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保利置业
POLY PROPERTY

# Poly Property Group Co., Limited
# 保 利 置 業 集 團 有 限 公 司

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 119)**

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2013

### 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, 2013 with comparative figures for the six months ended 30th June, 2012 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

| | | **Six months ended 30th June,** | |
|---|---|---|---|
| | | **2013** | 2012 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Unaudited) |
| Revenue | *2* | **10,357,773** | 6,474,847 |
| Cost of sales | | **(7,130,156)** | (4,108,141) |
| Gross profit | | **3,227,617** | 2,366,706 |
| Other income | | **366,763** | 119,409 |
| Selling expenses | | **(370,970)** | (225,101) |
| Administrative expenses | | **(625,947)** | (508,770) |
| Decrease in fair value of held-for-trading investments | | **(63)** | (254) |
| Increase in fair value of investment properties | | **962,456** | 203,818 |
| Finance costs | | **(263,585)** | (142,220) |
| Share of results of jointly controlled entities | | **(4,956)** | (4,109) |
| Share of results of associates | | **2,444** | 7,986 |
| Profit before taxation | *3* | **3,293,759** | 1,817,465 |
| Income tax expense | *4* | **(1,162,175)** | (659,813) |
| Profit for the period | | **2,131,584** | 1,157,652 |

| | Notes | Six months ended 30th June, **2013** *HK$'000* **(Unaudited)** | 2012 *HK$'000* (Unaudited) |
|---|---|---|---|
| Attributable to: | | | |
| Owners of the Company | | **1,958,687** | 1,069,884 |
| Non-controlling interests | | **172,897** | 87,768 |
| | | **2,131,584** | 1,157,652 |
| Dividends | *5* | **794,465** | – |
| **Earnings per share** | *6* | | |
| — Basic | | **54.07 cents** | 29.65 cents |
| — Diluted | | **53.83 cents** | 29.55 cents |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

| | Notes | **30th June, 2013** *HK$'000* **(Unaudited)** | 31st December, 2012 *HK$'000* (Audited) |
|---|---|---|---|
| **Current Liabilities** | | | |
| Trade and other payables | *9* | **10,306,177** | 8,853,339 |
| Pre-sale deposits | | **25,907,175** | 18,520,967 |
| Property rental deposits | | **103,011** | 99,396 |
| Amount due to the ultimate holding company | | **438,052** | 427,236 |
| Amount due to an intermediate holding company | | **694,266** | 770,672 |
| Amounts due to fellow subsidiaries | | **1,603,565** | 2,453,119 |
| Amounts due to non-controlling shareholders of subsidiaries | | **2,959,905** | 2,657,543 |
| Taxation payable | | **1,418,925** | 1,638,757 |
| Bank and other borrowings — due within one year | | **18,591,982** | 14,845,813 |
| | | **62,023,058** | 50,266,842 |
| **Net Current Assets** | | **51,974,866** | 46,264,249 |
| **Total Assets Less Current Liabilities** | | **66,637,489** | 57,469,021 |
| **Capital and Reserves** | | | |
| Share capital | | **1,822,169** | 1,804,219 |
| Reserves | | **27,050,971** | 25,268,367 |
| Equity attributable to owners of the Company | | **28,873,140** | 27,072,586 |
| Non-controlling interests | | **3,243,508** | 2,974,768 |
| **Total Equity** | | **32,116,648** | 30,047,354 |
| **Non-Current Liabilities** | | | |
| Bank and other borrowings — due after one year | | **28,781,426** | 25,869,481 |
| Notes payable | | **3,900,000** | – |
| Amount due to an intermediate holding company | | **379,747** | 370,370 |
| Loan from a fellow subsidiary | | **227,848** | 222,222 |
| Deferred tax liabilities | | **1,231,820** | 959,594 |
| | | **34,520,841** | 27,421,667 |
| | | **66,637,489** | 57,469,021 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

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

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

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

(i) HKFRS 10 "Consolidated Financial Statements" modifies the concept of "control" substantially. The Company's adoption of this new concept of control does not result in a change in the classification of investments in subsidiaries and other entities;

(ii) HKFRS 11 "Joint Arrangements" introduces the concepts of "joint venture" and "joint operations". The Company's adoption of these new concepts does not result in a change in the classification and measurement of investments in joint ventures and other entities; and

(iii) HKFRS 13 "Fair Value Measurement" introduces a number of new concepts and principles regarding fair value measurement. The Company's adoption of these new concepts and principles does not result in a change in the fair value measurements of its assets and liabilities.

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

## 2. REVENUE AND SEGMENT INFORMATION

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

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

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

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

**For the six months ended 30th June, 2012**

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

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

## 3. PROFIT BEFORE TAXATION

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

## 4. INCOME TAX EXPENSE

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

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

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

## 5. DIVIDENDS

| | Six months ended 30th June, 2013 HK$'000 | Six months ended 30th June, 2012 HK$'000 |
|---|---|---|
| 2012 final dividend of HK$0.218 per share | **794,465** | – |

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

## 6. EARNINGS PER SHARE

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

| | Six months ended | |
|---|---|---|
| | **30th June, 2013** | 30th June, 2012 |
| | ***HK$'000*** | *HK$'000* |
| **Earnings:** | | |
| Profit for the period attributable to owners of the Company | **1,958,687** | 1,069,884 |

| | Six months ended | |
|---|---|---|
| | **30th June, 2013** | 30th June, 2012 |
| **Number of shares:** | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | **3,622,682,107** | 3,608,437,046 |
| Effect of dilutive potential ordinary shares on share options | **15,857,182** | 11,641,267 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | **3,638,539,289** | 3,620,078,313 |

## 7. TRANSFER TO AND FROM RESERVES

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

## 8. TRADE AND OTHER RECEIVABLES

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

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

## 9. TRADE AND OTHER PAYABLES

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

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

## 10. CONTINGENT LIABILITIES

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

## 11. CAPITAL COMMITMENTS

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

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

## INTERIM DIVIDEND

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Business Review

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

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

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

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

**Property Sales**

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

The Group launched a total of 42 projects for sale during the period. Five projects were debut projects, including Jinan Poly Center, Suzhou Poly West Bank Villa, Hainan Poly Peninsula No. 1, Kunming Poly Sky and Earth and Jinan Poly Elegant Garden. The affordable housing project, Shanghai Poly Grace Garden, also made its debut. Capitalizing on reasonable pricing and accurate product positioning, subscription rates of projects such as Jinan Poly Center and Kunming Poly Sky and Earth were maintained at 80% or above. Hainan Poly Peninsula No. 1, the first project of the Group in Hainan, was launched in late May with positive market response. 311 out of 351 units offered were subscribed on the first day of its debut. This marked the successful launch of the first tourism real estate project of the Group and further enhanced the nationwide influence of the Poly Property brand. After its acquisition in July 2012, Jinan Poly Elegant Garden commenced construction after 5 months and was launched after 10 months, reflecting the rapid development capability and enhanced operation efficiency of the Group. Jinan Poly Elegant Garden recorded sales of over RMB500 million on the first day of its launch.

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

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

* *Note: including sales of car parking spaces*

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

**Commencement of New Construction Projects**

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

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

**Recognized Property Sales**

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

| **Region with respective projects** | **Sales recognized in the first half of 2013*** *(RMB million)* | **Percentage of total sales recognized** *(%)* |
|---|---|---|
| **Yangtze River Delta Region** | **2,925** | 36% |
| 1. Shanghai Poly Noble Duke | 68 | |
| 2. Shanghai Poly Royal Garden | 363 | |
| 3. Shanghai Poly Town | 100 | |
| 4. Shanghai Poly Lakeside Garden | 664 | |
| 5. Suzhou Poly Lake Mansion | 1,128 | |
| 6. Deqing Poly Origin | 602 | |

* Excluding car parking spaces

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

* Excluding car parking spaces

**Land Reserves**

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

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

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

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

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

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

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

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

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

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

**Investment Properties**

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

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

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

* Formerly known as Hubei Poly White Rose Hotel

**Property Management**

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

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

## FINANCIAL REVIEW

### Liquidity and Capital Structure

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

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

31% of the bank and other borrowings of the Group are subject to fixed interest rates and the remaining 69% are subject to floating interest rates. Therefore, under circumstances of interest rates uncertainty or fluctuations or otherwise as appropriate, the Group will consider the use of hedging instruments (including interest rates swaps), in order to manage interest rate risks.

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

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

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

**Pledge of Assets**

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

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

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

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

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

### Contingent Liabilities

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

## STAFF

As at 30th June, 2013, the Group employed about 8,023 (30th June, 2012: 6,381) staff with remuneration for the period amounted to approximately HK$333 million. The Group provides its staff with various benefits including year-ended double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

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

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

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

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

The Company has considered the merits of establishing a nomination committee but is of the view that it is in the best interests of the Company that the Board collectively reviews, deliberates on and approves the structure, size and composition of the Board and the appointment of any new Director. The Board is tasked with ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with the relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of the existing Directors.

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

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10 the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the Model Code for the six months ended 30th June, 2013.

## UPDATE ON DIRECTORS' INFORMATION

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

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

## AUDIT COMMITTEE

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

## PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcements is published on the Company's website at http://www.irasia.com/listco/hk/polyhk/ and the website of the Stock Exchange. The Interim Report 2013 will also be available at the Company's and the Stock Exchange's websites and will be despatched to shareholders of the Company in mid-September.

For and on behalf of the Board
**Poly Property Group Co., Limited**
**XUE Ming**
*Chairman and Managing Director*

Hong Kong, 19th August, 2013

*As at the date of this announcement, the executive directors of the Company are Mr. Chen Hong Sheng, Mr. Wang Xu, Mr. Xue Ming, Mr. Zhang Wan Shun and Mr. Ye Li Wen, the non-executive director is Mr. Ip Chun Chung, Robert, and the independent non-executive directors are Mr. Choy Shu Kwan, Ms. Leung Sau Fan, Sylvia and Mr. Wong Ka Lun.*