



POLY PROPERTY

Poly Property Group Co., Limited

保利置業集團有限公司

Stock Code: 119

INTERIM REPORT 2015

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CORPORATE INFORMATION

Board of Directors

Executive directors

XUE Ming (*Chairman*)

HAN Qingtao (*Managing Director*)

WANG Xu

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*)

IP Chun Chung, Robert

CHOY Shu Kwan

WONG Ka Lun

Remuneration Committee

WONG Ka Lun (*Chairman*)

CHOY Shu Kwan

LEUNG Sau Fan, Sylvia

XUE Ming

WANG Xu

Company Secretary

POON Man Man

Legal Advisor

Ashurst Hong Kong

Auditor

Shu Lun Pan Union (HK) CPA Limited

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

Share Registrar and Transfer Office

Computershare Hong Kong

Investor Services Limited

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Registered Office

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Company Website

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MANAGEMENT DISCUSSION AND ANALYSIS

For the first half of 2015, Poly Property Group Co., Limited and its subsidiaries (“the Group”) recorded a consolidated turnover of HK\$7,489 million (corresponding period in 2014: HK\$11,209 million), representing a decrease of HK\$3,720 million, or 33.2%, compared with the corresponding period last year. Profit attributable to shareholders amounted to HK\$103 million (corresponding period in 2014: HK\$1,133 million), representing a decrease of HK\$1,030 million, or 90.9%, compared with the corresponding period last year. Basic earnings per share was HK2.81 cents (corresponding period in 2014: HK31.10 cents), representing a decrease of HK28.29 cents, or 91.0%, compared with the corresponding period last year. Diluted earnings per share was HK2.81 cents (corresponding period in 2014: HK31.00 cents), representing a decrease of 90.9% from the corresponding period last year. As at 30th June, 2015, shareholders’ equity amounted to HK\$29.6 billion (31st December, 2014: HK\$29.8 billion) and book net asset value per share was HK\$8.09 (31st December, 2014: HK\$8.14), representing a decrease of 0.7% and 0.6% respectively, compared with the end of last year.

Business Review

During the first half of 2015, the Chinese government continued to adopt a relaxed but proactive stance in its property market policies. By encouraging the re-designation of local inventory of residential housing as social security housing, supporting inventory clearance by property development companies and alleviating the burdens of homebuyers, efforts were made to stimulate the sale of existing inventory and encourage home purchases, in order to resolve the housing issues of people with different needs. In view of the high inventory levels and lacklustre sales in the property market, the central bank announced three successive interest rate cuts and lowered the deposit reserve ratio twice since late 2014, and launched new policies on the purchase of the second property, such as lowering the down payment ratio and reducing loan limits, in order to drive economic development, reduce high inventory level, boost market confidence and lower requirement and cost for property purchase. The Group monitored government policies and market conditions closely and capitalised on market opportunities to expedite sales of its inventory, well accomplishing its sales target set for the first half of the year.

During the period, the Group adhered to its “sales-focused and market-oriented” business philosophies. Under the annual theme of “Sharing with You” (與你共分享), the Group was proactive in creative marketing, as it enhanced on-site experiences at its show rooms and strengthened brand building, inventory clearance and sales breakthrough effectively. In addition, the Group conducted brand campaign under five sub-themes: “Sharing Art (分享藝術), Sharing Happiness (分享幸福), Sharing Harvest (分享收穫), Sharing Achievements (分享成就) and Sharing Love (分享大愛)”, which further complimented the Group’s annual theme. The Group also adopted the all-season marketing theme of “House of Peace and Happiness (悠悅置家)” and launched other monthly promotion activities to boost sales.

Meanwhile, the Group adjusted investment pace to be consistent with sales collection by arranging its investment schedules in a reasonable manner and limiting the number of new development projects accordingly. A strategy of skewed investment, which aimed to stimulate sales of existing inventory by launching quality new products, was implemented. Moreover, the Group continued to optimise its capital structure. The average borrowing cost from financial institutions further decreased from 6.9% at the beginning of the year to 6.7%, while the size of off-shore debt continued to grow in proportion steadily. The long-term debt ratio rose to 76% from 61% at the start of the year.

Looking into the second half of 2015, despite impacts of the ongoing macro-economic downturn in China, the property market is coming out of the doldrums and is expected to stabilise due to government policies and other factors. The policy environment is expected to remain positive. Nevertheless, investment in properties is still declining. Imbalances in demand and supply, structural surplus in capacity and high inventory levels will continue to restrain the property market. Therefore, inventory clearance will continue to be the primary focus. Disparity among different cities will continue to intensify, as tier-one cities and certain tier-two cities with stronger fundamentals are expected to continue to lead the market. Meanwhile, the property industry will undergo significant changes, while there is a need for property companies to transform and innovate. Certain companies used their industry positions and resources as a leverage to explore new models which facilitate interaction with property business in areas such as finance, health, Internet and etc., minimise costs and extend their business chains to stimulate profit growth. As such, the property industry is entering a new era. In the second half of the year, the Group will continue to launch new projects in a reasonable pace based on market demand, set price with due regard for market changes while actively exploring corporate innovation. The Group remains confident about achieving its whole-year sales target.

Property Sales

In the first half of 2015, the Property Group (including Poly Property Group Co., Limited, its subsidiaries, joint ventures and associates) recorded contracted sales of approximately 1,307,000 square metres or approximately RMB14.5 billion, achieving 56% of its annual sales target, or RMB26.0 billion, set at the beginning of the year.

During the period, the Property Group launched a total of 43 projects for sale. Of these projects, 2 were debut projects, which were Shenzhen Poly Joy-Zone and Ningbo Poly Wonderland. Shenzhen Poly Joy-Zone was launched for sale on 7th June and received overwhelming market response. Amongst the 503 units offered, 473 were subscribed. Ningbo Poly Wonderland recorded a subscription rate of 95% on 27th June, the date of debut. Good performance was also reported with continual launches, with standalone projects such as Suzhou Poly Lake Mansion and Shanghai Phili House generating sales of over RMB1.1 billion and nearly RMB1.0 billion, respectively.



The contracted sales of properties in the Yangtze River Delta Region, the Pearl River Delta Region, Southwestern Region and Other Regions accounted for 38%, 26%, 18% and 18% of the total, respectively.

Region and Respective Projects	Contracted Sales for the First Half of 2015* (RMB million)	Percentage of Total Contracted Sales (%)
Yangtze River Delta Region	5,504	38%
Shanghai	2,950	
Suzhou	1,938	
Ningbo	540	
Deqing	76	
Pearl River Delta Region	3,772	26%
Guangzhou/Foshan	1,930	
Shenzhen/Huizhou	1,842	
Southwestern Region	2,549	18%
Guiyang/Zunyi	1,672	
Nanning	487	
Liuzhou	370	
Kunming	20	
Other Regions	2,630	18%
Wuhan	356	
Harbin	395	
Jinan	1,478	
Yantai/Weihai	323	
Hainan	78	
Total:	14,455	100%

* Note: including car parking spaces

In the second half of 2015, the Property Group plans to launch around 6 new projects for sale, including Shanghai Poly International Plaza, Shanghai Poly Greenland Plaza, Guangzhou Poly Gratified West Bay, Nanning Poly Ling Xiu Qian Cheng, Wuhan Poly Up Town and Harbin Poly City, depending on market conditions and the progress of construction.

Newly Commenced Construction

In the first half of 2015, the Property Group commenced construction on 11 new projects with a gross floor area of approximately 902,000 square metres. Of these new projects, Hong Kong Kai Tak Project, Shanghai Poly Phili Ya Yuan , Nanning Poly Ling Xiu Qian Cheng and Harbin Poly City commenced construction for the first time. As at the end of 30th June, 2015, the Property Group held a total of 45 projects under construction, with a gross floor area of approximately 8,740,000 square metres.

Project	Gross Floor Area of Commenced Construction (‘000 square metres)	Interests Attributable to the Group (%)
Shanghai Poly Phili Ya Yuan	124	50%
Guangzhou Nansha Poly City	120	49%
Foshan Poly Central Park	38	100%
Guiyang Poly Park 2010	37	100%
Nanning Poly Ling Xiu Qian Cheng	172	38%
Wuhan Poly Up Town	103	50%
Harbin Poly City	115	100%
Jinan Poly Hyde Mansion	45	100%
Jinan Poly Center	49	85%
Jinan Poly Elegant Garden	29	80%
Hong Kong Kai Tak Project	70	100%
Total:	902	



Recognised Property Sales

In the first half of 2015, the Group recognised total sales of RMB5,609 million from property development, with a gross floor area sold reaching approximately 534,900 square metres. The breakdown of the recognised sale from each project is as follows:

Region with Respective Projects	Sales Recognised in the First Half of 2015 (RMB million)	Percentage of Total Recognised Sales (%)
Yangtze River Delta Region	1,854	33%
1. Shanghai Poly Royal Garden	587	
2. Shanghai Poly Town	1	
3. Shanghai Poly Lakeside Garden	9	
4. Shanghai Poly Star Island	22	
5. Shanghai Poly Elegant Mansion	214	
6. Shanghai Poly Felicity	33	
7. Suzhou Poly West Bank Villa	161	
8. Suzhou Poly Lake Mansion	632	
9. Ningbo Poly City	156	
10. Deqing Poly Origin	39	
Pearl River Delta Region	1,112	20%
11. Guangzhou Poly City	8	
12. Guangzhou Poly Golf Shire	229	
13. Guangzhou Poly Zephyr City	172	
14. Foshan Poly Cullinan Garden	131	
15. Foshan Poly Prestige City	184	
16. Shenzhen Poly Up Town	293	
17. Huizhou Poly Deutch Kultur	95	
Southwestern Region	831	15%
18. Nanning Poly Sincere Garden	0.4	
19. Nanning Poly City	124	
20. Nanning Poly Aegean Sea	82	
21. Nanning Poly Phoenixia Garden	0.7	
22. Nanning Poly Century	1	
23. Nanning Poly Landscape	0.8	
24. Nanning Poly Upper House	0.5	
25. Nanning Poly Crescendo	82	
26. Liuzhou Poly Merization World	109	
27. Guiyang Poly Spring Street	53	
28. Guiyang Poly Clouds Hill International	2	
29. Guiyang Poly Hot Spring Newisland	9	
30. Guiyang Poly International Center	(2)	
31. Guiyang Poly Park 2010	143	
32. Kunming Poly Sky and Earth	226	

Region with Respective Projects	Sales Recognised in the First Half of 2015 (RMB million)	Percentage of Total Recognised Sales (%)
Other Regions	1,812	32%
33. Wuhan Poly Royal Palace	1	
34. Wuhan Poly Blue Ocean District	11	
35. Poly Harbin Contemporary No. 9 Park Life	23	
36. Harbin The Tsinghua Summer Palace of Poly	42	
37. Harbin Poly Yi He Homeland	0.1	
38. Harbin Poly The Water's Fragrant Dike	90	
39. Jinan Poly Hyde Mansion	153	
40. Jinan Poly Garden	0.3	
41. Jinan Poly Center	19	
42. Jinan Poly Daming Lake	1	
43. Jinan Poly Elegant Garden	673	
44. Weihai Poly Triumph Mansion	44	
45. Yantai Poly Champs Elysees Mansion	371	
46. Yantai Poly Blossom Garden	306	
47. Hainan Poly Peninsula No. 1	78	
Total:	5,609	100%

New Land Reserves

In the first half of 2015, the Group adhered to prudent investment strategies and obtained two land parcels located in Wuhan and Weihai, respectively. The new land reserves have a total site area of approximately 100,000 square metres and a planned gross floor area of approximately 370,000 square metres. Land cost was maintained at a reasonable level.

Land Reserves	Planned Property Type	Total Site Area (square metres)	Total Planned Gross Floor Area (square metres)	Interests Attributable to the Group
Wuhan Poly City, Phase II	Residential	59,000	243,000	68%
Weihai Poly Maple Valley	Residential	45,000	131,000	70%
Total:		104,000	374,000	



Wuhan Poly City, Phase II

The project is located between Youyi Avenue and Qingsi Avenue (Tuanjie Avenue) in Wuhan, on a block surrounded by 4 subway lines and sitting adjacent to the inner ring and the second ring. Superior traffic convenience is afforded as Wuhan Happy Valley, Wuhan Tiandi, Wuhan Train Station and Jiangtan Park are all accessible with a 10-minute drive. The project integrates major urban functions, such as residential community, work, commerce and entertainment, and offers a wide range of property types including residence, SOHO, commercial cluster, leisure shopping walk, innovative hotel, office, community service and nursery. The development of this project will provide Wuchang and Xudong Districts with a dynamic “city” with a strong cultural aura and excellent conditions for living.

Weihai Poly Maple Valley

The project is located to the north of Sifang Road in Huancui District, Weihai, facing Huanshan Road in the west. It is surrounded by hills with sea views in one direction, and enjoys superior natural resources from a national 4A scenic zone nearby. Proximity to Qingdao Road and Tongyi Road, the main highways of the city, ensures traffic convenience. Within the surrounding area of the project, there are comprehensive ancillary facilities for commerce, education and medical care, as well as cultural and sport facilities such as Poly Cultural Center, Tao Jia Kuang Community Cultural Center and Tao Jia Kuang Community Fitness Plaza. The project will be built into a community with cultural harmony comprising of mainly high-rises.

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 540,000 square metres, of which approximately 500,000 square metres are attributable to the Group.



In the first half of 2015, the occupancy rates for the Group's office buildings and shopping malls remained stable, with higher rental rates compared with the corresponding period last year. As for hotel operations, Beijing Poly Plaza, Wuhan 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
Beijing	Beijing Poly Plaza	95	75%	Office building, hotel and theatre
Shanghai	Shanghai Stock Exchange Building (partial)	48	100%	Office building
Shanghai	Shanghai Poly Plaza (partial)	61	90%	Office and commercial building
Shenzhen	Shenzhen Poly Cultural Plaza (partial)	133	100%	Shopping mall and theatre
Wuhan	Wuhan Poly Plaza (partial)	130	100%	Office and commercial building
Wuhan	Poly Hotel	34	100%	Hotel
Guiyang	Regal Poly Guiyang Hotel	39	66.5%	Hotel
Total:		540		

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 2015, the Group's property management companies recorded total income of RMB198,751,000, representing an increase of 12.75% compared with the corresponding period last year. The companies managed 124 property projects, including office buildings, hotels, shopping malls, villas and private residences. These projects have an aggregate gross floor area of 24,392,700 square metres, representing an increase of 27.94% compared with the corresponding period last year.



FINANCIAL REVIEW

Liquidity and Capital Structure

As at 30th June, 2015, the shareholders' equity of the Group amounted to HK\$29,613,660,000 (31st December, 2014: HK\$29,762,327,000), while the net asset value per share was HK\$8.09 (31st December, 2014: HK\$8.14). As at 30th June, 2015, the Group's gearing ratio (on the basis of the amount of total liabilities divided by total assets) was 74.9% (31st December, 2014: 73.6%).

As at 30th June, 2015, the Group had outstanding bank and other borrowings (including the notes payable) of HK\$56,124,989,000. In terms of maturity, the outstanding bank and other borrowings (including the notes payable) can be divided into HK\$13,915,516,000 (25%) to be repaid within one year, HK\$19,234,086,000 (34%) to be repaid after one year but within two years and HK\$22,975,387,000 (41%) to be repaid after two years but within five years. In terms of currency denomination, the outstanding bank and other borrowings (including the notes payable) can be divided into HK\$46,230,576,000 (83%) in Renminbi, HK\$7,014,076,000 (12%) in United State dollars and HK\$2,880,337,000 (5%) in Hong Kong dollars.

51% of the bank and other borrowings (including the notes payable) of the Group are subject to fixed interest rates and the remaining 49% 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 rate swaps), in order to manage interest rate risks.

As at 30th June, 2015, the Group had net current assets of HK\$62,258,047,000 and total bank balances of HK\$19,829,176,000 (31st December, 2014: HK\$53,876,791,000 and HK\$17,756,204,000, respectively). With the available banking facilities and cash revenue from business operations, it is believed that the Group has sufficient resources to meet the foreseeable working capital demands and capital expenditure.

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, United State dollars and Renminbi. The Group maintains a prudent strategy in its foreign exchange risk management, where foreign exchange risks are minimised via balancing the monetary assets versus monetary liabilities, and foreign exchange revenue versus foreign exchange expenditures. The management believes that the foreign exchange rate between Hong Kong dollars and United State dollars is relatively stable. On the other hand, despite the recent fluctuation of Renminbi exchange rate, the management believes that the fluctuation of the Renminbi exchange rate against Hong Kong dollars and United State dollars will not fluctuate materially in the foreseeable future, if any. In this regard, the Group believes that its exposure to foreign exchange risks is minimal.

Pledge of Assets

As at 30th June, 2015, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Investment properties	3,925,781	3,949,832
Hotel properties	702,911	702,911
Buildings	113,053	113,432
Prepaid lease payments	280,913	284,095
Properties under development	23,579,144	24,036,940
Properties held for sale	1,223,202	2,195,906
Bank deposits	1,348,784	1,519,231
	31,173,788	32,802,347

In addition to above pledge of assets, as at 30th June, 2015, the Group's interests in certain subsidiaries were pledged to secure credit facilities granted to the Group. The details of net asset value of subsidiaries are as follows:

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Total assets	6,830,524	6,802,099
Total liabilities	(5,988,170)	(5,966,803)
	842,354	835,296

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\$22,615,770,000 as at 30th June, 2015 (31st December, 2014: HK\$19,283,061,000). Such guarantees will terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgage loans by the buyers of the properties. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loan guaranteed by the Group in the event the purchasers default payments to the banks.



At 30th June, 2015, the Group had given guarantees to certain banks in respect of credit facilities granted to certain associates and joint ventures of the Group amounting to HK\$1,177,215,000 (31st December, 2014: HK\$1,177,215,000) and HK\$2,844,886,000 (31st December, 2014: HK\$2,849,342,000), respectively, of which HK\$1,177,215,000 (31st December, 2014: HK\$1,177,215,000) and HK\$2,844,886,000 (31st December, 2014: HK\$2,849,342,000) had been utilised by the associates and joint ventures, respectively.

STAFF

As at 30th June, 2015, the Group employed about 10,851 (30th June, 2014: 9,235) staff with remuneration for the period amounted to approximately HK\$516 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, 2015 with comparative figures for the six months ended 30th June, 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30th June,	
		2015	2014
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	2	7,489,404	11,208,881
Cost of sales		(6,216,323)	(8,391,704)
Gross profit		1,273,081	2,817,177
Other income		269,019	204,247
Selling expenses		(296,214)	(321,248)
Administrative expenses		(569,294)	(647,317)
Decrease in fair value of held-for-trading investments		–	(126)
Increase in fair value of investment properties		513,202	828,236
Gain on disposal of interests in subsidiaries		–	20,668
Finance costs		(476,205)	(415,292)
Share of results of associates		(6,628)	(2,076)
Share of results of joint ventures		899	32,443
Profit before taxation	3	707,860	2,516,712
Income tax expense	4	(390,975)	(1,027,784)
Profit for the period		316,885	1,488,928
Attributable to:			
Owners of the Company		102,769	1,133,388
Holders of perpetual capital instruments	18	74,666	–
Non-controlling interests		139,450	355,540
		316,885	1,488,928
Dividends	5	278,277	812,754
Earnings per share	6		
— Basic		2.81 cents	31.10 cents
— Diluted		2.81 cents	31.00 cents



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30th June,	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Profit for the period		316,885	1,488,928
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments		(317)	6,021
		(317)	6,021
Items that will not be reclassified to profit or loss:			
Surplus arising on revaluation of properties		33,265	24,594
Other comprehensive income before tax effect		32,948	30,615
Deferred tax liability arising on revaluation of properties		(8,317)	(6,148)
Other comprehensive income for the period, net of tax		24,631	24,467
Total comprehensive income for the period		341,516	1,513,395
Attributable to:			
Owners of the Company		122,175	1,152,663
18 Holders of perpetual capital instruments	18	74,666	–
Non-controlling interests		144,675	360,732
		341,516	1,513,395

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30th June, 2015 HK\$'000 (Unaudited)	31st December, 2014 HK\$'000 (Audited)
Non-Current Assets			
Investment properties	8	11,166,602	10,053,392
Property, plant and equipment	8	2,019,969	2,049,764
Prepaid lease payments — non-current portion		373,995	379,757
Goodwill		293,220	307,612
Interests in associates		301,294	307,923
Interests in joint ventures		481,085	533,765
Available-for-sale investments		136,371	136,688
Deposits paid for acquisition of land use rights		322,563	143,037
Deposits paid for acquisition of subsidiaries		253,165	253,165
Deferred tax assets		488,208	349,309
		15,836,472	14,514,412
Current Assets			
Properties under development		58,978,836	57,432,956
Properties held for sale		25,652,939	27,247,573
Other inventories		138,339	154,565
Trade and other receivables	9	4,580,834	4,074,785
Prepaid lease payments — current portion		11,523	11,523
Held-for-trading investments		—	867
Amounts due from associates	10	1,796,894	400,897
Amounts due from joint ventures	11	5,753,459	5,697,412
Amounts due from non-controlling shareholders of subsidiaries		542,497	1,135,801
Taxation recoverable		1,523,376	975,890
Pledged bank deposits		1,348,784	1,519,231
Bank balances, deposits and cash		18,480,392	16,236,973
		118,807,873	114,888,473



	Notes	30th June, 2015 HK\$'000 (Unaudited)	31st December, 2014 HK\$'000 (Audited)
Current Liabilities			
Trade and other payables	12	10,392,015	14,670,333
Pre-sale deposits		25,752,932	19,082,666
Property rental deposits		129,431	116,054
Amount due to the ultimate holding company	13	58,051	58,299
Amount due to an intermediate holding company	14	1,080,933	975,259
Amounts due to fellow subsidiaries	15	1,954,698	2,410,404
Amounts due to joint ventures	11	376,737	10,391
Amounts due to non-controlling shareholders of subsidiaries		1,696,909	1,674,920
Taxation payable		1,192,604	1,762,830
Bank and other borrowings — due within one year	16	13,915,516	20,250,526
		56,549,826	61,011,682
Net Current Assets			
		62,258,047	53,876,791
Total Assets Less Current Liabilities			
		78,094,519	68,391,203
Capital and Reserves			
Share capital	17	17,685,677	17,677,143
Reserves		11,927,983	12,085,184
Equity attributable to owners of the Company		29,613,660	29,762,327
Perpetual capital instruments	18	1,340,489	998,696
Non-controlling interests		2,834,047	3,338,192
Total Equity			
		33,788,196	34,099,215
Non-Current Liabilities			
Bank and other borrowings — due after one year	16	38,309,473	28,433,069
Notes payable	19	3,900,000	3,900,000
Amount due to the ultimate holding company	13	379,747	379,747
Loan from a fellow subsidiary		227,848	227,848
Deferred tax liabilities		1,489,255	1,351,324
		44,306,323	34,291,988
		78,094,519	68,391,203

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2015

	Attributable to owners of the Company															
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Hotel properties revaluation reserve HK\$'000	Translation reserve HK\$'000	Capital redemption reserve HK\$'000	PRC statutory reserve HK\$'000	Investment revaluation reserve HK\$'000	Other capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Other reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Perpetual capital instruments HK\$'000	Non-controlling shareholdings HK\$'000	Total HK\$'000
At 1st January, 2015	17,677,143	-	1,099	119,506	1,682,955	-	1,316,011	(16,078)	306,899	16,161	(285,195)	8,943,826	29,762,327	998,696	3,338,192	34,099,215
Total comprehensive income for the period	-	-	-	13,458	-	-	-	(317)	-	6,265	-	102,719	122,175	74,666	144,675	341,516
Exercise of share options	8,534	-	(1,099)	-	-	-	-	-	-	-	-	7,435	-	-	-	7,435
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(278,277)	(278,277)	-	-	(278,277)
Dividends paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(631,646)	(631,646)
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,820	13,820
Release upon dissolution of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(30,994)	(30,994)
Issue of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	267,127	-	267,127
At 30th June, 2015	17,685,677	-	-	132,964	1,682,955	-	1,316,011	(16,395)	306,899	22,426	(285,195)	8,768,318	29,613,660	1,340,489	2,834,047	33,788,196

For the six months ended 30th June, 2014

	Attributable to owners of the Company															
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Hotel properties revaluation reserve HK\$'000	Translation reserve HK\$'000	Capital redemption reserve HK\$'000	PRC statutory reserve HK\$'000	Investment revaluation reserve HK\$'000	Other capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Other reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Perpetual capital instruments HK\$'000	Non-controlling shareholdings HK\$'000	Total HK\$'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)	8,881,287	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	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	17,661,934	-	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



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30th June,	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Net cash used in operating activities	(654,379)	(4,057,251)
Net cash used in investing activities	(557,531)	(3,681,946)
Net cash from financing activities	3,455,329	7,162,604
Net increase/(decrease) in cash and cash equivalents	2,243,419	(576,593)
Cash and cash equivalents at beginning of the period	16,236,973	14,826,081
Cash and cash equivalents at end of the period	18,480,392	14,249,488
Analysis of the balance of cash and cash equivalents, represented by — bank balances, deposits and cash	18,480,392	14,249,488

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, 2014, 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, 2015.

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

The explanatory notes include an explanation of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the most recent consolidated financial statements for the year ended 31st December, 2014. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The HKICPA has issued the following amendments to HKFRSs and new interpretations that are first effective for the current accounting period of the Group:

HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

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

For management purposes, the Group is organised into four operating divisions. These divisions are the basis on which the Group reports its segment information.

Information about these segments is presented below:

For the six months ended 30th June, 2015

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

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

At 30th June, 2015*Assets and liabilities*

	Property development HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Total HK\$'000
Assets					
Segment assets	98,139,776	11,956,826	1,591,932	267,218	111,955,752
Interests in associates	301,294	–	–	–	301,294
Interests in joint ventures	479,820	–	–	1,265	481,085
Unallocated corporate assets					21,906,214
Total assets					134,644,345
Liabilities					
Segment liabilities	40,602,135	679,119	231,782	221,555	41,734,591
Unallocated corporate liabilities					59,121,558
Total liabilities					100,856,149



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	Elimi- nations HK\$'000	Total HK\$'000
REVENUE						
External revenue	10,607,054	463,525	86,266	52,036	–	11,208,881
Inter-segment revenue*	–	1,054	–	–	(1,054)	–
Total revenue	10,607,054	464,579	86,266	52,036	(1,054)	11,208,881
SEGMENT RESULTS						
	1,956,776	943,137	(20,811)	4,595	–	2,883,697
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)
Profit for the period						1,488,928

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

At 31st December, 2014
Assets and liabilities

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Total HK\$'000
Assets					
Segment assets	96,883,381	10,689,643	1,590,020	235,072	109,398,116
Interests in associates	307,923	–	–	–	307,923
Interests in joint ventures	531,978	–	–	1,787	533,765
Unallocated corporate assets					19,163,081
Total assets					129,402,885
Liabilities					
Segment liabilities	38,512,432	771,738	221,951	47,053	39,553,174
Unallocated corporate liabilities					55,750,496
Total liabilities					95,303,670

3. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging/(crediting):		
Amortisation of prepaid lease payments	5,762	6,095
Depreciation of property, plant and equipment	67,278	71,234
Share of tax of joint ventures (included in share of results of joint ventures)	5,986	20,312
Gain on disposal of interests in subsidiaries	–	(20,688)
Loss on disposal of investment properties	5,080	8,987



4. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2015 HK\$'000	2014 HK\$'000
The charge comprises:		
Hong Kong profits tax calculated at 16.5% (30th June, 2014: 16.5%) of the estimated assessable profits for the period	–	–
PRC enterprise income tax	201,288	484,463
	201,288	484,463
Land appreciation tax	198,971	329,289
Deferred taxation	(9,284)	214,032
	390,975	1,027,784

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,	
	2015 HK\$'000	2014 HK\$'000
2014 final dividend of HK\$0.076 per share (2014: 2013 final dividend of HK\$0.223 per share)	278,277	812,754

The Directors have decided not to declare any interim dividend for the six months ended 30th June, 2015 (30th June, 2014: HK\$Nil).

6. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the six months ended 30th June, 2015 is based on the following data:

	Six months ended 30th June, 2015	
	HK\$'000	2014 HK\$'000
Earnings:		
Profit for the period attributable to owners of the Company	102,769	1,133,388
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,661,397,405	3,644,637,046
Effect of dilutive potential ordinary shares on share options	57,571	10,900,039
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,661,454,976	3,655,537,085

7. TRANSFER TO AND FROM RESERVES

During the six months ended 30th June, 2015, 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 (30th June, 2014: HK\$Nil).

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

During the period, the net decrease to the Group's property, plant and equipment amounted to approximately HK\$30 million (30th June, 2014: net increase 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\$28 million (30th June, 2014: HK\$77 million). The depreciation charge of HK\$67 million (30th June, 2014: HK\$71 million) was noted. Out of which, HK\$25 million (30th June, 2014: HK\$25 million) hotel properties depreciation charge was eliminated based on revaluation as at 30th June, 2015.

The Group's investment properties and hotel properties at 30th June, 2015 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.



For the period ended 30th June, 2015, the increase in fair value of investment properties amounted to approximately HK\$513 million (30th June, 2014: HK\$828 million).

Additional units of properties transferred from properties held for sale to investment properties amounted to HK\$656 million (30th June, 2014: HK\$10 million). The increase was offset by disposal of investment properties of HK\$71 million (30th June, 2014: 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, 2015 HK\$'000	31st December, 2014 HK\$'000
0 to 30 days	737,793	753,089
31 to 90 days	36,245	29,716
More than 90 days	445,469	456,092
Total trade receivables	1,219,507	1,238,897
Bills receivables	–	204
Other receivables	3,361,327	2,835,684
	4,580,834	4,074,785

10. AMOUNTS DUE FROM ASSOCIATES

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
— Interest-free	37,989	2,788
— Fixed rate of 8%	68,983	50,628
— Fixed rate of 8.9%	1,310,175	347,481
— Fixed rate of 10%	379,747	–
	1,796,894	400,897

The amounts are unsecured and repayable on demand, except for HK\$68,983,000 (31st December, 2014: HK\$50,628,000) are repayable within one year.

11. AMOUNTS DUE FROM/TO JOINT VENTURES

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Amount due from joint ventures:		
— Interest-free	108,963	357,508
— Fixed rate of 8%	1,777,197	3,464,644
— Fixed rate of 8.9%	1,012,658	—
— Fixed rate of 8.95%	253,165	—
— Fixed rate of 10%	253,165	—
— Fixed rate of 10.16%	—	388,550
— Fixed rate of 10.7%	688,465	519,578
— Fixed rate of 11%	329,114	—
— Fixed rate of 15%	468,354	—
— Benchmark rate in the PRC	123,975	393,968
— 110% of benchmark rate in the PRC	738,403	573,164
	5,753,459	5,697,412
Amount due to joint ventures:		
— Interest-free	376,737	10,391

The amounts are unsecured and repayable on demand.

12. TRADE AND OTHER PAYABLES

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

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
0 to 30 days	2,486,096	8,282,869
31 to 90 days	180,616	369,830
More than 90 days	4,997,140	2,066,791
Total trade payables	7,663,852	10,719,490
Bills payables	433,749	1,168,970
Other payables	2,294,414	2,781,873
	10,392,015	14,670,333



13. AMOUNT DUE TO THE ULTIMATE HOLDING COMPANY

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
— Interest-free	23,995	24,243
— 92% of benchmark rate in the PRC	34,056	34,056
— 96.5% of benchmark rate in the PRC	379,747	379,747
	437,798	438,046
Less: Amount due within one year shown under current liabilities	(58,051)	(58,299)
Amount due after one year	379,747	379,747

The amount is unsecured and repayable on demand, except the amount of HK\$34,056,000 (31st December 2014: HK\$34,056,000) and HK\$379,747,000 (31st December 2014: HK\$379,747,000) which were repayable within one year and in the year of 2017, respectively.

14. AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
— Interest-free	187,593	26,856
— Fixed rate of 6.4%	506,329	506,329
— Fixed rate of 7.2%	379,747	379,747
— Benchmark rate in the PRC plus 0.5%	3,741	3,741
— Benchmark rate in the PRC plus 1%	3,523	58,586
	1,080,933	975,259

The amount is unsecured and repayable on demand, except the amount of HK\$893,340,000 (31st December 2014: HK\$948,403,000) which is repayable within one year.

15. AMOUNTS DUE TO FELLOW SUBSIDIARIES

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
— Interest-free	1,726,850	2,233,189
— 7.27% plus the movement of the benchmark rate in the PRC	227,848	177,215
	1,954,698	2,410,404

The amounts are unsecured and repayable on demand.

16. BANK AND OTHER BORROWINGS

During the period, the Group obtained new bank and other borrowings in the amounts of HK\$17,627 million (30th June, 2014: HK\$18,886 million), which bear interest at market rates. The Group also repaid approximately HK\$14,086 million (30th June, 2014: HK\$10,927 million) during the period.

17. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares, issued and fully paid:		
At 1st January, 2015	3,655,682,046	17,677,143
Exercise of share options (Note)	5,855,000	8,534
	3,661,537,046	17,685,677
At 30th June, 2015		

Note:

During the six months ended 30th June, 2015, 5,855,000 share options were exercised by the eligible option holders, resulting in the issue of 5,855,000 ordinary shares in the share capital of the Company at a total consideration of HK\$7,435,000.



18. PERPETUAL CAPITAL INSTRUMENTS

During the year ended 31st December, 2014, the Group issued perpetual capital instruments to independent third parties with an aggregate principal amount of RMB788,970,000 (approximately HK\$998,696,000). During the six months ended 30th June, 2015, the Group further issued perpetual capital instruments to independent third parties with an aggregate principal amount of RMB211,030,000 (approximately HK\$267,127,000). As at 30th June, 2015, the aggregate principal amount of perpetual capital instruments amounted to RMB1,000,000,000 (approximately HK\$1,265,823,000) in total.

The perpetual capital instruments have no maturity date and the distribution payments can be deferred at the discretion of the Group. Therefore, the perpetual capital instruments are classified as equity instruments and recorded in equity in the condensed consolidated statement of financial position.

Profit attributable to holders of perpetual capital instruments for the six months ended 30th June, 2015 amounted to HK\$74,666,000 (30th June, 2014: HK\$Nil) and no distribution was made to holders of perpetual capital instruments for the six months ended 30th June, 2015 (30th June, 2014: HK\$Nil).

19. NOTES PAYABLE

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

20. 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)

21. 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\$22,615,770,000 as at 30th June, 2015 (31st December, 2014: HK\$19,283,061,000). Such guarantees will terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgage loans by the buyers of the properties. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loan guaranteed by the Group in the event the purchasers default payments to the banks.

At 30th June, 2015, the Group had given guarantees to certain banks in respect of credit facilities granted to certain associates and joint ventures of the Group amounting to HK\$1,177,215,000 (31st December, 2014: HK\$1,177,215,000) and HK\$2,844,886,000 (31st December, 2014: HK\$2,849,342,000), respectively, of which HK\$1,177,215,000 (31st December, 2014: HK\$1,177,215,000) and HK\$2,844,886,000 (31st December, 2014: HK\$2,849,342,000) had been utilised by the associates and joint ventures, respectively.



22. CAPITAL COMMITMENTS

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— property development expenditures	13,947,978	13,862,585
— acquisition of land use rights	998,402	750,789
	14,946,380	14,613,374

The Group did not have any capital expenditure authorised but not contracted for as at 30th June, 2015 and 31st December, 2014.

23. MATERIAL RELATED PARTY TRANSACTIONS

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

(i) Related parties:

	Six months ended 30th June,	
	2015 HK\$'000	2014 HK\$'000
Property rental income (note a)	5,776	5,306
Theatre operating expenses (note b)	4,430	6,962
Construction fee paid (note c)	291,075	937,785
Interest expenses (note d)	82,891	96,185
Interest income (note e)	157,566	72,250
Guarantee charges (note f)	8,972	–
Management fee income	632	632

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 6.4%, 7.2%, benchmark rate in the PRC plus 0.5% to 1%, 92% of benchmark rate in the PRC to 96.5% of benchmark rate in the PRC, 7.27% plus the movement of the benchmark rate in the PRC.
- (e) The interest income derived from loans advanced to associates and joint ventures, which carried interest at a fixed rate of 8% to 15%, benchmark rate in the PRC to 110% of benchmark rate in the PRC.
- (f) The guarantee charges were paid to the ultimate holding company and a fellow subsidiary for acting as a guarantor of bank loans borrowed by subsidiaries of the Group and it was charged at 1% on the maximum guarantee amount.

In addition to the above transactions, on 11th April, 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.

(II) **Compensation to key management personnel**

	Six months ended 30th June,	
	2015 HK\$'000	2014 HK\$'000
Short-term benefits	10,862	9,940
Post-employment benefits	239	224
	11,101	10,164

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



OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30th June, 2015 (corresponding period in 2014: HK\$Nil).

SHARE OPTION SCHEME

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

2003 Share Option Scheme

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

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

The following table discloses details of the Company’s share options under the 2003 Share Option Scheme held by employees (including directors) and movement in such holdings during the period:

	Outstanding at 1.1.2015	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30.6.2015
Category 1: Directors	-	-	-	-	-	-
Category 2: Employees (Note)	5,855,000	-	(5,855,000)	-	-	-
Total all categories	5,855,000	-	(5,855,000)	-	-	-

Note:

Details of specific category of the option is as follows:

Date of grant	Exercisable period	Exercise price per share
14.7.2005	14.7.2005–13.7.2015	1.270

5,855,000 (corresponding period in 2014: Nil) share options were exercised during the period. The weighted average share price at the date of share options exercised during the period was HK\$3.91 (corresponding period in 2014: HK\$Nil).

New Share Option Scheme

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

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

According to the New Share Option Scheme, the board of directors of the Company may grant options to (i) any director and employee of the Company or subsidiaries, or an entity in which the Group holds an interest ("Affiliate"); (ii) any customer, supplier, agent, partner, consultant, adviser or shareholder of or contractor to the Group or an Affiliate; (iii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, customer, supplier, agent, partner, consultant, adviser or shareholder of or contractor to the Group or an Affiliate; or (iv) a company beneficially owned by any director, employee, consultant, customer, supplier, agent, partner, shareholder, adviser of or contractor to the Group or an Affiliate to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted.

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

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

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



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

As at 30th June, 2015, no option was granted under the New Share Option Scheme. The total number of options available for grant is 364,463,704 (30th June, 2014: 364,463,704), representing approximately 9.95% (30th June, 2014: 10%) of the issued share capital of the Company.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2015, according to the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules, the interests of the Directors in the shares and underlying shares of the Company were as follows:

Long position

Ordinary shares of the Company

Mr. Xue Ming is holding 1,000,000 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.

Save as disclosed above, as at 30th June, 2015, 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, 2015, 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		Total number of shares	Approximate percentage of the issued share capital of the Company
	Beneficial owner	Held by controlled corporation(s)		
Long position				
Congratulations Company Ltd.	1,037,975,080	–	1,037,975,080	28.35%
Source Holdings Limited	228,398,760	100,086,800	328,485,560 (Note 1)	8.97%
Ting Shing Holdings Limited	–	1,366,460,640 (Note 2)	1,366,460,640	37.32%
Poly (Hong Kong) Holdings Limited	112,410,476	1,366,460,640	1,478,871,116 (Note 3)	40.39%
Poly Southern Group Limited	253,788,246	–	253,788,246	6.93%
China Poly Group Corporation	–	1,732,659,362 (Note 4)	1,732,659,362	47.32%

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, 2015.



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

During the six months period ended 30th June, 2015, 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.5.1 to A.5.4, A.5.6 and E.1.2 of the CG Code. The reasons for deviation are explained below:

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

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

Code Provision 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 adopted a board diversity policy on 10th March, 2015.

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

The chairman should attend the annual general meeting. Due to an important engagement at the relevant time, Mr. Xue Ming, the Chairman, was not able to attend the annual general meeting of the Company held on 27th May, 2015.

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 as set out in Appendix 10 to the Listing Rules. 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, 2015.

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.

