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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, 2014

INTERIM RESULTS

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30th June,	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	2	11,208,881	10,357,773
Cost of sales		<u>(8,391,704)</u>	<u>(7,130,156)</u>
Gross profit		2,817,177	3,227,617
Other income		204,247	366,763
Selling expenses		(321,248)	(370,970)
Administrative expenses		(647,317)	(625,947)
Decrease in fair value of held-for-trading investments		(126)	(63)
Increase in fair value of investment properties		828,236	962,456
Gain on disposal of interests in subsidiaries		20,668	–
Finance costs		(415,292)	(263,585)
Share of results of associates		(2,076)	2,444
Share of results of joint ventures		<u>32,443</u>	<u>(4,956)</u>
Profit before taxation	3	2,516,712	3,293,759
Income tax expense	4	<u>(1,027,784)</u>	<u>(1,162,175)</u>
Profit for the period		<u><u>1,488,928</u></u>	<u><u>2,131,584</u></u>

		Six months ended 30th June,	
		2014	2013
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Attributable to:			
Owners of the Company		1,133,388	1,958,687
Non-controlling interests		355,540	172,897
		<u>1,488,928</u>	<u>2,131,584</u>
Dividends	5	<u>812,754</u>	<u>794,465</u>
Earnings per share	6		
— Basic		<u>31.10 cents</u>	<u>54.07 cents</u>
— Diluted		<u>31.00 cents</u>	<u>53.83 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

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

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

- Amendments to HKFRS 10, HKFRS12 and HKAS 27, Investment Entities
- Amendments to HKAS 32, Offsetting Financial Assets and Financial Liabilities
- Amendments to HKAS 36, Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to HKAS 39, Novation of Derivatives and Continuation of Hedge Accounting
- HK(IFRIC)21, Levies

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

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

2. REVENUE AND SEGMENT INFORMATION

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

For the six months ended 30th June, 2014

	Property development business <i>HK\$'000</i>	Property investment and management <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Elimi- nations <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE						
External revenue	10,607,054	463,525	86,266	52,036	–	11,208,881
Inter-segment revenue*	–	1,054	–	–	(1,054)	–
Total revenue	<u>10,607,054</u>	<u>464,579</u>	<u>86,266</u>	<u>52,036</u>	<u>(1,054)</u>	<u>11,208,881</u>
SEGMENT RESULT						
	<u>1,956,776</u>	<u>943,137</u>	<u>(20,811)</u>	<u>4,595</u>	<u>–</u>	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						<u>1,488,928</u>

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

For the six months ended 30th June, 2013

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

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

3. PROFIT BEFORE TAXATION

	Six months ended	
	30th June, 2014	30th June, 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>

Profit before taxation has been arrived at after charging and (crediting):

Amortisation of prepaid lease payments	6,095	5,891
Depreciation and amortisation of property, plant and equipment	71,234	63,890
Share of tax of associates (included in share of results of associates)	–	–
Share of tax of joint ventures (included in share of results of joint ventures)	20,312	–
Gain on disposal of interests in subsidiaries	20,668	–
Loss (Gain) on disposal of investment properties	8,987	(329)

4. INCOME TAX EXPENSE

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

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

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

5. DIVIDENDS

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

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

6. EARNINGS PER SHARE

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

	Six months ended	
	30th June, 2014	30th June, 2013
	HK\$'000	HK\$'000
Earnings:		
Profit for the period attributable to owners of the Company	1,133,388	1,958,687
	Six months ended	
	30th June, 2014	30th June, 2013
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,644,637,046	3,622,682,107
Effect of dilutive potential ordinary shares on share options	10,900,039	15,857,182
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,655,537,085	3,638,539,289

7. TRANSFER TO AND FROM RESERVES

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

8. TRADE AND OTHER RECEIVABLES

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

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

9. TRADE AND OTHER PAYABLES

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

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

10. SHARE CAPITAL

The Company's share capital increased mainly pursuant to new Hong Kong Companies Ordinance (Cap. 622), which becomes effective on 3rd March, 2014. The Company's shares no longer have a par or nominal value. The share premium of HK\$15,814,698,000 and capital redemption reserve of HK\$23,917,000 become part of the share capital. Thus, the Company's share capital was increased by HK\$15,838,615,000.

11. CONTINGENT LIABILITIES

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

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

12. CAPITAL COMMITMENTS

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

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

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business Review

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

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

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

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

Property Sales

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

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

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

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

* Note: including sales of car parking spaces

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

Newly Commenced Construction

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

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

Recognized Property Sales

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

Region with Respective Projects	Sales Recognized in the First Half of 2014* (RMB million)	Percentage of Total Recognized Sales (%)
Yangtze River Delta Region	3,992	47%
1. Shanghai Poly Royal Garden	1,487	
2. Shanghai Poly Town	3	
3. Shanghai Poly Lakeside Garden	77	
4. Shanghai Poly Star Island	1,025	
5. Shanghai Poly Elegant Mansion	117	
6. Shanghai Poly Grace Garden	378	
7. Shanghai Poly Felicity	824	
8. Suzhou Poly Lake Mansion	49	
9. Ningbo Poly City	32	
Pearl River Delta Region	1,093	13%
10. Guangzhou Poly City	3	
11. Guangzhou Poly Zephyr City	227	
12. Guangzhou Poly Golf Shire	168	
13. Foshan Poly Cullinan Garden	215	
14. Foshan Poly Prestige City	272	
15. Huizhou Poly Deutch Kultur	35	
16. Shenzhen Poly Up Town	173	
South-western Regions	1,364	16%
17. Nanning Poly Sincere Garden	13	
18. Nanning Poly City	637	
19. Nanning Poly Landscape	1	
20. Nanning Poly Crescendo	88	
21. Liuzhou Poly Merization World	287	
22. Guiyang Poly Spring Street	42	
23. Guiyang Poly Clouds Hill International	2	
24. Guiyang Poly International Center	144	
25. Guiyang Poly Hot Spring Newisland	8	
26. Guiyang Poly Park 2010	132	
27. Kunming Poly Lakeside Mansion	10	

* Excluding car parking spaces

Region with Respective Projects	Sales Recognized in the First Half of 2014* (RMB million)	Percentage of Total Recognized Sales (%)
Other Regions	2,005	24%
28. Wuhan Poly Royal Palace	31	
29. Wuhan Poly Blue Ocean District	110	
30. Jinan Poly Hyde Mansion	755	
31. Jinan Poly Daming Lake	206	
32. Yantai Poly Champs Elysees Mansion	193	
33. Poly Harbin Contemporary No. 9 Park Life	11	
34. Harbin Poly The Water's Fragrant Dike	100	
35. Harbin The Tsinghua Summer Palace of Poly	133	
36. Hainan Poly Peninsula No.1	466	
Total:	8,454	100%

* Excluding car parking spaces

Land Reserves

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Harbin Poly City (哈爾濱保利城)

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

Hong Kong Kai Tak Project (香港啟德項目)

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

Investment Properties

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

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

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

Property Management

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

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

FINANCIAL REVIEW

Liquidity and Capital Structure

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

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

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

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

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

Pledge of Assets

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

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

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

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

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

Contingent Liabilities

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

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

STAFF

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

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Code Provision A.2.1 of the CG Code — Roles of Chairman and Chief Executive

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, the roles of Chairman and Chief Executive Officer of the Company have been performed by Mr. Xue Ming since 29th April, 2010. The Board believes that the roles of Chairman and Chief Executive Officer performed by Mr. Xue Ming provide the Group with strong and consistent leadership and are beneficial to the Group especially in planning and execution of business strategies. The Board also believes that the present arrangement is beneficial to the Company and its shareholders as a whole.

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

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

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

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

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

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

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

UPDATE ON DIRECTORS' INFORMATION

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

AUDIT COMMITTEE

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

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website and the website of the Stock Exchange of Hong Kong Limited. The Interim Report 2014 will also be available at the Company's website and the website of the Stock Exchange of Hong Kong Limited and will be despatched to shareholders of the Company in September.

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

Hong Kong, 21st August, 2014

As at the date of this announcement, the executive directors of the Company are 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.