company		<b>1,133,388</b>	1,958,687
Non-controlling interests		<b>355,540</b>	172,897
		<b>1,488,928</b>	2,131,584
Dividends	5	<b>812,754</b>	794,465
<b>Earnings per share</b>	6		
— Basic		<b>31.10 cents</b>	54.07 cents
— Diluted		<b>31.00 cents</b>	53.83 cents



## CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<b>1,488,928</b>	2,131,584
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	–	517,702
Change in fair value of available-for-sale investments	<u>6,021</u>	<u>3,486</u>
	<u>6,021</u>	<u>521,188</u>
Items that will not be reclassified to profit or loss:		
Surplus arising on revaluation of properties	<u>24,594</u>	<u>24,187</u>
Other comprehensive income before tax effect	<u>30,615</u>	545,375
Deferred tax liability arising on revaluation of properties	<u>(6,148)</u>	<u>(6,047)</u>
Other comprehensive income for the period, net of tax	<u>24,467</u>	<u>539,328</u>
Total comprehensive income for the period	<u>1,513,395</u>	<u>2,670,912</u>
Attributable to:		
Owners of the Company	<u>1,152,663</u>	2,423,058
Non-controlling interests	<u>360,732</u>	<u>247,854</u>
	<u>1,513,395</u>	<u>2,670,912</u>





## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30th June, 2014 HK\$'000 (Unaudited)	31st December, 2013 HK\$'000 (Audited)
<b>Non-Current Assets</b>			
Investment properties	8	9,330,216	8,522,004
Property, plant and equipment	8	2,201,993	2,171,728
Prepaid lease payments			
— non-current portion		406,289	412,384
Goodwill		444,298	484,204
Interests in associates		317,925	320,001
Interests in joint ventures		690,469	389,711
Available-for-sale investments		161,724	155,703
Club membership		1,257	1,257
Deposits paid for acquisition of land use rights		477,960	797,342
Deposits paid for acquisition of subsidiaries		253,165	253,165
Deferred tax assets		420,287	424,348
		<b>14,705,583</b>	<b>13,931,847</b>
<b>Current Assets</b>			
Properties under development		63,901,500	53,382,138
Properties held for sale		18,346,454	20,544,333
Other inventories		120,945	117,825
Trade and other receivables	9	3,947,663	3,907,545
Prepaid lease payments — current portion		12,189	12,189
Held-for-trading investments		846	972
Amounts due from non-controlling shareholders of subsidiaries		742,130	400,991
Amounts due from associates	10(a)	543,616	467,874
Amounts due from joint ventures	10(b)	5,365,709	1,790,096
Taxation recoverable		929,371	772,808
Pledged bank deposits		552,598	667,953
Bank balances, deposits and cash		14,249,488	14,826,081
		<b>108,712,509</b>	<b>96,890,805</b>



	Notes	30th June, 2014 HK\$'000 (Unaudited)	31st December, 2013 HK\$'000 (Audited)
<b>Current Liabilities</b>			
Trade and other payables	11	8,831,918	9,179,335
Pre-sale deposits		23,164,769	19,245,408
Property rental deposits		98,697	95,026
Amount due to the ultimate holding company	12(a)	58,305	438,052
Amount due to an intermediate holding company	12(b)	127,650	26,409
Amounts due to fellow subsidiaries	12(c)	2,075,293	2,215,657
Amounts due to non-controlling shareholders of subsidiaries		1,664,686	1,809,525
Amounts due to joint ventures	10(b)	2,862	31,081
Taxation payable		1,829,024	1,837,665
Bank and other borrowings — due within one year	13	19,809,503	15,455,479
		<u>57,662,707</u>	<u>50,333,637</u>
<b>Net Current Assets</b>		<u>51,049,802</u>	<u>46,557,168</u>
<b>Total Assets Less Current Liabilities</b>		<u>65,755,385</u>	<u>60,489,015</u>
<b>Capital and Reserves</b>			
Share capital	14	17,660,934	1,822,319
Reserves		12,296,022	27,794,728
Equity attributable to owners of the Company		29,956,956	29,617,047
Non-controlling interests		3,328,635	2,985,097
<b>Total Equity</b>		<u>33,285,591</u>	<u>32,602,144</u>
<b>Non-Current Liabilities</b>			
Bank and other borrowings — due after one year	13	26,270,265	22,665,146
Notes payable		3,900,000	3,900,000
Amount due to the ultimate holding company	12(a)	379,747	—
Amount due to an intermediate holding company	12(b)	379,747	—
Loan from a fellow subsidiary		227,848	227,848
Deferred tax liabilities		1,312,187	1,093,877
		<u>32,469,794</u>	<u>27,886,871</u>
		<u>65,755,385</u>	<u>60,489,015</u>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2014

	Attributable to owners of the Company													Non-controlling interests	Total
	Hotel											Accumulated profits	Total		
	Share capital	Share premium	Share option reserve	Share properties revaluation reserve	Translation reserve	Capital redemption reserve	PRC statutory reserves	Investment revaluation reserve	Other capital reserve	Asset revaluation reserve	Other reserve				
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000		
At 1st January, 2014	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
Total comprehensive income for the period	-	-	-	13,254	-	-	-	6,021	-	-	-	1,133,388	1,152,663	360,732	1,513,395
Transfer (Note 14)	15,838,615	(15,814,698)	-	-	-	(23,917)	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(812,754)	(812,754)	-	(812,754)
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	18,987	18,987
Release upon dissolution of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,248)	(6,248)
Release upon disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(29,933)	(29,933)
At 30th June, 2014	17,660,934	-	3,281	106,085	1,682,955	-	1,251,856	8,958	307,485	8,676	(285,195)	9,211,921	29,956,956	3,328,635	33,285,591

For the six months ended 30th June, 2013

	Attributable to owners of the Company													Non-controlling interests	Total
	Hotel											Accumulated profits	Total		
	Share capital	Share premium	Share option reserve	Share properties revaluation reserve	Translation reserve	Capital redemption reserve	PRC statutory reserves	Investment revaluation reserve	Other capital reserve	Asset revaluation reserve	Other reserve				
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000		
At 1st January, 2013	1,804,219	15,621,560	42,177	75,466	1,278,773	23,917	903,104	(23,683)	307,485	32,612	(287,986)	7,294,942	27,072,586	2,974,768	30,047,354
Total comprehensive income for the period	-	-	-	13,091	447,794	-	-	3,486	-	-	-	1,958,687	2,423,058	247,854	2,670,912
Exercise of share options	17,950	192,848	(38,837)	-	-	-	-	-	-	-	-	-	171,961	-	171,961
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(794,465)	(794,465)	-	(794,465)
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,595)	(7,595)
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	28,481	28,481
At 30th June, 2013	1,822,169	15,814,408	3,340	88,557	1,726,567	23,917	903,104	(20,197)	307,485	32,612	(287,986)	8,459,164	28,873,140	3,243,508	32,116,648



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash (used in)/from operating activities	<b>(4,057,251)</b>	1,583,195
Net cash used in investing activities	<b>(3,681,946)</b>	(877,160)
Net cash from financing activities	<b>7,162,604</b>	8,395,928
Net (decrease)/increase in cash and cash equivalents	<b>(576,593)</b>	9,101,963
Cash and cash equivalents at beginning of the period	<b>14,826,081</b>	14,307,863
Effect of foreign exchange rate change	—	383,003
Cash and cash equivalents at end of the period	<b>14,249,488</b>	23,792,829
Analysis of the balance of cash and cash equivalents, represented by		
— bank balances, deposits and cash	<b>14,249,488</b>	23,792,829



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation

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

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the most recent consolidated financial statements for the year ended 31st December, 2013, except for the changes in accounting policy made when the Group and the Company initially apply financial reporting standards newly applicable to the annual accounting period beginning on 1st January, 2014.

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to HKFRS 10, HKFRS12 and HKAS 27, Investment Entities
- 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
- HK(IFRIC)21, Levies

The initial application of the above new or revised HKFRSs does not have a material effect on the Group’s results and financial position.

The Group has not applied any new and revised HKFRSs or interpretations that have been issued but are not yet effective for the current accounting period.



**2. Revenue and segment information**

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

**For the six months ended 30th June, 2014**

	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
<b>REVENUE</b>						
External revenue	10,607,054	463,525	86,266	52,036	-	11,208,881
Inter-segment revenue*	-	1,054	-	-	(1,054)	-
<b>Total revenue</b>	<b>10,607,054</b>	<b>464,579</b>	<b>86,266</b>	<b>52,036</b>	<b>(1,054)</b>	<b>11,208,881</b>
<b>SEGMENT RESULT</b>						
	<b>1,956,776</b>	<b>943,137</b>	<b>(20,811)</b>	<b>4,595</b>	<b>-</b>	<b>2,883,697</b>
Unallocated income						61,894
Unallocated expenses						(64,622)
Gain on disposal of interests in subsidiaries	20,668					20,668
Finance costs						(415,292)
Share of results of associates	(2,076)					(2,076)
Share of results of joint ventures	39,162			(6,719)		32,443
Profit before taxation						2,516,712
Income tax expense						(1,027,784)
<b>Profit for the period</b>						<b>1,488,928</b>

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



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

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

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

### 3. Profit before taxation

	Six months ended	
	30th June, 2014 HK\$'000	30th June, 2013 HK\$'000
Profit before taxation has been arrived at after charging and (crediting):		
Amortisation of prepaid lease payments	6,095	5,891
Depreciation and amortisation of property, plant and equipment	71,234	63,890
Share of tax of associates (included in share of results of associates)	-	-
Share of tax of joint ventures (included in share of results of joint ventures)	20,312	-
Gain on disposal of interests in subsidiaries	20,668	-
Loss (Gain) on disposal of investment properties	8,987	(329)



4. Income tax expense

	Six months ended	
	30th June, 2014 HK\$'000	30th June, 2013 HK\$'000
The charge comprises:		
Hong Kong profits tax calculated at 16.5% (six months ended 30th June, 2013: 16.5%) of the estimated assessable profits for the period	—	—
PRC enterprise income tax	<b>484,463</b>	461,410
	<b>484,463</b>	461,410
Land appreciation tax	<b>329,289</b>	470,783
Deferred taxation	<b>214,032</b>	229,982
	<b>1,027,784</b>	1,162,175

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

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

5. Dividends

	Six months ended	
	30th June, 2014 HK\$'000	30th June, 2013 HK\$'000
2013 final dividend of HK\$0.223 per share (2013: 2012 final dividend of HK\$0.218 per share)	<b>812,754</b>	794,465

The Directors have decided not to declare any interim dividend for the six months ended 30th June, 2014 (2013: HK\$nil).

6. Earnings per share

The calculation of basic and diluted earnings per share for the six months ended 30th June, 2014 is based on the following data:

	Six months ended	
	30th June, 2014 HK\$'000	30th June, 2013 HK\$'000
<b>Earnings:</b>		
Profit for the period attributable to owners of the Company	<b>1,133,388</b>	1,958,687





	Six months ended	
	30th June, 2014	30th June, 2013
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,644,637,046	3,622,682,107
Effect of dilutive potential ordinary shares on share options	10,900,039	15,857,182
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,655,537,085	3,638,539,289

#### 7. Transfer to and from reserves

During the six months ended 30th June, 2014, the Group's subsidiaries in the PRC did not appropriate any amount net of non-controlling interests' share out of accumulated profits to the PRC statutory reserves (2013: HK\$nil).

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

During the period, the net increase to the Group's property, plant and equipment amounted to approximately HK\$30 million. Additions of capital expenditure paid for construction in progress, renovation work and additions of motor vehicles and furniture and fixture amounted to HK\$77 million. The depreciation charge of HK\$71 million was noted. Out of which, HK\$25 million hotel properties depreciation charge was eliminated based on revaluation as at 30th June, 2014.

The Group's investment properties and hotel properties at 30th June, 2014 were fair valued by AA Property Services Limited, an independent professional surveyor and property valuer not connected with the Group. AA Property Services Limited is a member of the Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation of investment properties was arrived at by either (i) reference to comparable sales transactions as available in the relevant market; or (ii) on the basis of capitalisation of rental income derived from existing tenancies. The valuation of hotel properties was arrived at by either (i) discounting the construction cost; or (ii) 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.

At 30th June, 2014, the increase in fair value of investment properties amounted to approximately HK\$828 million.

Additional units of properties transferred from properties held for sale to investment properties amounted to HK\$10 million. The increase was offset by disposal of investment properties of HK\$37 million during the current period.



## 9. Trade and other receivables

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

	30th June, 2014 HK\$'000	31st December, 2013 HK\$'000
0 to 30 days	894,922	1,180,640
31 to 90 days	35,210	10,040
More than 90 days	361,486	202,018
Total trade receivables	1,291,618	1,392,698
Bills receivables	15,145	29,420
Other receivables	2,640,900	2,485,427
	<b>3,947,663</b>	<b>3,907,545</b>

## 10. Amounts due from (to) associates/joint ventures

	30th June, 2014 HK\$'000	31st December, 2013 HK\$'000
(a) Amounts due from associates		
– Interest-free	1,312	215
– Fixed rate of 8%	20,886	9,494
– Fixed rate of 8.9%	521,418	458,165
	<b>543,616</b>	<b>467,874</b>

The amounts are unsecured and repayable on demand, except for HK\$20,886,000 (2013: HK\$9,494,000) was repayable within one year.



	30th June, 2014 HK\$'000	31st December, 2013 HK\$'000
(b) Amounts due from/to joint ventures		
Amount due from joint ventures:-		
– Interest-free	271,195	155,778
– Fixed rate of 8%	2,635,528	736,562
– Fixed rate of 10.16%	395,280	–
– Fixed rate of 10.7%	388,735	–
– 110% of benchmark rate in the PRC	513,924	–
– Benchmark rate in the PRC	1,161,047	897,756
	<u>5,365,709</u>	<u>1,790,096</u>
Amount due to joint ventures:-		
– Interest-free	2,862	31,081

The amounts are unsecured and repayable on demand.

#### 11. Trade and other payables

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

	30th June, 2014 HK\$'000	31st December, 2013 HK\$'000
0 to 30 days	3,622,228	3,526,253
31 to 90 days	62,474	241,356
More than 90 days	2,500,273	2,168,430
Total trade payables	<u>6,184,975</u>	<u>5,936,039</u>
Bills payables	571,451	847,160
Other payables	2,075,492	2,396,136
	<u>8,831,918</u>	<u>9,179,335</u>



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

	30th June, 2014 HK\$'000	31st December, 2013 HK\$'000
(a) Amount due to the ultimate holding company		
– Interest-free	24,249	24,249
– 92% of benchmark rate in the PRC	34,056	34,056
– Benchmark rate in the PRC minus 0.231%	379,747	379,747
	<u>438,052</u>	<u>438,052</u>
Less: Amount due within one year shown under current liabilities	(58,305)	(438,052)
Amount due after one year	<u>379,747</u>	<u>–</u>
<p>The amounts are unsecured and repayable on demand, except the amount of HK\$379,747,000 (2013: HK\$nil) and HK\$34,056,000 (2013: HK\$413,803,000) which were repayable in the year of 2017 and within one year, respectively.</p>		
(b) Amounts due to an intermediate holding company		
– Interest-free	36,841	25,474
– Fixed rate of 7.2%	379,747	935
– Benchmark rate in the PRC plus 0.5%	17,982	–
– Benchmark rate in the PRC plus 1%	72,827	–
	<u>507,397</u>	<u>26,409</u>
Less: Amount due within one year shown under current liabilities	(127,650)	(26,409)
Amount due after one year	<u>379,747</u>	<u>–</u>
<p>The amounts are unsecured and repayable on demand, except the amount of HK\$379,747,000 (2013: HK\$nil) and HK\$90,809,000 (2013: HK\$935,000) which were repayable before October 2015 and within one year, respectively.</p>		
(c) Amounts due to fellow subsidiaries		
– Interest-free	1,898,078	2,038,442
– 7.27% plus the movement of the benchmark rate in the PRC	177,215	177,215
	<u>2,075,293</u>	<u>2,215,657</u>

The amounts are unsecured and repayable on demand.



### 13. Bank and other borrowings

During the period, the Group obtained new bank and other borrowings in the amounts of HK\$18,886 million, which bear interest at market rates. The Group also repaid approximately HK\$10,927 million during the period.

### 14. Share capital

	Par value per share HK\$	Number of ordinary shares	Amount HK\$'000
Authorised:			
At 1st January, 2014	0.5	8,000,000,000	4,000,000
At 30th June, 2014	N/A	N/A	N/A
Issued and fully paid:			
At 1st January, 2014		3,644,637,046	1,822,319
Transfer from share premium and capital redemption reserve		–	15,838,615
At 30th June, 2014		3,644,637,046	17,660,934

Note: Under the new Hong Kong Companies Ordinance (Cap. 622), the concept of authorised share capital no longer exists and also the Company's shares no longer have a par or nominal value with effect from 3rd March, 2014. In accordance with the transitional provisions, the amounts of HK\$15,814,698,000 of share premium and HK\$23,917,000 of capital redemption reserve, totaling of HK\$15,838,615,000 become part of the share capital.

### 15. Disposal of subsidiaries

On 21st January, 2014, the Group entered into a sale and purchase agreement with a third party to dispose of its 37% equity interest in 昆明保利房地產開發有限公司, which is engaged in property development business. The disposal was completed on 28th January, 2014.

On 13th June, 2014, the Group entered into a sale and purchase agreement with a third party to dispose of its 50% equity interest in 上海隆威投資管理有限公司, which is engaged in property development business. The disposal was completed on 13th June, 2014.



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

	昆明保利房地產 開發有限公司 HK\$'000	上海隆威投資 管理有限公司 HK\$'000	Total HK\$'000
Net assets disposed of	65,980	126,780	192,760
Gain (loss) on disposal	20,767	(99)	20,668
Total consideration	86,747	126,681	213,428
Total consideration was satisfied by:-			
Cash consideration	46,835	63,291	110,126
Interests in joint ventures	39,912	63,390	103,302
	86,747	126,681	213,428
Net cash inflow arising on disposal:-			
Cash consideration	46,835	63,291	110,126
Bank balances, deposits and cash disposed of	(4,470)	(142,603)	(147,073)
	42,365	(79,312)	(36,947)

#### 16. Contingent liabilities

The Group arranged mortgage loan facilities with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayment. The maximum guarantees given to banks amounted to HK\$19,422,789,000 as at 30th June, 2014 (31st December, 2013: HK\$19,065,110,000). Such guarantees will terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgage loans by the buyers of the properties. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

At 30th June, 2014, the Group had given guarantees to certain banks in respect of credit facilities granted to certain joint ventures of the Group amounting to HK\$829,956,000 (31st December, 2013: HK\$875,949,000), of which HK\$829,956,000 (31st December, 2013: HK\$875,949,000) had been utilised by the joint ventures.



## 17. Capital commitments

	30th June, 2014 HK\$'000	31st December, 2013 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
— property development expenditures	15,553,640	17,557,913
— acquisition of land use rights	<u>1,308,865</u>	<u>924,444</u>
	<u>16,862,505</u>	<u>18,482,357</u>

The Group did not have any capital expenditure authorised but not contracted for as at 30th June, 2014 and 31st December, 2013.

## 18. Related party transactions

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

	Six months ended 30th June, 2014 HK\$'000	2013 HK\$'000
Property rental income (note a)	5,306	8,502
Theatre operating expenses (note b)	6,962	4,375
Construction fee paid (note c)	937,785	1,916,500
Interest expenses (note d)	96,185	71,190
Interest income (note e)	72,250	—
Management fee income	<u>632</u>	<u>624</u>

Notes:

- (a) The property rental income received from subsidiaries of the ultimate holding company, which were charged in accordance with the relevant tenancy agreement.
- (b) The theatre operating expenses were paid to a joint venture for the operation and management of a theatre.
- (c) The construction fee paid to a subsidiary of the ultimate holding company was charged at market rate.
- (d) The interest expenses derived from loans advanced from the ultimate holding company, an intermediate holding company and fellow subsidiaries, which carried interest at a fixed rate of 7.2%, benchmark rate in the PRC plus 0.5% to 1%, 92% of benchmark rate in the PRC to 105% of benchmark rate in the PRC, benchmark rate in the PRC minus 0.231% and 7.27% plus the movement of the benchmark rate in the PRC.



- (e) The interest income derived from loans advanced to associates and joint ventures, which carried interest at a fixed rate of 8% to 10.7%, benchmark rate in the PRC to 110% of benchmark rate in the PRC.

In addition to the above transactions, in 2014, the Group and a fellow subsidiary, Poly Culture Group Corporation Limited ("Poly Culture"), increased the share capital of Guilin Poly Culture Investment Development Co., Ltd ("Guilin Poly Culture"), which was originally a wholly-owned subsidiary of Poly Culture with share capital of RMB10 million. The Group and Poly Culture further contributed RMB50 million and RMB40 million of the share capital of Guilin Poly Culture, respectively and Guilin Poly Culture became a joint venture of the Group.





## INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30th June, 2014 (corresponding period in 2013: HK\$nil).

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "2003 Share Option Scheme") pursuant to an ordinary resolution passed on 28th May, 2003 (the "Adoption Date") and it has expired at the tenth anniversary of the Adoption Date on 27th May, 2013.

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

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

At the annual general meeting of the Company held on 28th May, 2014, the shareholders of the Company adopted a new share option scheme (the "New Share Option Scheme"), pursuant to which the Eligible Participants may be granted options to subscribe for shares of the Company upon and subject to the terms and conditions of the rules of the New Share Option Scheme. A summary of the principal terms of the rules of the New Share Option Scheme is set out in Appendix II to the circular of the Company dated 25th April, 2014.

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 the period:

	Option type	Outstanding at 1.1.2014	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30.6.2014
Category 1: Directors							
Chen Hong Sheng	2005	8,000,000	-	-	-	-	8,000,000
Category 2: Employees							
	2005	8,900,000	-	-	-	-	8,900,000
Total all categories		16,900,000	-	-	-	-	16,900,000



Details of specific category of the option is as follows:

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

## DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2014, according to the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the interests of the Directors in the shares and underlying shares of the Company were as follows:

### Long position

#### *Ordinary shares of the Company*

Mr. Xue Ming is holding 1,000,000 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 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

Save as disclosed above, as at 30th June, 2014, none of the Directors, chief executives or their associates had any personal, family, corporate or other interests and short positions in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which is required to be recorded in the register maintained under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.



## SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2014, according to the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	Number of Shares			Person having a security interest in shares	Total number of shares	Approximate percentage of the issued share capital of the Company
	Beneficial owner	Investment manager	Held by controlled corporation(s)			
<b>Long position</b>						
Congratulations Company Ltd.	1,037,975,080	-	-	-	1,037,975,080	28.48%
Source Holdings Limited	228,398,760	-	100,086,800	-	328,485,560	9.02%
					(Note 1)	
Ting Shing Holdings Limited	-	-	1,366,460,640	-	1,366,460,640	37.50%
			(Note 2)			
Poly (Hong Kong) Holdings Limited	112,410,476	-	1,366,460,640	-	1,478,871,116	40.58%
					(Note 3)	
Poly Southern Group Limited	253,788,246	-	-	-	253,788,246	6.96%
China Poly Group Corporation	-	-	1,732,659,362	-	1,732,659,362	47.54%
			(Note 4)			

### Notes:

- Source Holdings Limited is deemed by the SFO to be interested in 328,485,560 shares of the Company as a result of its direct holding of 228,398,760 shares and indirect holding of 100,086,800 shares through its wholly-owned subsidiaries, Musical Insight Holdings Ltd. and Wincall Holding Ltd. of 44,658,800 shares and 55,428,000 shares respectively.
- 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.
- 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.
- China Poly Group Corporation owns 100% of Poly (Hong Kong) Holdings Limited and Poly Southern Group Limited and is accordingly deemed by the SFO to be interested in the shares directly and indirectly owned by Poly (Hong Kong) Holdings Limited and Poly Southern Group Limited.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30th June, 2014.



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

During the six months period ended 30th June, 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the period under review, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code"), other than code provisions A.2.1, A.5.1 to A.5.4 and A.5.6 of the CG Code. The reasons for deviation are explained below:

### Code Provision A.2.1 of the CG Code — Roles 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 its 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.

### Code Provision A.5.6 of the CG Code — Board Diversity Policy

Under code provision A.5.6 of the CG Code, the nomination committee (or the board) of a listed issuer should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report. To comply with the code provision A.5.6, the Board will adopt a board diversity policy as soon as practicable.

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



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

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Model Code and the code of conduct regarding directors' securities transactions adopted by the Company for the six months ended 30th June, 2014.

## UPDATE ON DIRECTORS' INFORMATION

On 27th June, 2014, Mr. Chen Hong Sheng, an executive director of the Company tendered his resignation due to reach of retirement age. For details, please refer to the announcement published by the Company on 27th June, 2014.

## AUDIT COMMITTEE

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