



2007

Interim Report



保利(香港)投資有限公司
Poly (Hong Kong) Investments Limited
Stock Code : 119

INTERIM RESULTS

The directors (the “Directors”) of Poly (Hong Kong) Investments Limited (the “Company”) hereby announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2007 with comparative figures for the six months ended 30th June, 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30th June,	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Turnover	3	732,657	366,122
Cost of sales		(530,563)	(217,192)
Gross profit		202,094	148,930
Other income		60,792	18,541
Administrative expenses		(165,692)	(98,741)
Amortisation of deferred licencing income		–	7,692
Increase (decrease) in fair value of investments held-for-trading		15,449	(6,566)
Finance costs		(47,077)	(34,959)
Gain on disposals of subsidiaries	16	181,060	–
Share of results of associates		4,803	(598)
Profit before taxation	4	251,429	34,299
Taxation	5	(12,727)	(6,377)
Profit for the period		238,702	27,922
Attributable to:			
Equity holders of the Company		239,516	16,296
Minority interests		(814)	11,626
		238,702	27,922
Dividend	6	32,473	26,908
Earnings per share	7		
– Basic		16.33 cents	1.8 cents
– Diluted		15.95 cents	1.8 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		30th June, 2007	31st December, 2006
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-Current Assets			
Investment properties		1,605,839	1,566,695
Property, plant and equipment	9	1,786,169	1,718,844
Prepaid lease payments – non-current portion		407,011	401,549
Goodwill		1,017	1,017
Other intangible asset		–	63,386
Interests in associates		124,768	144,353
Available-for-sale investments		1,196	1,156
Club membership		1,024	989
Deposit paid for acquisition of a land use right		–	40,837
Deposit paid for acquisition of a property development project		–	79,681
Deposits paid on acquisition of subsidiaries		68,791	–
		3,995,815	4,018,507
Current Assets			
Properties under development		2,570,853	1,896,259
Properties held for sale		25,472	10,897
Other inventories		29,423	29,008
Trade and other receivables	10	271,524	233,495
Prepaid lease payments – current portion		11,066	10,769
Short-term loan receivables		228,238	482,734
Held-for-trading investments		59,296	42,380
Amounts due from fellow subsidiaries		13,474	27,884
Amounts due from associates		27,624	24,393
Amounts due from minority shareholders of subsidiaries		48,652	27,266
Amounts due from related companies		50,635	63,968
Taxation recoverable		520	3,297
Pledged bank deposits		21,688	98,413
Bank balances, deposits and cash		1,014,176	624,709
		4,372,641	3,575,472
Assets classified as held for sale	11	394,195	1,148,200
		4,766,836	4,723,672

		30th June, 2007	31st December, 2006
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Current Liabilities			
Trade and other payables	12	636,553	684,606
Deposit received for disposal of a subsidiary		5,000	–
Pre-sale deposits		11,206	189,607
Property rental deposits		20,636	16,132
Amount due to ultimate holding company		708,376	488,798
Amount due to an intermediate holding company		379,379	17,926
Amounts due to fellow subsidiaries		26,495	72,215
Amounts due to minority shareholders of subsidiaries		230,188	264,952
Amounts due to related companies		50,983	43,175
Taxation payable		9,550	21,900
Bank borrowings – due within one year	13	488,093	751,869
		2,566,459	2,551,180
Liabilities associated with assets classified as held for sale	11	72,581	643,906
		2,639,040	3,195,086
Net Current Assets		2,127,796	1,528,586
		6,123,611	5,547,093
Capital and Reserves			
Share capital	14	812,274	672,922
Reserves		3,586,478	2,991,670
Equity attributable to equity holders of the Company		4,398,752	3,664,592
Minority interests		686,872	868,040
Total Equity		5,085,624	4,532,632
Non-Current Liabilities			
Bank borrowings – due after one year	13	691,113	620,070
Loan from a fellow subsidiary		134,742	126,387
Deferred tax liabilities		212,132	268,004
		1,037,987	1,014,461
		6,123,611	5,547,093

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30th June, 2007*

	Attributable to equity holders 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	Other capital reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January, 2007	672,922	1,947,525	7,523	58,014	114,277	23,917	15,985	307,485	516,944	3,664,592	868,040	4,532,632
Exchange differences arising on translation of foreign operations	-	-	-	-	73,722	-	-	-	-	73,722	18,228	91,950
Surplus arising on revaluation	-	-	-	5,182	-	-	-	-	-	5,182	1,359	6,541
Deferred tax liability arising on revaluation of hotel properties	-	-	-	(1,710)	-	-	-	-	-	(1,710)	(449)	(2,159)
Net income recognised directly in equity	-	-	-	3,472	73,722	-	-	-	-	77,194	19,138	96,332
Profit for the period	-	-	-	-	-	-	-	-	239,516	239,516	(814)	238,702
Total recognised income and expense for the period	-	-	-	3,472	73,722	-	-	-	239,516	316,710	18,324	335,034
Exercise of share options	4,852	9,325	(1,851)	-	-	-	-	-	-	12,326	-	12,326
Shares issued at premium	134,500	322,800	-	-	-	-	-	-	-	457,300	-	457,300
Share issue expenses	-	(250)	-	-	-	-	-	-	-	(250)	-	(250)
Transfer	-	-	-	-	-	-	1,170	-	(1,170)	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(32,473)	(32,473)	-	(32,473)
Dividends paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	(20,495)	(20,495)
Realised on disposal of interests in subsidiaries	-	-	-	-	(19,453)	-	-	-	-	(19,453)	(175,904)	(195,357)
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(3,093)	(3,093)
At 30th June, 2007	812,274	2,279,400	5,672	61,486	168,546	23,917	17,155	307,485	722,817	4,398,752	686,872	5,085,624

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30th June, 2006*

	Attributable to equity holders 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	Other capital reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January, 2006	447,295	1,571,740	7,757	46,531	29,024	23,917	6,632	279,783	363,818	2,776,497	688,258	3,464,755
Exchange differences arising on translation of foreign operations	-	-	-	-	3,961	-	-	-	-	3,961	3,806	7,767
Surplus arising on revaluation	-	-	-	2,256	-	-	-	-	-	2,256	461	2,717
Net income recognised directly in equity	-	-	-	2,256	3,961	-	-	-	-	6,217	4,267	10,484
Profit for the period	-	-	-	-	-	-	-	-	16,296	16,296	11,626	27,922
Total recognised income and expense for the period	-	-	-	2,256	3,961	-	-	-	16,296	22,513	15,893	38,406
Exercise of share options	1,170	1,738	-	-	-	-	-	-	-	2,908	-	2,908
Share issue expenses	-	(202)	-	-	-	-	-	-	-	(202)	-	(202)
Release of share option reserve upon exercise of share options	-	195	(195)	-	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	140	-	(140)	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(26,908)	(26,908)	-	(26,908)
Dividends paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	(2,518)	(2,518)
Capital contribution by minority shareholders	-	-	-	-	-	-	-	-	-	-	100,803	100,803
At 30th June, 2006	448,465	1,573,471	7,562	48,787	32,985	23,917	6,772	279,783	353,066	2,774,808	802,436	3,577,244

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30th June, 2007*

	Six months ended	
	30th June,	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in) from operating activities	(1,008,742)	244,944
Net cash from (used in) investing activities	383,065	(544,776)
Net cash from financing activities	1,001,732	186,470
Net increase (decrease) in cash and cash equivalents	376,055	(113,362)
Cash and cash equivalents at beginning of the period	631,967	274,406
Effect of foreign exchange rate change	6,687	–
Cash and cash equivalents at end of the period	1,014,709	161,044
Analysis of the balance of cash and cash equivalents represented by		
– bank balances, deposits and cash	1,014,176	161,044
– bank balances and cash classified as held for sale	533	–
	1,014,709	161,044

Notes:

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties, which are measured at revalued amounts, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2006 except as described below.

In the current interim period, the Group has applied, for the first time, the following new standard, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosure ¹
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) – INT 8	Scope of HKFRS 2 ³
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment ⁵

¹ Effective for annual periods beginning on or after 1st January, 2007.

² Effective for annual periods beginning on or after 1st March, 2006.

³ Effective for annual periods beginning on or after 1st May, 2006.

⁴ Effective for annual periods beginning on or after 1st June, 2006.

⁵ Effective for annual periods beginning on or after 1st November, 2006.

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – INT 11	HKFRS 2: Group and Treasury Share Transactions ²
HK(IFRIC) – INT 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1st January, 2009.

² Effective for annual periods beginning on or after 1st March, 2007.

³ Effective for annual periods beginning on or after 1st January, 2008.

The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. Turnover and segments information

Business segments

For the six months period ended 30th June, 2007

	Supply of electricity and gas HK\$'000	Property investment and management HK\$'000	Property development business HK\$'000	Hotel and restaurant operations HK\$'000	Manufacturing and others HK\$'000	Financial services HK\$'000	Eliminations HK\$'000	Total HK\$'000
By principal activity								
REVENUE								
External revenue	252,594	54,345	287,687	68,424	51,498	18,109	-	732,657
Inter-segment revenue*	-	6,524	-	-	-	3,115	(9,639)	-
Total revenue	<u>252,594</u>	<u>60,869</u>	<u>287,687</u>	<u>68,424</u>	<u>51,498</u>	<u>21,224</u>	<u>(9,639)</u>	<u>732,657</u>
SEGMENT RESULT	<u>17,375</u>	<u>30,035</u>	<u>11,823</u>	<u>8,876</u>	<u>(93)</u>	<u>30,578</u>	<u>-</u>	<u>98,594</u>
Unallocated income								39,329
Unallocated expenses								(25,280)
Finance costs								(47,077)
Gain on disposals of subsidiaries								181,060
Share of results of associates	2,900	-	1,903	-	-	-	-	4,803
Profit before taxation								251,429
Taxation								(12,727)
Profit for the period								<u>238,702</u>

* Inter-segment revenue were charged at terms determined and agreed between group companies.

An analysis of the Group's turnover by geographical location of its customers is presented below:

	Hong Kong HK\$'000	The PRC* other than Hong Kong HK\$'000	Total HK\$'000
Revenue	<u>16,841</u>	<u>715,816</u>	<u>732,657</u>

* The People's Republic of China (the "PRC")

For the six months period ended 30th June, 2006

	Supply of electricity and gas HK\$'000	Property investment and management HK\$'000	Hotel and restaurant operations HK\$'000	Manufacturing and others HK\$'000	Financial services HK\$'000	Eliminations HK\$'000	Total HK\$'000
By principal activity							
REVENUE							
External revenue	180,388	53,045	64,370	42,876	25,443	-	366,122
Inter-segment revenue*	2,528	-	-	-	-	(2,528)	-
Total revenue	<u>182,916</u>	<u>53,045</u>	<u>64,370</u>	<u>42,876</u>	<u>25,443</u>	<u>(2,528)</u>	<u>366,122</u>
SEGMENT RESULT							
	<u>31,687</u>	<u>26,486</u>	<u>9,983</u>	<u>254</u>	<u>10,054</u>	<u>-</u>	<u>78,464</u>
Unallocated income							6,162
Unallocated expenses							(14,770)
Finance costs							(34,959)
Share of results of associates	3,227	-	-	(4,523)	698	-	(598)
Profit before taxation							34,299
Taxation							(6,377)
Profit for the period							<u>27,922</u>

* Inter-segment revenue were charged at terms determined and agreed between group companies.

An analysis of the Group's turnover by geographical location of its customers is presented below:

	Hong Kong HK\$'000	The PRC other than Hong Kong HK\$'000	Total HK\$'000
Revenue	<u>18,624</u>	<u>347,498</u>	<u>366,122</u>

4. Profit before taxation

	Six months ended	
	30th June, 2007 HK\$'000	30th June, 2006 HK\$'000
Profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments	5,459	4,452
Depreciation of property, plant and equipment	55,139	37,822
Share of tax of associates (included in share of results of associates)	<u>339</u>	<u>516</u>

5. Taxation

	Six months ended	
	30th June, 2007 HK\$'000	30th June, 2006 HK\$'000
The charge comprises:		
Hong Kong profits tax calculated at 17.5% (six months period ended 30th June, 2006: 17.5%) of the estimated assessable profits for the period	–	–
PRC income tax	<u>12,727</u>	<u>6,377</u>
	<u>12,727</u>	<u>6,377</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 income tax is calculated in accordance with the relevant laws and regulations in the PRC.

6. Dividend

	Six months ended	
	30th June, 2007 HK\$'000	30th June, 2006 HK\$'000
2006 final dividend of HK\$0.02 (2005: HK\$0.03) per share	<u>32,473</u>	<u>26,908</u>

The Directors have decided not to declare any interim dividend for the six months ended 30th June, 2007 (2006: nil).

7. Earnings per share

The calculation of basic and diluted earnings per share for the six months ended 30th June, 2007 is based on the following data:

	Six months ended	
	30th June, 2007 HK\$'000	30th June, 2006 HK\$'000
Earnings:		
Profit for the period attributable to equity holders of the Company	239,516	16,296
Number of shares:		
	30th June, 2007 Number of shares	30th June, 2006 Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,466,434,795	895,658,233
Effect of dilutive potential ordinary shares in respect of share options	35,394,058	20,467,219
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,501,828,853	916,125,452

8. Transfers to and from reserves

During the six months period ended 30th June, 2007, the Group's subsidiaries in the PRC appropriate net of minority interests' share of approximately HK\$1,170,000 out of accumulated profits to the PRC statutory reserve (2006: HK\$140,000).

In addition, HK\$1,851,000 was released from the share option reserve to the share premium upon exercise of share options during the six months period ended 30th June, 2007 (2006: HK\$195,000).

9. Movements in property, plant and equipment

During the period, the Group acquired and incurred additional construction cost of plant and machinery for the production of electricity and gas of approximately HK\$60 million.

10. Trade and other receivables

The Group has a policy of allowing credit periods ranging from 30 days to 90 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	30th June, 2007	31st December, 2006
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 to 30 days	89,855	84,344
31 to 90 days	22,802	23,737
More than 90 days	9,514	4,276
Total trade receivables	122,171	112,357
Receivables on partial disposals of subsidiaries	30,928	32,869
Other receivables	118,425	88,269
	271,524	233,495

11. Assets classified as held for sale

On 21st June, 2007, the Group entered into agreement to dispose 51% the issued share capital of and shareholder's loan due by Yaubond Ltd, for a consideration of HK\$203 million. The principal asset of which is its interest in a development site in Tianhe Bei District in the PRC. Since the disposal was completed in July 2007, the relevant assets and liabilities have been classified as a disposal group held for sale and presented separately in the condensed consolidated balance sheet.

12. Trade and other payables

The following is an aged analysis of trade payables at the balance sheet date:

	30th June, 2007	31st December, 2006
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 to 30 days	60,738	94,182
31 to 90 days	23,266	5,650
More than 90 days	62,177	205,674
Total trade payables	146,181	305,506
Bills payables, aged within 90 days	15,860	119,522
Other payables	474,512	259,578
	636,553	684,606

13. Bank borrowings

During the period, the Group obtained new bank loans of the amount of HK\$330 million. The loans bear interest at market rates. The Group also repaid approximately HK\$553 million during the period.

14. Share capital

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.50 each		
Authorised:		
At 1st January, 2007 and at 30th June, 2007	2,000,000,000	1,000,000
Issued and fully paid:		
At 1st January, 2007	1,345,843,800	672,922
Exercise of share options	9,705,000	4,852
Issue of shares	269,000,000	134,500
At 30th June, 2007	1,624,548,800	812,274

15. Capital commitments

	The Group	
	30th June, 2007 HK\$'000 (Unaudited)	31st December, 2006 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of property, development project	–	728,574
– property development expenditures	717,499	464,042
– addition of construction in progress	–	388,623
– acquisition of property, plant and equipment	39,914	42,463
– acquisition of interests in subsidiaries	44,299	–
	801,712	1,623,702
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of a land use right	–	110,246

16. Disposals of subsidiaries

On 4th May, 2007 the Group disposed of its entire interest in the issued share capital of Red Empire Ltd. The principal asset of which is its interest in a PRC hotel development project.

On 4th June, 2007 the Group disposed of its entire interest in the issued share capital of Bright Able Development Ltd. The principal asset of which is its interest in a property development project located at the Zhoutouzui pier, Haizhu District in the PRC.

	<i>HK\$'000</i>
The net assets of disposed subsidiaries at the date of disposal	206,365
Minority interests	(175,904)
Realisation of translation reserve	(19,453)
Gain on disposals of subsidiaries	<u>181,060</u>
 Total consideration satisfied by cash, net of disposal expenses	 <u>192,068</u>
 The cash inflow arising on disposal:	
Cash consideration, net of disposal expenses	192,068
Bank balances and cash disposed of	<u>(10,190)</u>
	 <u>181,878</u>

17. Related party transactions

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

	Six months ended	
	30th June, 2007 <i>HK\$'000</i>	30th June, 2006 <i>HK\$'000</i>
Property rental income (<i>note a</i>)	3,745	11,834
Imputed interest expenses (<i>note b</i>)	6,589	7,022
Imputed interest income (<i>note c</i>)	7,520	4,739
Consideration for sale shares of subsidiaries (<i>note d</i>)	192,769	–
Consideration for sale debt of subsidiaries (<i>note d</i>)	580,629	–
Purchases of coals (<i>note e</i>)	122,034	119,903
Technical and management service fee paid (<i>note e</i>)	<u>1,203</u>	<u>192</u>

Notes:

- (a) The property rental income received from subsidiaries of the ultimate holding company, which were charged in accordance with the relevant tenancy agreements.
- (b) The imputed interest expenses derived from the loans advanced from a subsidiary of the ultimate holding company and a substantial shareholder of a subsidiary of the Company, which carried at the effective interest rate of 6%.
- (c) The imputed interest income derived from the loans advanced to associates of the Group, which carried at the effective interest rate of 6%.
- (d) On 4th May, 2007, the Group disposed of its entire interest in the issued share capital of and shareholder's loan due by Red Empire Limited to Great Elegant Investment Limited, which is a wholly owned subsidiary of Skyfame Realty (Holdings) Limited ("Skyfame").

On 4th June, 2007, the Group disposed of its entire issued share capital of and shareholder's loan due by Bright Able Development Limited to Smartford Limited, which is also a wholly owned subsidiary of Skyfame.

Skyfame is a substantial shareholder of Yaubond Limited, a 51% owned subsidiary of the Company.

- (e) Mr. Zhu Gong Shan ("Mr. Zhu") and his associates supplied coals and technical and management services to the Group during the period under review. Mr. Zhu is a substantial shareholder of minority shareholders of Taicang Poly Xiexin Thermal Power Co., Ltd, Dongtai Suzhong Environmental Protection Co-generation Co., Ltd, Jia Xing Golden Concord Environmental Protection Co-generation Power Co., Ltd and Peixian Mine-Site Environmental Cogen-Power Co., Ltd and controlling shareholders of Funning Golden Concord Environmental Protection Co-generation Co., Ltd and Xuzhou Western Co-Generation Power Co., Ltd (collectively referred to "Power Plants"). The Power Plants are non-wholly owned subsidiaries of the Company.

Details of balances with related companies are set out in the condensed consolidated balance sheet.

INTERIM DIVIDEND

The Directors have resolved not to declare the payment of an interim dividend for the six months ended 30th June, 2007 (2006: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Operating Conditions

For the first half of year 2007, the Group recorded a turnover of HK\$732,657,000 (corresponding period in 2006: HK\$366,122,000), representing an increase of 100% as compared with the corresponding period last year. Profit attributable to shareholders amounted to HK\$239,516,000 (corresponding period in 2006: HK\$16,296,000), representing an increase of HK\$223,220,000 as compared with the corresponding period last year. Basic earnings per share was HK16.33 cents (corresponding period in 2006: HK1.8 cents), while diluted earnings per share was HK15.95 cents (corresponding period in 2006: HK1.8 cents). The board of directors did not recommend the payment of an interim dividend, but would strive to maintain the usual dividend payout ratio for the whole year to ensure the best dividend payout to shareholders.

As at 30th June, 2007, total shareholders' equity of the Group amounted to HK\$4.40 billion (31st December, 2006: HK\$3.66 billion) and net book asset value per share was HK\$2.7 (31st December, 2006: HK\$2.7). The Company has issued 269 million new shares at HK\$1.7 per share in March, 2007 and received net proceeds of approximately HK\$450 million from such placement.

BUSINESS REVIEW

The Group is principally engaged in property development business in China. During the first half of year 2007, the Group has implemented various measures to strengthen its structure of its principal business. These include acquisition of several projects, disposals of projects at a reasonable return and disposals of certain non-property businesses. Acquisition of the three projects, namely, Grandtang House Project, Jinjue Apartment Project and Xijiangwan City Project in one of the major city in China, Shanghai, disposals of Guangzhou Westin Hotel Project, Guangzhou Zhoutouzui Project, Tianhebei Fire Station Project and co-generation plants have strengthen the Group in which the Group manages and controls the project development itself. This will surely establish a solid foundation for the Group's development and earnings in the future.

Review of Property Development Business

Properties under development

The Group has completely transformed its principal business into an enterprise for the development of real estates and expedited its property development. For the first half of the year 2007, the Group has entered into sale contracts of property sales of approximately HK\$1.16 billion, with saleable area of approximately 250,000 square meters. As at 30th June, 2007, the Group currently has seven main property development projects which are under constructions, representing total gross floor area of approximately 1.85 million square meters:

Table for projects under construction

Projects	Type of use	Site area (sq.m.)	Total gross floor area (sq.m.)	Group's interest
Shanghai Poly Square	Office	27,000	101,000	90.0%
Shanghai Jinli Apartments	Residential	140,000	181,000	50.1%
Shanghai Poly Hua Xiang Jia Ri	Residential/Commercial	154,000	353,000	100.0%
Wuhan Poly Bay View	Residential	39,000	111,000	63.0%
Wuhan Hua Du	Residential	200,000	562,000	100.0%
Chongqing Poly Spring Villas	Villa	210,000	63,000	51.0%
Chongqing Emerald Valley	Residential	522,000	483,000	30.0%
Total:		1,292,000	1,854,000	

1. *Shanghai Poly Square Project*

The project is situated in the central business district in Lujiazui, Shanghai, the rarely beautiful view of the Huangpu River and district resources in the financial centre. The gross floor area of the project is approximately 101,000 square meters. For the first half of year 2007, the piling of foundation has been completed and the construction of project is progressing smoothly.

2. *Shanghai Jinli Apartments Project*

The project is situated in the core zone of "new town", which is the focus of reconstruction under "the Eleventh Five-Year Plan", in the Tang Town of the Pudong new district. The zone is situated in most advantageous region which is adjacent to Zhangjiang Hi-Tech Park (張江高科技園), and is easy to reach since it is near the extension lot of the Tang Town station of metro line no. 2. The project has a site area of approximately 140,000 square meters with a total gross floor area of approximately 181,000 square meters. The Group has in February 2007 entered into an overall sales agreement with the government and foundation construction of the project is now in progress.

3. *Shanghai Poly Hua Xiang Jia Ri Project*

The project is situated in Jiading new town district. It has a site area of approximately 154,000 square meters with a total gross floor area of approximately 353,000 square meters. The project will be developed into residential and commercial complex. First phase of the project will have a total gross floor area of approximately 100,000 square meters and the construction has been commenced in mid-June 2007.

4. *Wuhan Poly Bay View Project*

The project is located in the South Lake district of the new residential town in Hong Shan district, Wuhan. It is culturally rich given the presence of renowned school such as Huazhong University in its peripheral and is easily accessible. The project occupies a site area of 39,000 square meters with a gross floor area of 111,000 square meters. All the properties have been sold during the first half-year of 2007 and it is expected the project will be completed in the second half year of 2007.

5. *Wuhan Hua Du Project*

The project is located in Dongwugao new district, Wuhan. The project is a residential project and has a site area of approximately 200,000 square meters with a total gross floor area of 562,000 square meters. As at 30th June, 2007, the piling construction for the clubhouse has been completed while piling for other structures are in progress in accordance with the schedule.

6. *Chongqing Poly Spring Villas Project*

The project is located in one of the top ten tourist scenic spots in Chongqing. The concept of project followed the philosophy of "harmonisation of architect and nature", and it is situated in a magnificent environment with a natural landscape and historical buildings nearby. The project has a site area of 210,000 square meters, with a gross floor area of 63,000 square meters. The construction of the villas in phase I of the project, which has a site area of 21,000 square meters, is now undergoing and pre-sales were also launched.

7. *Chongqing Emerald Valley Project*

The project is situated in the northern part of new district of Chongqing, which is a rare area having beautiful view with surrounding hills. The total gross floor area of the project approximates 483,000 square meters. The project comprised mid to high-end town houses and villas and will become a small residential project district with French style. As at 30th June, 2007, constructions of residential units in phase I were estimated at 54% completion.

Land Reserves

During the first half year of 2007, the Group has newly acquired three projects, all of which are located in Shanghai. Among these three projects, (i) Shanghai Grandtang House Project has a site area of approximately 20,000 square meters, with a total gross floor area of approximately 30,550 square meters. The project will be developed into a low density residential apartments; (ii) Shanghai Jinjue Apartment Project has a site area of approximately 62,000 square meters with residential apartments have a total gross floor area up to 99,000 square meters; and (iii) Shanghai Xijiangwan City Project has a site area of approximately 12,000 square meters with residential apartments of a total gross floor area of approximately 17,000 square meters. The Group will continue to look for and to acquire high quality projects in major cities so as to increase its land reserves with objective to expand its business and strengthen its earning capacity.

Project Disposals

During the first half of year 2007, the Group has disposed the interests in two projects with a reasonable return. These include the 51% interests in Guangzhou Westin Hotel Project and the 49% interests in Guangzhou Zhoutouzui Project. The total consideration for sale of shares and shareholders' loans of these projects is approximately HK\$773 million. In addition, the Group has also entered into an agreement on 21st June, 2007, pursuant to which the Group agreed to dispose the 51% interest in a parcel of land in Guangzhou and the disposal was completed in 27th July, 2007.

Review of Property Investment Business

The Group has various high quality investment properties in Shanghai, Beijing, Wuhan and Hong Kong. During the first half of year 2007, the Group has a total gross floor area of approximately 170,000 square meters grade A office buildings, four star grade hotels, etc. The occupancy rate of office buildings reached its highest level of 98% or higher during the first half of year 2007 while the occupancy rate of the hotels approximates 80%. The accumulated operating income during the first half of year 2007 was approximately HK\$122 million.

1. *Shanghai Stock Exchange Building*

Shanghai Stock Exchange Building is situated in the financial district in Lujiazui, Pudong new district, Shanghai. Apart from being a prestigious Grade A office building, it also houses the Shanghai Stock Exchange and its tenants include financial institutions such as Banque Nationale de Paris, Credit Suisse, China Everbright group and Hong Kong Hang Seng bank, etc.

The Group holds a total gross floor area of approximately 48,000 square meters of the building, of which gross floor area of approximately 2,000 square meters were self-occupied while the remaining 46,000 square meters are for rental purpose.

For the first half of year 2007, the rental income reached RMB32.55 million, representing an increase of 27% as compared to RMB25.64 million in the corresponding period last year. The occupancy rate remained at 98%. Daily rental rate per square meter was RMB5.17, representing an increase of 23% as compared to RMB4.20 in the corresponding period last year. As the economic environment in Shanghai continues its prosperity during the first half of year 2007, the daily rental rate per square meters of new tenants reached its highest of RMB7.15.

2. *Poly Plaza*

Poly Plaza is located in an area adjacent to embassies of various countries in China and CBD commercial areas. Poly Plaza is a composite architecture comprised of a four-star hotel with 292 standard and deluxe rooms, an office building with a floor area of 12,000 square meters, a theatre with 1,300 seats and a museum.

Poly Plaza recorded a turnover of RMB56.66 million for the first half of year 2007. The hotel occupancy rate was 80% in June 2007 and the average room rate per day was RMB667, representing an increase of RMB14 or 2.1% as compared to the corresponding period last year. The hotel average room rate per day was RMB532, representing 8.6% higher than the average room rate per day of RMB490 for four-star hotels in Beijing.

3. *Hubei Poly White Rose Hotel*

Hubei Poly White Rose Hotel is situated in Wuhan, Hubei Province and is close proximity with Hong Shan Plaza in town centre. Hubei Poly White Rose Hotel is a four-star hotel with 249 standard rooms and presidential suites.

Its operating income for the first half of year 2007 was RMB31.75 million. The hotel occupancy rate was 80.4% in June 2007, representing an increase of 5.9% as compared to the corresponding period last year. The average room rate per day was RMB432, representing an increase of 1.4% as compared to RMB426 in the corresponding period last year. The contribution of guest room was RMB347.6 per room with its rank in the third among the four-star hotel.

4. *25/F, Admiralty Centre, Tower 1, Hong Kong*

Admiralty Centre, Tower 1 is situated above the MTR station in the financial hub in Hong Kong and is easily accessible. The Group owned the whole 25th floor of tower 1 with a floor area of approximately 2,000 square meters. Half of the properties is for self-use and the remaining half for rental purpose. The occupancy rate for the first half of year 2007 almost reached 100% with the rental increase by 10% as compared to corresponding period last year.

Review of Property Management Business

Shanghai Poly Property Hotel Management Co., Limited, of which the Group has interests, focuses on high quality property and hotel management services. It has over 30 property management projects on hand with a gross floor area of 3.12 million square meters, which encompasses office buildings, hotels, shopping malls, villas, and residential properties such as Zhongxin Plaza (the Landmark in Guangzhou), Shanghai Stock Exchange Building where the Shanghai Stock Exchange situated. For the first half of year 2007, the property management company recorded an income of RMB20.14 million.

Review of Non-property Businesses

On 5th July, 2007, the Group has entered into a conditional sale and purchase agreement with GCL-Poly Energy Holdings Limited (“GCL-Poly Energy”) pursuant to which the Group agreed to dispose all the interests in six co-generation plants for a consideration of 21% interests in share capital of GCL-Poly Energy. GCL-Poly Energy is now seeking the listing opportunity in the main board of the Hong Kong Stock Exchange and the Group expects to earn a reasonable profit through this disposal. In addition, for the first half of year 2007, the results of Polystar Digidisc Co., Limited, of which the Group has an interest, remained stable and it produced approximately 46.42 million optical disc with a turnover of RMB46.05 million.

FINANCIAL REVIEW

Liquidity and Capital Structure

As at 30th June, 2007, the shareholders’ funds of the Group amounted to HK\$4,398,752,000 (31st December, 2006: HK\$3,664,592,000), while the net asset value per share was HK\$2.7 (31st December, 2006: HK\$2.7). As at 30th June, 2007, the Group’s gearing ratio (on the basis of the amount of total liabilities divided by total assets) was 42% (31st December, 2006: 48.2%).

As at 30th June, 2007, the Group had outstanding bank loans of HK\$1,179,206,000. In terms of maturity, the outstanding bank loans can be divided into HK\$488,093,000 (41%) to be repaid within one year, HK\$293,814,000 (25%) to be repaid after one year but within two years, HK\$237,113,000 (20%) to be repaid after two years but within five years and HK\$160,186,000 (14%) to be repaid after five years. In terms of currency denomination, the outstanding bank loans can be divided into HK\$979,206,000 (83%) in Renminbi and HK\$200,000,000 (17%) in Hong Kong dollars.

83% of the bank borrowings of the Group are subject to fixed interest rates and the remaining 17% are subject to floating interest rates. 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, 2007, the Group had net current assets of HK\$2,127,796,000 and total bank balances of HK\$1,035,864,000 (31st December, 2006: HK\$1,528,586,000 and HK\$723,122,000 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 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. 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 risk is not material.

Pledge of Assets

As at 30th June, 2007, bank deposits amounted to HK\$21,688,000 (31st December, 2006: HK\$98,413,000), certain of the Group's investment properties of approximately HK\$453,278,000 (31st December, 2006: approximately HK\$431,606,000), hotel properties, buildings, prepaid lease payments, other property, plant and equipment and properties under development with an aggregate net book value of approximately HK\$1,324,747,000 (31st December, 2006: HK\$2,373,601,000) were pledged to secure credit facilities granted to the Group. As at 31st December, 2006, shares in certain subsidiaries were also pledged to secure credit facilities granted to the Group, which were released during the period.

Contingent Liabilities

At 30th June, 2007, the Company had given guarantees to certain banks in respect of credit facilities granted to certain subsidiaries of the Company. The amount utilised and unutilised were nil (31st December, 2006: HK\$40 million) and approximately HK\$80 million (31st December, 2006: HK\$40 million), respectively.

STAFF

As at 30th June, 2007, the Group employed about 2,320 staff with remuneration for the period amounted to approximately HK\$53,800,000. The Group provides its staff with various benefits including year-ended double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

PROSPECTS

The Group will continue to exploit property development business in China in accordance with its defined strategy and strive to develop its brand name as a distinguished brand among the property developers in China. The Group at present holds investment properties with gross floor area of approximately 170,000 square meters and has properties under development with gross floor area of approximately 1,854,000 square meters. To become a well-established property developer in China, the Group will continue to look for and to acquire land reserves and property development projects in fast economic growth cities in China.

The Group has begun to turn itself into a property development enterprise of which the Group manages and controls the project development itself. In the foreseeable future, the Group will continue strengthen its brand name "Poly Real Estate" in China and increase its competitiveness of the Group by adopting rolling forward investment strategy in property development and sales.

The management of the Group are confident in economic growth in China and China property market in future, and accordingly, the Group will continue to strengthen its corporate governance, control its operating costs, optimise its cash management, and expand its business further as its operating strategy in an active and cautious manner, and to strive for higher returns for our shareholders.

SHARE OPTION SCHEME

The Company had adopted a share option scheme (the "Former Scheme") pursuant to an ordinary resolution passed on 16th June, 1993. Under the Former Scheme, the Directors may, at their discretion, invite all eligible employees (i.e. employee including directors of the Company or any subsidiary as defined in the Former Scheme) to subscribe for shares of HK\$0.50 each (the "Share(s)") in the Company ("Poly HK Options") subject to the terms and conditions stipulated therein.

At the annual general meeting of the Company held on 28th May, 2003, ordinary resolutions were passed by the shareholders to adopt a new share option scheme (the "New Scheme") and terminate the Former Scheme. Although no further options will be granted under the Former Scheme upon adoption of the New Scheme, the provisions of the Former Scheme shall remain in force and all options granted pursuant to the Former Scheme shall continue to be valid and exercisable in accordance with the provisions therein.

The Company considered that it is essential to its continued success that it is able to attract and motivate eligible employees of the right calibre and with the necessary experience to work for the Company. The adoption of the Former Scheme and the New Scheme will enable the Group to provide incentive to the eligible employees of the Group by offering them an opportunity to participate in the growth of the Group.

The following table discloses details of the Company's options under the Former Scheme and the New Scheme held by employees (including directors) and movement in such holdings during the period:

	Option type	Outstanding at 1.1.2007	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30.6.2007
Category 1: Directors							
Wang Jun	1997	6,000,000	-	-	-	-	6,000,000
	1998	4,500,000	-	-	-	-	4,500,000
	2000	5,000,000	-	-	-	-	5,000,000
	2005	8,900,000	-	-	-	-	8,900,000
He Ping	1997	6,000,000	-	-	-	-	6,000,000
	1998	4,500,000	-	-	-	-	4,500,000
	2000	5,000,000	-	-	-	-	5,000,000
	2005	8,900,000	-	-	-	-	8,900,000
Chen Hong Sheng	2005	8,000,000	-	-	-	-	8,000,000
Zhang Zhen Gao	1997	3,600,000	-	-	-	-	3,600,000
	1998	2,000,000	-	-	-	-	2,000,000
Ye Li Wen	2005	900,000	-	-	-	-	900,000
Chan Tak Chi, William	2005	300,000	-	-	-	-	300,000
Ip Chun Chung, Robert	2005	300,000	-	(300,000)	-	-	-
Yao Kang, J.P.	2005	500,000	-	(500,000)	-	-	-
Lam Tak Shing, Harry	2005	300,000	-	(300,000)	-	-	-
Choy Shu Kwan	2005	300,000	-	-	-	-	300,000
		<u>65,000,000</u>	<u>-</u>	<u>(1,100,000)</u>	<u>-</u>	<u>-</u>	<u>63,900,000</u>
Category 2: Employees							
	1997	4,680,000	-	-	-	(360,000)	4,320,000
	1998	2,000,000	-	-	-	-	2,000,000
	2000	3,065,000	-	-	-	-	3,065,000
	2005	4,430,000	-	(605,000)	-	-	3,825,000
		<u>14,175,000</u>	<u>-</u>	<u>(605,000)</u>	<u>-</u>	<u>(360,000)</u>	<u>13,210,000</u>
Category 3: Others							
	2000	5,000,000	-	-	-	(5,000,000)	-
	2005	8,000,000	-	(8,000,000)	-	-	-
		<u>13,000,000</u>	<u>-</u>	<u>(8,000,000)</u>	<u>-</u>	<u>(5,000,000)</u>	<u>-</u>
Total all categories		<u>92,175,000</u>	<u>-</u>	<u>(9,705,000)</u>	<u>-</u>	<u>(5,360,000)</u>	<u>77,110,000</u>

Details of specific categories of Poly HK Options are as follows:

Option type	Date of grant	Vesting period	Exercise period	Exercise price HK\$
1997	3.9.1997	3.9.1997 – 2.9.2007	3.9.1998 – 2.9.2007	5.175
1998	5.6.1998	5.6.1998 – 4.6.2008	5.6.1999 – 4.6.2008	1.370
2000	30.11.2000	30.11.2000 – 29.11.2010	30.11.2001 – 29.11.2010	0.740
2005	14.7.2005	14.7.2005 – 13.7.2015	14.7.2005 – 13.7.2015	1.270

DIRECTORS' INTERESTS IN SECURITIES

At 30th June, 2007, according to the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, the interests of the Directors in the underlying Shares of the Company were as follows:

Share options

Name of Director	Capacity	Number of the Poly HK Options held (Note 1)				Number of Shares underlying Total
		Granted on 3.9.1997 (Note 2)	Granted on 5.6.1998 (Note 3)	Granted on 30.11.2000 (Note 4)	Granted on 14.7.2005 (Note 5)	
Wang Jun	Beneficial owner	6,000,000	4,500,000	5,000,000	8,900,000	24,400,000
He Ping	Beneficial owner	6,000,000	4,500,000	5,000,000	8,900,000	24,400,000
Chen Hong Sheng	Beneficial owner	–	–	–	8,000,000	8,000,000
Zhang Zhen Gao	Beneficial owner	3,600,000	2,000,000	–	–	5,600,000
Ye Li Wen	Beneficial owner	–	–	–	900,000	900,000
Chan Tak Chi, William	Beneficial owner	–	–	–	300,000	300,000
Choy Shu Kwan	Beneficial owner	–	–	–	300,000	300,000

Notes:

1. All Poly HK Options were granted to the Directors at a nominal consideration of HK\$1.00 each.
2. These Poly HK Options granted on 3rd September, 1997 are exercisable from 3rd September, 1998 to 2nd September, 2007 (both days inclusive) at an exercise price of HK\$5.175 per Share.
3. These Poly HK Options granted on 5th June, 1998 are exercisable from 5th June, 1999 to 4th June, 2008 (both days inclusive) at an exercise price of HK\$1.37 per Share.
4. These Poly HK Options granted on 30th November, 2000 are exercisable from 30th November, 2001 to 29th November, 2010 (both days inclusive) at an exercise price of HK\$0.74 per Share.
5. These Poly HK Options granted on 14th July, 2005 are exercisable from 14th July, 2005 to 13th July, 2015 (both days exclusive) at an exercise price of HK\$1.27 per Share.

Save as disclosed above, at 30th June, 2007, 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

At 30th June, 2007, 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:

Long position

Ordinary shares of HK\$0.5 each of the Company

Name of shareholder	Beneficial owner	Number of Shares held by controlled corporation(s)	Total number of Shares	Approximate percentage of the issued share capital of the Company
Congratulations Company Ltd.	417,985,080	–	417,985,080	25.73%
Source Holdings Limited	228,398,760	100,086,800	328,485,560 (Note 1)	20.22%
Ting Shing Holdings Limited	–	746,470,640 (Note 2)	746,470,640	45.95%
Ringo Trading Limited	103,238,476	746,470,640 (Note 3)	849,709,116	52.30%
China Poly Group Corporation	–	849,709,116 (Note 4)	849,709,116	52.30%
Rich Champ Investments Ltd.	269,000,000	–	269,000,000	16.55%
Yung Chi Kin	–	269,000,000 (Note 5)	269,000,000	16.55%

Notes:

1. Source Holdings Limited is deemed by the SFO to be interested in 328,485,560 Shares of the Company as a result of its direct holding of 228,398,760 Shares and indirect holding of 44,658,800 Shares and 55,428,000 Shares through its wholly-owned subsidiaries, Musical Insight Holdings Limited and Wincall Holding Limited respectively.
2. Ting Shing Holdings Limited is deemed by the SFO to be interested in 746,470,640 Shares as a result of its indirect holding of the Shares through its subsidiaries, Source Holdings Limited and Congratulations Company Ltd.
3. Ringo Trading Limited is deemed by the SFO to be interested in 849,709,116 Shares as a result of its direct holding of the Shares and indirect holding of the Shares through its wholly-owned subsidiary, Ting Shing Holdings Limited.
4. China Poly Group Corporation owns 100% of Ringo Trading Limited and is accordingly deemed by the SFO to be interested in the Shares directly and indirectly owned by Ringo Trading Limited.
5. Mr. Yung Chi Kin is deemed by the SFO to be interested in the Shares held by his wholly-owned company, Rich Champ Investments Ltd.

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, 2007.

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

During the six months period ended 30th June, 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the six months ended 30th June, 2007 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules on the Stock Exchange.

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 of the Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

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.

By Order of the Board
ZHANG Zhen Gao
Managing Director

Hong Kong, 30th August, 2007