



保利(香港)投資有限公司
Poly (Hong Kong) Investments Limited

Stock Code: 119

Interim Report
2008



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, 2008 with comparative figures for the six months ended 30th June, 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

| | | Six months ended | |
|---|--------------|-------------------------|-------------|
| | | 30th June, | |
| | <i>Notes</i> | 2008 | 2007 |
| | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Continuing operations | | | |
| Revenue | 3 | 502,674 | 470,907 |
| Cost of sales | | (309,948) | (324,372) |
| Gross profit | | 192,726 | 146,535 |
| Other income | | 14,905 | 59,178 |
| Administrative expenses | | (182,538) | (129,750) |
| (Decrease) increase in fair value of held-for-trading investments | | (28,180) | 15,449 |
| Net increase in fair value of investment properties | | 61,223 | – |
| Finance costs | | (28,144) | (30,100) |
| Gain on disposal of interests in subsidiaries | | – | 181,060 |
| Share of results of jointly controlled entities | | (145) | – |
| Share of results of associates | | 10,200 | 1,903 |
| Profit before taxation | 4 | 40,047 | 244,275 |
| Income tax expense | 5 | (39,452) | (8,457) |
| Profit for the period from continuing operations | | 595 | 235,818 |
| Discontinued operations | | | |
| Profit for the period from discontinued operations | 6 | – | 2,884 |
| Profit for the period | | 595 | 238,702 |

| | | Six months ended | |
|---|--------------|-------------------------|-------------|
| | | 30th June, | |
| | | 2008 | 2007 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Attributable to: | | | |
| Equity holders of the Company | | 10,833 | 239,516 |
| Minority interests | | (10,238) | (814) |
| | | 595 | 238,702 |
| Dividends | 7 | 95,552 | 32,473 |
| Earnings per share | 8 | | |
| From continuing and discontinued operations | | | |
| – Basic | | 0.62 cents | 16.33 cents |
| – Diluted | | 0.61 cents | 15.95 cents |
| From continuing operations | | | |
| – Basic | | 0.62 cents | 16.06 cents |
| – Diluted | | 0.61 cents | 15.68 cents |

CONDENSED CONSOLIDATED BALANCE SHEET

| | | 30th June, 2008 | 31st December, 2007 |
|--|--------------|----------------------------|------------------------|
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Audited) |
| Non-Current Assets | | | |
| Investment properties | 10 | 3,404,059 | 1,959,968 |
| Property, plant and equipment | 10 | 1,010,063 | 874,777 |
| Prepaid lease payments – non-current portion | | 351,715 | 339,966 |
| Goodwill | | 53,024 | – |
| Interests in associates | | 75,180 | 61,635 |
| Interests in jointly controlled entities | | 1,088 | – |
| Available-for-sale investments | | 206,811 | 430,252 |
| Club membership | | 1,130 | 1,061 |
| Deposits paid for acquisition of land use rights | | 976,007 | 263,494 |
| Deposit paid for acquisition of a property development project | | 45,506 | – |
| Deposit paid for investment in an available-for-sale investment | | – | 32,482 |
| Deferred tax assets | | 59,634 | 2,064 |
| | | 6,184,217 | 3,965,699 |
| Current Assets | | | |
| Properties under development | | 10,640,561 | 3,972,770 |
| Properties held for sale | | 290,423 | 113,608 |
| Other inventories | | 27,856 | 14,798 |
| Trade and other receivables | 11 | 515,547 | 186,850 |
| Prepaid lease payments – current portion | | 9,383 | 8,952 |
| Short-term loan receivables | | 5,959 | 8,181 |
| Held-for-trading investments | | 34,018 | 62,198 |
| Amounts due from fellow subsidiaries | | 53,569 | 35,591 |
| Amount due from a jointly controlled entity | | 8,486 | – |
| Amounts due from minority shareholders of subsidiaries | | 61,873 | 9,320 |
| Amount due from a related company | | 6,826 | – |
| Taxation recoverable | | 27,431 | 1,202 |
| Pledged bank deposits | | 76,084 | 6,679 |
| Bank balances, deposits and cash | | 3,106,185 | 1,823,199 |
| | | 14,864,201 | 6,243,348 |

| | | 30th June, 2008 | 31st December, 2007 |
|--|--------------|----------------------------|------------------------|
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Audited) |
| Current Liabilities | | | |
| Trade and other payables | 12 | 1,589,505 | 1,027,519 |
| Pre-sale deposits | | 2,147,425 | 508,598 |
| Property rental deposits | | 27,321 | 24,069 |
| Amount due to ultimate holding company | | 780,128 | 775,048 |
| Amount due to an intermediate holding company | | 1,393,149 | 332,262 |
| Amounts due to fellow subsidiaries | | 582,100 | 195,081 |
| Amounts due to minority shareholders of subsidiaries | | 782,717 | 369,861 |
| Taxation payable | | 545,519 | 38,637 |
| Bank borrowings – due within one year | 13 | 1,369,087 | 307,260 |
| | | 9,216,951 | 3,578,335 |
| Net Current Assets | | 5,647,250 | 2,665,013 |
| | | 11,831,467 | 6,630,712 |
| Capital and Reserves | | | |
| Share capital | 14 | 955,523 | 824,379 |
| Reserves | | 5,229,992 | 3,844,802 |
| Equity attributable to equity holders of the Company | | 6,185,515 | 4,669,181 |
| Minority interests | | 983,002 | 317,565 |
| Total Equity | | 7,168,517 | 4,986,746 |
| Non-Current Liabilities | | | |
| Bank borrowings – due after one year | 13 | 3,835,035 | 1,180,979 |
| Loan from a fellow subsidiary | | 157,613 | 143,703 |
| Deferred tax liabilities | | 670,302 | 319,284 |
| | | 4,662,950 | 1,643,966 |
| | | 11,831,467 | 6,630,712 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2008

| | Attributable to equity holders of the Company | | | | | | | | | | | Minority interests HK\$'000 | Total HK\$'000 |
|---|---|---------------------------|----------------------------------|--|---------------------------------|--|------------------------------------|--|-----------------------------------|---------------------------------|-------------------|--------------------------------|-------------------|
| | 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 reserves HK\$'000 | Investment revaluation reserve HK\$'000 | Other capital reserve HK\$'000 | Accumulated profits HK\$'000 | Total HK\$'000 | | |
| At 1st January, 2008 | 824,379 | 2,294,201 | 3,340 | 74,703 | 262,755 | 23,917 | 23,692 | (23,251) | 307,485 | 877,960 | 4,669,181 | 317,565 | 4,986,746 |
| Exchange differences arising on translation of foreign operations | - | - | - | - | 273,688 | - | - | - | - | - | 273,688 | 28,913 | 302,601 |
| Surplus arising on revaluation | - | - | - | 5,847 | - | - | - | - | - | - | 5,847 | 1,533 | 7,380 |
| Deferred tax liability arising on revaluation of hotel properties | - | - | - | (1,462) | - | - | - | - | - | - | (1,462) | (383) | (1,845) |
| Change in fair value of available-for-sale investments | - | - | - | - | - | - | - | (259,348) | - | - | (259,348) | - | (259,348) |
| Net income (expense) recognised directly in equity | - | - | - | 4,385 | 273,688 | - | - | (259,348) | - | - | 18,725 | 30,063 | 48,788 |
| Profit for the period | - | - | - | - | - | - | - | - | - | 10,833 | 10,833 | (10,238) | 595 |
| Total recognised income & expense for the period | - | - | - | 4,385 | 273,688 | - | - | (259,348) | - | 10,833 | 29,558 | 19,825 | 49,383 |
| Recognition of equity-settled share-based payment expense | - | - | 22,616 | - | - | - | - | - | - | - | 22,616 | - | 22,616 |
| Exercise of share options | 4,250 | 7,395 | - | - | - | - | - | - | - | - | 11,645 | - | 11,645 |
| Issue of shares | 126,894 | 1,421,214 | - | - | - | - | - | - | - | - | 1,548,108 | - | 1,548,108 |
| Share issue expenses | - | (41) | - | - | - | - | - | - | - | - | (41) | - | (41) |
| Transfer | - | - | - | - | - | - | 1,318 | - | - | (1,318) | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | - | - | (95,552) | (95,552) | - | (95,552) |
| Dividends paid to minority shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | (1,836) | (1,836) |
| Capital contribution by minority shareholders | - | - | - | - | - | - | - | - | - | - | - | 34,925 | 34,925 |
| Acquired on acquisition of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | 612,523 | 612,523 |
| At 30th June, 2008 | 955,523 | 3,722,769 | 25,956 | 79,088 | 536,443 | 23,917 | 25,010 | (282,599) | 307,485 | 791,923 | 6,185,515 | 983,002 | 7,166,517 |

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 reserves HK\$'000 | Investment revaluation 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 & 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 |
| Issue of shares | 134,500 | 322,800 | - | - | - | - | - | - | - | - | 457,300 | - | 457,300 |
| Share issue expenses | - | (250) | - | - | - | - | - | - | - | - | (250) | - | (250) |
| Transfer | - | - | - | - | - | - | 1,170 | - | - | (1,170) | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | - | - | (32,473) | (32,473) | - | (32,473) |
| Dividends paid to minority shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | (20,495) | (20,495) |
| Release on disposals 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 CASH FLOW STATEMENT*For the six months ended 30th June, 2008*

| | Six months ended | |
|---|-------------------------|-------------|
| | 30th June, | |
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Net cash used in operating activities | (890,029) | (1,008,742) |
| Net cash from investing activities | 645,299 | 383,065 |
| Net cash from financing activities | 1,425,554 | 1,001,732 |
| Net increase in cash and cash equivalents | 1,180,824 | 376,055 |
| Cash and cash equivalents at beginning of the period | 1,823,199 | 631,967 |
| Effect of foreign exchange rate change | 102,162 | 6,687 |
| Cash and cash equivalents at end of the period | 3,106,185 | 1,014,709 |
| Analysis of the balance of cash and cash equivalents represented by | | |
| – bank balances, deposits and cash | 3,106,185 | 1,014,176 |
| – bank balances and cash classified as held for sale | – | 533 |
| | 3,106,185 | 1,014,709 |

Notes:

1. Basis of preparation

The condensed 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 financial statements have been prepared under the historical cost convention, as modified for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies adopted are consistent with those of the consolidated financial statements for the year ended 31st December, 2007 except as described below.

In the current interim period, the Group has applied, for the first time, the following new interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1st January, 2008.

| | |
|--------------------|--|
| HK(IFRIC) – Int 12 | Service Concession Arrangements |
| HK(IFRIC) – Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

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 and revised standards or interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these standards and interpretations. The Directors of the Company so far concluded that the application of these standards or interpretations would have no material impact on the financial statements of the Group.

| | |
|--------------------------------|--|
| HKAS 1 (Revised) | Presentation of Financial Statements ¹ |
| HKAS 1 and HKAS 32 (Amendment) | Puttable Financial Instruments and Obligations arising on Liquidation ¹ |
| HKAS 23 (Revised) | Borrowing Costs ¹ |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements ² |
| HKFRS 2 (Amendment) | Share-based Payment – Vesting Conditions and Cancellation ¹ |
| HKFRS 3 (Revised) | Business Combinations – Comprehensive revision on applying the Acquisition Method ² |
| HKFRS 8 | Operating Segments ¹ |
| HK(IFRIC) – Int 13 | Customer Loyalty Programmes ³ |
| HK(IFRIC) – Int 15 | Agreements for the Construction of Real Estate ¹ |
| HK(IFRIC) – Int 16 | Hedges of a Net Investment in a Foreign Operation ⁴ |

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

² Effective for annual periods beginning on or after 1st July, 2009

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

⁴ Effective for annual periods beginning on or after 1st October, 2008

3. Revenue and segment information

Business segments

For the six months ended 30th June, 2008

| | Continuing operations | | | | | | Discontinued operations | | Total HK\$'000 |
|--|-------------------------------------|---|---------------------------------------|----------------------------------|-----------------------|-----------------|-------------------------|-------------------------------------|-------------------|
| | Property | | Hotel and restaurant operations | Manu- facturing and others | Financial services | Eliminations | Sub-total | Supply of electricity and gas | |
| | development business HK\$'000 | investment and management HK\$'000 | | | | | | | |
| REVENUE | | | | | | | | | |
| External revenue | 276,956 | 114,122 | 39,485 | 60,154 | 11,957 | - | 502,674 | - | 502,674 |
| Inter-segment revenue* | - | 2,784 | - | - | 39,367 | (42,151) | - | - | - |
| Total revenue | <u>276,956</u> | <u>116,906</u> | <u>39,485</u> | <u>60,154</u> | <u>51,324</u> | <u>(42,151)</u> | <u>502,674</u> | <u>-</u> | <u>502,674</u> |
| SEGMENT RESULT | <u>(35,741)</u> | <u>110,544</u> | <u>7,235</u> | <u>4,904</u> | <u>(16,263)</u> | <u>-</u> | <u>70,679</u> | <u>-</u> | <u>70,679</u> |
| Unallocated Income | | | | | | | 11,571 | - | 11,571 |
| Unallocated expenses | | | | | | | (24,114) | - | (24,114) |
| Finance costs | | | | | | | (28,144) | - | (28,144) |
| Share of results of jointly controlled entities | (145) | | | | | | (145) | - | (145) |
| Share of results of associates | 10,200 | | | | | | 10,200 | - | 10,200 |
| Profit before taxation | | | | | | | 40,047 | - | 40,047 |
| Income tax expense | | | | | | | (39,452) | - | (39,452) |
| Profit for the period | | | | | | | <u>595</u> | <u>-</u> | <u>595</u> |

* Inter-segment revenue were charged at prevailing market rates.

Geographical segments

An analysis of the Group's revenue 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>14,234</u> | <u>488,440</u> | <u>502,674</u> |

Business segments

For the six months ended 30th June, 2007

| | Continuing operations | | | | | | Discontinued operations | | Total HK\$'000 |
|---|--|---|---------------------------------------|----------------------------------|-----------------------|--------------|-------------------------|---|-------------------|
| | Property development business management | Property investment and operations | Hotel and restaurant operations | Manu- facturing and others | Financial services | Eliminations | Sub-total HK\$'000 | Supply of electricity and gas HK\$'000 | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | | |
| REVENUE | | | | | | | | | |
| External revenue | 287,687 | 54,345 | 68,424 | 51,498 | 8,953 | - | 470,907 | 252,594 | 723,501 |
| Inter-segment revenue* | - | 6,524 | - | - | 3,115 | (9,639) | - | - | - |
| Total revenue | 287,687 | 60,869 | 68,424 | 51,498 | 12,068 | (9,639) | 470,907 | 252,594 | 723,501 |
| SEGMENT RESULT | 11,823 | 30,035 | 8,876 | (93) | 21,424 | - | 72,065 | 17,375 | 89,440 |
| Unallocated Income | | | | | | | 44,627 | 3,856 | 48,483 |
| Unallocated expenses | | | | | | | (25,280) | - | (25,280) |
| Finance costs | | | | | | | (30,100) | (16,977) | (47,077) |
| Gain on disposals of interests in subsidiaries | | | | | | | 181,060 | - | 181,060 |
| Share of results of associates | 1,903 | | | | | | 1,903 | 2,900 | 4,803 |
| Profit before taxation | | | | | | | 244,275 | 7,154 | 251,429 |
| Income tax expense | | | | | | | (8,457) | (4,270) | (12,727) |
| Profit for the period | | | | | | | 235,818 | 2,884 | 238,702 |

* Inter-segment revenue were charged at prevailing market rates.

Geographical segments

An analysis of the Group's revenue 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 | 10,152 | 713,349 | 723,501 |

For the six months ended 30th June, 2007, revenue from the Group's discontinued supply of electricity and gas operations of HK\$252,594,000 was derived from the PRC.

4. Profit before taxation

| | Continuing operations | | Discontinued operations | | Consolidated | |
|---|-----------------------|-----------------|-------------------------|-----------------|------------------|-----------------|
| | Six months ended | | Six months ended | | Six months ended | |
| | 30th June, 2008 | 30th June, 2007 | 30th June, 2008 | 30th June, 2007 | 30th June, 2008 | 30th June, 2007 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Profit before taxation has been arrived at after charging: | | | | | | |
| Amortisation of prepaid lease payments | 4,493 | 4,602 | - | 857 | 4,493 | 5,459 |
| Depreciation and amortisation of property, plant and equipment | 25,847 | 28,459 | - | 26,680 | 25,847 | 55,139 |
| Share of tax of associates (included in share of results of associates) | - | - | - | 339 | - | 339 |

5. Income tax expense

| | Continuing operations | | Discontinued operations | | Consolidated | |
|--|-----------------------|-----------------|-------------------------|-----------------|------------------|-----------------|
| | Six months ended | | Six months ended | | Six months ended | |
| | 30th June, 2008 | 30th June, 2007 | 30th June, 2008 | 30th June, 2007 | 30th June, 2008 | 30th June, 2007 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| The charge comprises: | | | | | | |
| Hong Kong profits tax calculated at 17.5% (six months ended 30th June, 2007: 17.5%) of the estimated assessable profits for the period | - | - | - | - | - | - |
| PRC income tax | 17,156 | 8,457 | - | 4,270 | 17,156 | 12,727 |
| | 17,156 | 8,457 | - | 4,270 | 17,156 | 12,727 |
| Land appreciation tax | 13,439 | - | - | - | 13,439 | - |
| Deferred taxation | 8,857 | - | - | - | 8,857 | - |
| | 39,452 | 8,457 | - | 4,270 | 39,452 | 12,727 |

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. Discontinued operations

On 5th July, 2007, the Group entered into a sale and purchase agreement (the "Agreement") to dispose its entire interests in seven wholly-owned subsidiaries, namely The NCHK Power (Taicang) Limited ("NCHK Power"), Well United Investment Limited ("Well United"), Master Chief Holdings Limited ("Master Chief"), High Praise Developments Limited ("High Praise"), Green Island Developments Limited ("Green Island"), Golden Concord Energy (Jia Xing) Limited ("Golden Concord") and Giant Merit Development Limited ("Giant Merit"), together with their subsidiaries and associates. The aggregate consideration comprised cash of HK\$50,000,000 and shares equivalent to 21% of the total number of issued ordinary shares of the purchaser, GCL-Poly Energy Holdings Limited ("GCL-Poly").

On 24th October, 2007, the Group entered into a supplemental agreement with the purchaser to amend the terms of the Agreement. Ultimately, the Group would receive 19.69% of the issued ordinary shares of GCL-Poly before the initial public offering (the "IPO"). The interest in the GCL-Poly was diluted to 13.86% after the IPO. 91,919,487 shares of GCL-Poly with a lock-up period of six months which represented 9.45% of the issued ordinary shares of GCL-Poly, were received on 12th November, 2007, the date of completion, and the remaining 42,871,558 shares of GCL-Poly which represented 4.41% of the issued ordinary shares of GCL-Poly, would be received after the expiry of six months from the completion date.

NCHK Power, Well United and Master Chief are the legal and beneficial owners of 51%, 50.1% and 50.1% of the total paid-up capital of Taicang Poly Xiexin Thermal Power Co., Ltd, Peixian Mine-site Environmental Cogen-power Co., Ltd and Dongtai Suzhong Environmental Protection Co-generation Company Limited, respectively. High Praise and Green Island are the legal and beneficial owners of 29.4% and 36.75% of the total paid-up capital of Funing Golden Concord Environmental Protection Co-generation Company Limited and Western Xuzhou Environmental Protection Co-generation Co., Ltd, respectively. Golden Concord and Giant Merit are the legal and beneficial owners of 25% and 26% of Jia Xing Golden Concord Environmental Protection Cogeneration Power Co., Ltd respectively. All subsidiaries and associates are engaged in the supply of electricity and gas operations.

The comparative figures for the six months ended 30th June, 2007 have been re-presented for the above discontinued operations in 2007.

7. Dividends

| | Six months ended | |
|---|----------------------------|--------------------|
| | 30th June, 2008 | 30th June, 2007 |
| | HK\$'000 | HK\$'000 |
| 2007 final dividend of HK\$0.05 (2006: HK\$0.02) per share | 95,552 | 32,473 |

The Directors have decided not to declare any interim dividend for the six months ended 30th June, 2008 (2007: HK\$nil).

8. Earnings per share

From continuing and discontinued operations

The calculation of basic and diluted earnings per share for the six months ended 30th June, 2008 is based on the following data:

| | Six months ended | |
|---|--------------------------------|--------------------------------|
| | 30th June, 2008 HK\$'000 | 30th June, 2007 HK\$'000 |
| Earnings: | | |
| Profit for the period attributable to equity holders of the Company | | |
| – Continuing operations | 10,833 | 235,451 |
| – Discontinued operations | – | 4,065 |
| | 10,833 | 239,516 |

| | Six months ended | |
|---|--------------------------------|--------------------------------|
| | 30th June, 2008 HK\$'000 | 30th June, 2007 HK\$'000 |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 1,738,472,378 | 1,466,434,795 |
| Effect of dilutive potential ordinary shares on share options | 24,363,476 | 35,394,058 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 1,762,835,854 | 1,501,828,853 |

9. Transfer to and from reserves

During the six months ended 30th June, 2008, the Group's subsidiaries in the PRC appropriate net of minority interests' share of approximately HK\$1,318,000 out of accumulated profits to the PRC statutory reserves (2007: HK\$1,170,000).

In addition, nil amount (2007: HK\$1,851,000) was released from the share option reserve to the share premium upon exercise of share options during the six months ended 30th June, 2008.

10. Movements in investment properties and property, plant and equipment

During the period, the Group acquired investment properties and property, plant and equipment at fair value of approximately HK\$1,253 million and HK\$63 million respectively upon acquisition of subsidiaries. Other additions to the Group's property, plant and equipment amounted to approximately HK\$36 million, which included capital expenditure paid for construction in progress and motor vehicles.

The Group's investment properties at 30th June, 2008 were fair valued by AA Property Services Limited, an independent professional surveyor and property valuer not connected with the Group. AA Property Services Limited is a member of the Hong Kong Institute of Surveyors and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived by reference to comparable sales transactions as available in the relevant market. The resulting increase in fair value of investment properties of HK\$61 million has been recognised directly in the income statement.

11. 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, 2008 HK\$'000 (Unaudited) | 31st December, 2007 HK\$'000 (Audited) |
|-------------------------|---|--|
| 0 to 30 days | 51,468 | 48,445 |
| 31 to 90 days | 19,017 | 10,805 |
| More than 90 days | 18,273 | 4,285 |
| Total trade receivables | 88,758 | 63,535 |
| Other receivables | 426,789 | 123,315 |
| | 515,547 | 186,850 |

12. Trade and other payables

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

| | 30th June, 2008 HK\$'000 (Unaudited) | 31st December, 2007 HK\$'000 (Audited) |
|-------------------------------------|---|--|
| 0 to 30 days | 769,728 | 609,237 |
| 31 to 90 days | 5,401 | 6,780 |
| More than 90 days | 101,056 | 61,292 |
| Total trade payables | 876,185 | 677,309 |
| Bills payables, aged within 90 days | - | 1,068 |
| Other payables | 713,320 | 349,142 |
| | 1,589,505 | 1,027,519 |

13. Bank borrowings

During the period, the Group obtained new bank loans of the amount of HK\$3,752 million (2007: HK\$330 million) of which approximately HK\$2,237 million was arose on acquisition of subsidiaries. The loans bear interest at market rates. The Group also repaid approximately HK\$150 million (2007: 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, 2008 and at 30th June, 2008 | 4,000,000,000 | 2,000,000 |
| Issued and fully paid: | | |
| At 1st January, 2008 | 1,648,758,800 | 824,379 |
| Exercise of share options | 8,500,000 | 4,250 |
| Allotment of shares to Poly Southern Group Limited | 253,788,246 | 126,894 |
| At 30th June, 2008 | 1,911,047,046 | 955,523 |

15. Acquisition of subsidiaries

On 30th August, 2007, the Group entered into a conditional agreement with Poly Southern Group Limited (a wholly-owned subsidiary of China Poly Group Corporation, the ultimate holding company of the Company) to acquire the entire interest in Shenzhen Poly Investments Co., Limited ("Shenzhen Poly") at a consideration of RMB1,390 million. Further details of the acquisition were set out in a circular of the Company dated 24th November, 2007. The acquisition was approved by the shareholders of the Company in the extraordinary general meeting held on 10th December, 2007. The acquisition was completed on 30th April, 2008 and has been accounted for using the purchase method.

The net assets acquired in the transaction and the goodwill arising, are as follows:

| | HK\$'000 |
|---|------------------|
| Net assets acquired: | |
| Investment properties | 1,252,921 |
| Property, plant and equipment | 63,249 |
| Interests in jointly controlled entities | 1,222 |
| Deposits paid for acquisition of land use rights | 861,697 |
| Deferred tax assets | 56,727 |
| Properties under development | 4,739,756 |
| Properties held for sale | 109,233 |
| Other inventories | 3,871 |
| Trade and other receivables | 224,524 |
| Amounts due from fellow subsidiaries | 89,059 |
| Amount due from a jointly controlled entity | 9,224 |
| Amounts due from minority shareholders of subsidiaries | 32,618 |
| Amount due from a related company | 6,742 |
| Taxation recoverable | 21,327 |
| Pledged bank deposits | 74,606 |
| Bank balances, deposits and cash | 793,262 |
| Trade and other payables | (949,512) |
| Pre-sale deposits | (499,107) |
| Property rental deposits | (17,065) |
| Amount due to an immediate holding company | (366,095) |
| Amounts due to fellow subsidiaries | (1,126,355) |
| Amounts due to minority shareholders of subsidiaries | (205,600) |
| Taxation payable | (500,958) |
| Bank borrowings | (2,236,517) |
| Deferred tax liabilities | (318,536) |
| Net assets | 2,120,293 |
| Minority interests | (612,523) |
| Attributable to the Group | 1,507,770 |
| Goodwill arising on acquisition | 53,024 |
| | <u>1,560,794</u> |
| Satisfied by: | |
| 253,788,246 consideration shares issued upon completion | 1,548,108 |
| Direct expenses incurred | 12,686 |
| | <u>1,560,794</u> |
| Net inflow of cash arising on acquisition: | |
| Pledged bank deposits | 74,606 |
| Bank balances, deposits and cash acquired | 793,262 |
| Direct expenses incurred | (12,686) |
| | <u>855,182</u> |

The consideration of RMB1,390 million for the entire interest in Shenzhen Poly was determined after arm's length negotiations. The consideration was settled upon completion by way of the Company allotting and issuing to Poly Southern Group Limited or its nominees 253,788,246 new ordinary shares of the Company at a price of HK\$6.10 per consideration share. The price was also determined based on arm's length negotiation.

The newly acquired subsidiaries contributed approximately HK\$119 million to the Group's revenue and accounted for approximately HK\$22 million loss for the six months ended 30th June, 2008, between the date of acquisition and the balance sheet date.

Had the acquisition been completed on 1st January, 2008, total Group's revenue for the six months ended 30th June, 2008 would be approximately HK\$775 million and profit for the six months ended 30th June, 2008 would have been approximately HK\$5 million, respectively. This proforma information was for illustrative purposes only and was not necessarily an indication of the revenue and results of the Group that would actually have been impacted had the acquisition been completed on 1st January, 2008, nor was it intended to be a projection of future results.

16. Contingent liabilities

The Group arranged mortgage loan facilities with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayment. The maximum guarantees given to banks amount to HK\$1,289 million as at 30th June, 2008 (31st December, 2007: HK\$nil). Such guarantees terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgaged loans by the buyers of the properties. In the opinion of the Directors, the fair value of such guarantees at initial recognition was insignificant.

17. Capital commitments

| | The Group | |
|--|--------------------|----------------|
| | 30th June, | 31st December, |
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| Capital expenditure contracted for but not provided in the financial statements in respect of: | | |
| – acquisition of interest in a subsidiary | – | 1,433,500 |
| – property development expenditures | 1,864,215 | 1,016,235 |
| – acquisition of land use rights | 236,687 | 463,248 |
| – addition of construction in progress | 30,283 | 696 |
| | 2,131,185 | 2,913,679 |
| Capital expenditure authorised but not contracted for in respect of: | | |
| – acquisition of land use rights | 1,600,683 | 685,898 |
| – acquisition of a property development project | 182,025 | – |
| | 1,782,708 | 685,898 |

18. Related party transactions

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

| | Six months ended | |
|---|--------------------------------|--------------------------------|
| | 30th June, 2008 HK\$'000 | 30th June, 2007 HK\$'000 |
| Property rental income (<i>note a</i>) | 3,979 | 3,745 |
| Imputed interest expenses (<i>note b</i>) | 4,872 | 6,589 |
| Imputed interest income (<i>note c</i>) | – | 7,520 |
| Consideration for sale shares of subsidiaries (<i>note d</i>) | – | 192,769 |
| Consideration for sale debt of subsidiaries (<i>note d</i>) | – | 580,629 |
| Purchase of coals (<i>note e</i>) | – | 122,034 |
| Technical and management service fee paid (<i>note e</i>) | – | 1,203 |
| Construction fee paid (<i>note f</i>) | 195,057 | – |
| Interest expenses (<i>note g</i>) | 60,603 | – |
| Guarantee charges (<i>note h</i>) | 2,225 | – |

Notes:

- (a) The property rental income received from subsidiaries of the ultimate holding company, which were charged in accordance with the relevant tenancy agreement.
- (b) The imputed interest expenses derived from the loans advanced from a subsidiary of the ultimate holding company and a substantial shareholder of 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 Company, 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 interest in the 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, which were also disposed of in July 2007.

- (e) Mr. Zhu Gong Shan (“Mr. Zhu”) and his associates supplied coals and technical and management services to the Group during the six months ended 30th June, 2007. Mr. Zhu is 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 Environment 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 or associated companies of the Company.

The Power Plants were disposed of in November 2007, the details of which were set out note 6 “Discontinued operations” to these condensed consolidated financial statements.

- (f) The construction fee paid to a subsidiary of the ultimate holding company, which were charged at market rate.
- (g) The interest expenses derived from the loans advanced from an intermediate holding company, a subsidiary of the ultimate holding company and the ultimate holding company, which carried from a fixed rate of 7.5% to benchmark rate plus 1%.
- (h) The guarantee charges paid to a subsidiary of the ultimate holding company for acting as a guarantor of bank loans borrowed by subsidiaries of the Group and it was charged at 1% on the maximum guarantee amount.

INTERIM DIVIDEND

The Directors have resolved not to declare the payment of an interim dividend for the six months ended 30th June, 2008 (2007: HK\$nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Operating Conditions

For the first half of year 2008, the Group recorded a turnover of HK\$502,674,000 (corresponding period in 2007: HK\$470,907,000), representing an increase of 7% as compared with the corresponding period last year. Profit attributable to shareholders amounted to HK\$10,833,000 (corresponding period in 2007: HK\$239,516,000), representing a decrease of HK\$228,683,000 as compared with the corresponding period last year. Basic earnings per share was HK0.62 cents (corresponding period in 2007: HK16.33 cents), while diluted earnings per share was HK0.61 cents (corresponding period in 2007: HK15.95 cents).

As at 30th June, 2008, total shareholders' equity of the Group amounted to HK\$6.19 billion (31st December, 2007: HK\$4.67 billion) and net book asset value per share was HK\$3.24 (31st December, 2007: HK\$2.83).

Corporate Background

The Group is the sole overseas-listed company of China Poly Group Corporation, a large-scale state-owned enterprise under the supervision of the State-owned Assets Supervision and Management Commission of the State Council of the PRC. Through the continuing asset injection of our parent company, the Group has successfully transformed from an investment company to a sizable property developer with real estate development, property investment and property management as its core businesses.

Real Estate Development Scale

In April 2008, the Group completed the acquisition of the entire equity in Shenzhen Poly Investments Co., Limited from Poly Southern Group Limited. Through the acquisition, the Group acquired real estate projects and land reserves of a total gross floor area of more than 4,000,000 square meters, which promptly expanded the scale of real estate development of the Group while strengthening the core competitiveness of the Group. More importantly, this signifies our parent company's support, recognition of and full confidence in the Group's engagement in real estate development as its principal business.

As at 30th June, 2008, the Group has over 30 real estate projects-in-progress and land reserves, with a total gross floor area approximately 8.94 million square meters.

Sales

For the first half of 2008, the pre-sale and sale areas of the nine projects totaled 148,000 square meters with the pre-sale and sale amount totaled RMB1.26 billion.

Pre-sale and Sale for the First Half of 2008

Unit: RMB

| | Area (square meter) | Amount (0,000) | Average Price RMB/ square meter |
|---|------------------------|-------------------|---------------------------------------|
| New launch in 2008 | | | |
| Shanghai Poly Garden Phase 1 | 14,824 | 22,513 | 15,187 |
| Shanghai Tang Dynasty Garden | 29,188 | 25,812 | 8,843 |
| Shenzhen Hai Yu Western Bay | 24,387 | 22,368 | 9,172 |
| Nanning Poly 21st Century Home# | 1,275 | 770 | 6,039 |
| Guiyang Poly New Island Phase 2# | - | - | - |
| Continuous launch | | | |
| Wuhan Poly Royal Palace Phase 1 | 44,959 | 27,888 | 6,203 |
| Chongqing Poly Spring Villas Phase 1 | 3,107 | 6,741 | 21,696 |
| Chongqing Emerald Valley Phases 2 & 3 | 26,977 | 18,216 | 6,752 |
| Guiyang Poly New Island Phase 1 | 2,123 | 1,417 | 6,675 |
| Harbin Yi He Homeland Southern District | 1,057 | 536 | 5,071 |
| Total | 147,897 | 126,261 | 8,537 |

Projects have been offered for sale in late June

Though the mainland property market has been adjusted due to austerity measures and disasters in the first half of 2008, the 5 new projects launched by the Group during the period, including 2 projects in Shanghai, 1 project in Shenzhen, 2 projects in Central and Southwestern regions, have all recorded satisfactory sales and overwhelming market response. In April 2008, town houses in Shanghai Poly Garden (Phase 1) comprising 86 units were sold out on the first day of launch. All 366 residential units of Shanghai Tang Dynasty Garden were also sold out on the first day of launch. Even the sale of Shenzhen Hai Yu Western Bay located in Shenzhen where has suffered a greater extend of market adjustment has met our sale expectation since its launch in April. As of August, 50% of residential units for the entire project were sold out. The Group launched 260 units in Nanning Poly 21st Century Home in late June and 50% of residential units launched were subscribed at the first day of its launch. At the same time, 617 suites of Guiyang Poly New Island Phase 2 were launched, the subscription rate was 95% at the first day of launch. As sale contracts are generally signed within one month after the subscription of units, the majority of the pre-sale for the two latter projects has not been reflected on the above table yet.

In addition, the projects being continuous launched by the Group are Wuhan Poly Royal Palace Phase 1, Chongqing Poly Spring Villas Phase 1, Chongqing Emerald Valley Phases 2 & 3, Guiyang Poly New Island Phase 1 and Harbin Yi He Homeland Southern District, with pre-sale/sale floor area totaled 78,000 square meters and the amount of sales totaled RMB550 million for the first half of the year.

In the second half of the year, the Group plans to launch various projects located in Shanghai, Guangzhou, Guiyang, Nanning, Harbin, Kunming, Jinan, with a total area of approximately 600,000 square meters.

Table for Projects under Construction

| Project | Approximate Site Area (square meter) | Approximate Aggregate Gross Floor Area (square meter) | Group's Interest |
|--|---|--|------------------|
| First-tier cities | | | |
| 1. Shanghai Poly Square | 27,000 | 102,000 | 90% |
| 2. Shanghai Poly Garden Phases 1 & 2 | 88,000 | 190,000 | 100% |
| 3. Shanghai Jinli Apartments | 140,000 | 181,000 | 50.1% |
| 4. Shanghai Jinjue Apartments | 75,000 | 146,000 | 50.1% |
| 5. Shanghai Tang Dynasty Garden | 21,000 | 33,000 | 50.1% |
| 6. Guangzhou City of Poly Phase 1 | 125,000 | 223,000 | 51% |
| 7. Shenzhen Hai Yu Western Bay | 35,000 | 91,000 | 51% |
| Central and south-west regions | | | |
| 8. Wuhan Poly Cultural Plaza | 12,000 | 143,000 | 100% |
| 9. Wuhan Poly Royal Palace Phases 1 & 2 | 112,000 | 322,000 | 100% |
| 10. Chongqing Poly Spring Villas Phase 1 | 67,000 | 20,000 | 51% |
| 11. Chongqing Emerald Valley Phases 2, 3 & 4 | 351,000 | 374,000 | 30% |
| 12. Guiyang Poly New Island Phases 1 & 2 | 306,000 | 422,000 | 66.5% |
| 13. Guiyang Yun Shan International Phase 1 | 66,000 | 310,000 | 60% |
| 14. Nanning Poly Upper House | 80,000 | 127,000 | 75% |
| 15. Nanning Poly 21st Century Home | 47,000 | 190,000 | 75% |
| 16. Kunming Poly Ning Hu Feng Jing Phase 1 | 85,000 | 57,000 | 80% |
| Other cities | | | |
| 17. Harbin Yi He Homeland Southern District | 73,000 | 168,000 | 51% |
| 18. Harbin Shui Yun Chang Tan Phase 1 | 122,000 | 97,000 | 58% |
| 19. Harbin Poly Park No. 9 Phase 1 | 133,000 | 143,000 | 51% |
| 20. Jinan Poly Garden Phase 1 | 49,000 | 156,000 | 100% |
| Total: | 2,014,000 | 3,495,000 | |

SUMMARY FOR PROJECTS UNDER CONSTRUCTION

1. Shanghai Poly Square

Shanghai Poly Square is situated in the Huangpu River in Lujiazui, Putong, Shanghai, the rarely beautiful view of the Huangpu River and district resources in the financial centre. The project, which has a site area of 27,000 square meters and an aggregate gross floor area of approximately 102,000 square meters, will comprise, a block of high-rise Grade A office, 4 multi-storey buildings of offices and shopping malls. The Group holds 90% of the interest in the project.

The project is under the construction phase of main structure work and is expected to be completed in 2009.

2. Shanghai Poly Garden (Phases 1 & 2)

Shanghai Poly Garden is situated in the central area of Jiading New City, Jiading District, Shanghai, occupying a site area of approximately 154,000 square meters. The project, which has an aggregate gross floor area of approximately 404,000 square meters, comprise an apartment area integrating both commercial, residential premises, town houses with ample services and facilities. The project was awarded of "Homely Residential Area in China (中國親情式住宅小區)". The Group holds the entire interest in the project.

Phase 1 of the project has an aggregate gross floor area of 113,000 square meters. The town houses are under the construction phase of interior renovation work while the residential premises are under the construction phase of main structure work. The pre-sale of the project was commenced in April 2008. The construction work of town houses and residential premises is expected to be completed by the end of 2008 and 2009 respectively. Phase 1 of the project of town houses and residential premises was launched for pre-sale in April 2008. It is intended that its residential units with a gross floor area of approximately 60,000 square meters will be further launched in the second half of the year.

The construction work of phase 2 of the project with an aggregate gross floor area of 77,000 square meters was commenced in early 2008. It is expected that its pre-sale will be ready to launch in March 2009.

3. Shanghai Jinli Apartments

Shanghai Jinli Apartments are situated in the core zone of “new town”, which is the focus of construction under “the Eleventh Five-Year Plan”, in the Tang Town of the Pudong New Area. The zone 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 and an aggregate gross floor area of approximately 181,000 square meters. The Group holds 50.1% of interest in the project.

An overall sales agreement was signed with the government in February 2007. It is expected to be completed in 2008.

4. Shanghai Jinjue Apartments

Shanghai Jinjue Apartments are 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 Area. The zone is adjacent to Zhangjiang Hi-Tech Park (張江高科技園). The zone is situated near the extension lot of the Tang Town station of Metro Line No. 2. The project, which has a site area of approximately 75,000 square meters and an aggregate gross floor area of approximately 146,000 square meters, will be constructed into a medium and high-end residential area. The Group holds 50.1% of interest in the project.

The project is under the construction phase of main structure work and is expected to be completed by the end of 2009. It is intended that the pre-sale of the project will commence in October 2008 and residential units with a gross floor area of approximately 32,000 square meters will be launched in the second half of the year.

5. Shanghai Tang Dynasty Garden

Shanghai Tang Dynasty Garden is situated in the core zone of “new town”, which is the focus of construction under “the Eleventh Five-Year Plan”, in the Tang Town of the Pudong New Area. The zone is adjacent to Zhangjiang Hi-Tech Park (張江高科技園), and is near the extension lot of the Tang Town station of Metro Line No. 2. The project, which has a site area of approximately 21,000 square meters and an aggregate gross floor area of approximately 33,000 square meters, will be constructed into a medium and high-end residential area. The Group holds 50.1% of interest in the project.

The project is under the construction phase of municipal public facilities work and is expected to be completed by the end of 2008.

6. Guangzhou City of Poly (Phase 1)

Guangzhou City of Poly is situated in the automobile industry base of Huadu District, Guangzhou and is adjacent to the commercial and administration centre of the district. The project has a site area of approximately 249,000 square meters and an aggregate gross floor area of approximately 537,000 square meters. It will be developed into a residential complex comprising villas, condominiums and high-rise apartments. The Group holds 51% of interest in the project.

Phase 1 of the project has a gross floor area of approximately 223,000 square meters. The project is under construction and is expected to be completed in 2009. It is intended that pre-sale of the project will commence in September 2008 and high-rise apartments with a gross floor area of approximately 40,000 square meters will be launched in the second half of the year.

7. Shenzhen Hai Yu Western Bay

Situated in Haibin Avenue (海濱大道), Xixiang Town, Baoan District, Shenzhen, Shenzhen Hai Yu Western Bay is adjacent to Baoan New District with excellent seaview. The project has a site area of approximately 35,000 square meters and an aggregate gross floor area of approximately 91,000 square meters, which will be constructed into high-rise residential area. The Group holds 51% of interest in the project.

The project was launched for sale in April 2008, and its construction work is expected to be completed in 2009.

8. Wuhan Poly Cultural Plaza

Wuhan Poly Cultural Plaza is located in an interchange of Zhongnan Road and Mingzhu Road in Wuchang, Wuhan, which is opposite to the Hubei Provincial Government and adjacent to inner ring road of the city and Metro Line No. 2 and 4. The land parcel has a site area of approximately 12,000 square meters and an aggregate gross floor area amounting to approximately 143,000 square meters, and the project will be constructed as a landmark commercial and office complex in Wuchang region. The Group holds 100% of interest in the project.

The project is under the construction phase of underground structure work and is expected to be completed in 2010.

9. Wuhan Poly Royal Palace (Phases 1 & 2)

Situated at the core area of Guangu in the Donghu New Technology Development Zone (東湖新技術開發區), Wuhan, Wuhan Poly Royal Palace is adjacent to the city metro and commands a panorama view of the renowned Dongwu scenic area on its north and the immense South Lake on its south with a fine residential area with well-developed residential and leisure areas around it. The project has a site area of approximately 212,000 square meters with a net site area of 199,000 square meters, and an aggregate gross floor area of approximately 640,000 square meters, which will be constructed into a medium and high-end scenic residential area. The Group holds 100% of interest in the project.

Phase 1 of the project has an aggregate gross floor area of 208,000 square meters which is under construction and planned to be completed in 2009. The pre-sale of phase 1 commenced in December 2007 and May 2008. It is intended that its residential units with an aggregate gross floor area of approximately 50,000 square meters will be further launched in October 2008. The construction work of phase 2, with an aggregate gross floor area of 114,000 square meters, was commenced in the first half of 2008. It is expected to be completed in 2010.

10. Chongqing Poly Spring Villas (Phase 1)

Chongqing Poly Spring Villas is located in one of the top ten tourist sites in Chongqing. The project followed the philosophy of "harmonisation of architecture and nature", and situated in a magnificent environment with a natural landscape and historical buildings nearby. It is an important project of Chongqing City and Ba Nan District, and has been classified as a focus project of "wu fang shi quan" (五方十泉). The project has a site area of approximately 210,000 square meters, with an aggregate gross floor area of 58,000 square meters. The property is positioned as a high-end separate community of hot spring villa. The Group holds 51% interest in the project.

Phase 1 of the project has a gross floor area of 20,000 square meters, which was fully completed in the first half of 2008.

11. Chongqing Emerald Valley (Phases 2, 3 and 4)

Chongqing Emerald Valley is situated in the North New District of Chongqing, which has beautiful view with surrounding hills. The project has a site area of 523,000 square meters, with an aggregate gross floor area of 482,000 square meters. The project comprised mid to high-end residential development of town houses and homes with gardens, and will become a small residential area in French style. The Group holds 30% of interest in the project.

Phase 1 of the project with an area of approximately 108,000 square meters has been completed in 2007. Phase 2 of the project with an area of approximately 62,000 square meters is expected to be completed in 2008. Phase 3 of the project with an area of approximately 111,000 square meters is expected to be completed in 2009. The construction work of phase 4 of the project was commenced in August 2008.

12. Guiyang Poly New Island (Phases 1 & 2)

Located in Wudang District, Guiyang, Guizhou Province, Guiyang Poly New Island is an ecological and cultural property project. The project has a site area of 461,000 square meters and gross floor area of 969,000 square meters. It is a large-scale hot spring residential project featuring culture. The Group holds 66.5% of interest in the project.

Phase 1 of the project has a gross floor area of 234,000 square meters and the low rise residential blocks have passed through inspection and completed. Phase 2 of the project has a gross floor area of 188,000 square meters and its construction work was commenced in first half of 2008, which is currently under foundation work. The sale of project was commenced in June 2007 and June 2008 respectively, and its residential units with a gross floor area of approximately 150,000 square meters is intended to be further launched in the second half of the year.

13. Guiyang Yun Shan International

Located in the core Yanyan District of Guiyang, Poly Yunshan International is a large scale premium real estate development project in the old district of Guiyang, and it will be constructed into a recreational and cultural residential area. The project has a site area of 156,000 square meters and an aggregate gross floor area of 670,000 square meters. The Group holds 60% of interest in the project.

Phase 1 of the project has a site area of approximately 66,000 square meters, with a gross floor area of approximately 310,000 square meters. Its construction work was commenced in the first half of 2008 and is planned to be completed in 2011. The pre-sale of the project is planned to be launched in December 2008 and its residential units with an aggregate gross floor area of 50,000 meters will be launched in the second half of the year.

14. Nanning Poly Upper House

Nanning Poly Upper House is situated in the base of the ASEAN countries liaison section of the ASEAN International Business Area (東盟商務區東盟各國聯絡部基地), Fengling New District, Nanning. It has a site area of 80,000 square meters and an aggregate gross floor area of 127,000 square meters. Situated approximately one kilometer from the venue of Nanning International Convention and Exhibition Centre, the project is the first town houses and commercial apartments introduced to Nanning. The Group holds 75% of interest in the project.

The project is under construction and is expected to be completed by the end of 2008.

15. Nanning Poly 21st Century Home

Nanning Poly 21st Century Home is situated on the south side of Nanning Minzu Avenue in the Nanning ASEAN International Business Area. It has a site area of 47,000 square meters and an aggregate gross floor area of approximately 190,000 square meters. It is positioned as a high-end energy-saving residential apartment area. The Group holds 75% of interest in the project.

The sale of project was commenced in June 2008 and was offered for pre-sale in June 2008. Its construction work is expected to be completed in 2009.

16. Kunming Poly Ning Hu Feng Jing (Phase 1)

The project located in Anning of Kunming, Yunnan. Poly Ning Hu Feng Jing has a site area of approximately 160,000 square meters and an aggregate gross floor area of 279,000 square meters. The project is designed as a high-class residential community that comprises apartments and commercial facilities.

Phase 1 of the project has a site area of 85,000 square meters and gross floor area of 57,000 square meters. The project is currently under construction and will be completed in 2010. The pre-sale of the project is intended to commence in October 2008 and its residential units with an aggregate gross floor area of approximately 50,000 square meters will be launched.

17. Harbin Yi He Homeland Southern District

Harbin Yi He Homeland is situated in Haxi Gongdian Road (哈西工電路) at the junction of Youjia Street and Zixing Street in Nanggang District, Harbin. The whole Yi He Homeland project has a site area of 151,000 square meters and an aggregate gross floor area of approximately 533,000 square meters. It is divided into the south and the north zones. The multi-storey residential district is the combination of European architectural style and Chinese traditional architectural style. The Group holds 51% of interest in the project.

The south zone has a site area of approximately 73,000 square meters and an aggregate gross floor area of 168,000 square meters. Its construction work will be completed in 2008.

18. Harbin Shui Yun Chang Tan (Phase 1)

Harbin Shui Yun Chang Tan is situated on the west of the National Highway 202 (Songhua River Highway Bridge) and north of Third Ring Road, adjacent to the municipal government offices, with a financial and business service centre, Dragon Culture Theme Park (龍文化主題公園) and Songbei University Town (松北大學城). The whole project has a site area of 567,000 square meters and an aggregate gross floor area of 704,000 square meters. It is planned to be developed into a residential apartment area. The Group holds 58% of interest in the project.

Phase 1 of the project has a site area of 122,000 square meters and an aggregate gross floor area of approximately 97,000 square meters. The project is currently under construction and will be completed in 2009. The pre-sale of the project is intended to commence in September 2008, and its residential units with an aggregate gross floor area of 40,000 square meters will be launched in the second half of the year.

19. Harbin Poly Park No. 9 (Phase 1)

Located in interchange of Longxiang Road and Xiangan Street North, Songbei, Harbin Poly Park No. 9 is closely adjacent to Songbei Commercial Central District, Convention and Exhibition Centre and Oumeiya Science Park District (歐美亞科技園區). The entire project has a site area of 172,000 square meters and an aggregate gross floor area of 281,000 square meters. It is planned to develop into a high-quality residential community. The Group holds 51% of interest in the project.

Phase 1 of the project has a site area of 133,000 square meters and gross floor area of approximately 143,000 square meters. The project is currently under construction and will be completed in 2009. The pre-sale of the project is intended to commence in October 2008 and its residential units with an aggregate gross floor area of 60,000 square meters will be launched in the second half of the year.

20. Jinan Poly Garden (Phase 1)

Jinan Poly Garden is situated at Northwest of Jingshi East Road, Cross-over, Jinan. The project, with a site area of approximately 83,000 square meters and an aggregate gross floor area of approximately 266,000 square meters, will be developed into a premium high-end residential area. The project will be developed in two phases. The Group holds 100% of interest in the project.

Phase 1 of the project has a site area of 49,000 square meters and an aggregate gross floor area of approximately 156,000 square meters, which will be completed in 2009. The pre-sale of the project is intended to commence in October 2008 and its residential units with an aggregate gross floor area of 54,000 square meters will be launched in the second half of the year.

Land Reserves

During the first half of 2008, the Group acquired a new land parcel located in Shanghai and Wuhan respectively, both has a site area of 120,000 square meters, with a constructible gross floor area of 240,000 square meters and 230,000 square meters respectively at a consideration of RMB818 million and RMB200 million. At present, the Group possesses land reserves of site area 2.65 million square meters and planned gross floor area of approximately 5.45 million square meters in 11 cities, which are sufficient for planned development in the coming two to three years.

List of Land Reserves

| Land Parcel | Site Area (square meter) | Planned Aggregate Gross Floor Area (square meter) | Group's Interest | Expected Construction Commencement Date |
|---|------------------------------------|---|-----------------------------|--|
| First-tier cities | | | | |
| 1. Shanghai Poly Garden Phases 3 & 4 | 66,000 | 214,000 | 100% | 2nd half of 2008 |
| 2. Shanghai Jiading Shuang Dan Lu | 119,000 | 305,000 | 100% | 2009 or later |
| 3. Shanghai Tang Zhen Tang Xing Lu | 120,000 | 241,000 | 50.1% | 1st half of 2009 |
| 4. Shanghai Jiangwang Xin Cheng | 12,000 | 14,000 | 100% | 2nd half of 2008 |
| 5. Guangzhou City of Poly Phases 2 & 3 | 124,000 | 314,000 | 51% | 1st half of 2009 |

| Land Parcel | Site Area (square meter) | Planned Aggregate Gross Floor Area (square meter) | Group's Interest | Expected Construction Commencement Date |
|---|-----------------------------|---|---------------------|--|
| Central and south-west regions | | | | |
| 6. Wuhan Poly Royal Palace Phase 3 | 87,000 | 318,000 | 100% | 2nd half of 2008 |
| 7. Wuhan Yang Garden | 30,000 | 84,000 | 51% | 2009 or later |
| 8. Jin Ying Tan | 122,000 | 230,000 | 100% | 2009 or later |
| 9. Chongqing Poly Spring Villas Phases 2 & 3 | 143,000 | 38,000 | 51% | 2nd half of 2008 |
| 10. Nanning Long Hu Lan Wan | 568,000 | 485,000 | 75% | 1st half of 2009 |
| 11. Nanning Poly Shan Shui Yi Cheng | 67,000 | 261,000 | 75% | 1st half of 2009 |
| 12. Guiyang Yun Shan International Phases 2 & 3 | 90,000 | 360,000 | 60% | 2nd half of 2008 |
| 13. Guiyang Poly New Island Phases 3 & 4 | 155,000 | 547,000 | 66.5% | 1st half of 2009 |
| 14. Guiyang Poly International Plaza | 21,000 | 243,000 | 66.5% | 2nd half of 2008 |
| 15. Kunming Poly Ning Hu Feng Jing Phases 2 & 3 | 75,000 | 222,000 | 80% | 2nd half of 2008 |
| Other cities | | | | |
| 16. Harbin Shui Yun Chang Tan Phases 2, 3 & 4 | 445,000 | 607,000 | 58% | 2nd half of 2008 |
| 17. Harbin Yi He Homeland Northern District | 78,000 | 365,000 | 51% | 2nd half of 2008 |
| 18. Harbin Poly Park No. 9 Phase 2 | 39,000 | 138,000 | 51% | 2nd half of 2008 |
| 19. Jinan Poly Garden Phase 2 | 34,000 | 110,000 | 100% | 2nd half of 2008 |
| 20. Jinan Poly Furong | 26,000 | 84,000 | 100% | 2nd half of 2008 |
| 21. Huizhou Bouluo County Project | 230,000 | 269,000 | 80% | 1st half of 2009 |
| Total: | 2,651,000 | 5,449,000 | | |

REVIEW OF PROPERTY INVESTMENT BUSINESS

With the consistently steady economic growth in China, quality commercial properties are highly demanded in the market. The Group owns a number of investment properties in Beijing, Shanghai, Wuhan, Shenzhen and Hong Kong. The Group held a gross floor area of approximately 300,000 square meters as of 30th June, 2008, with accumulated operating revenue at HK\$154 million for the first half of 2008. Such properties have continually recorded a high occupancy rate as well as satisfactory returns and have become a stable, long term source of income for the Group.

| Location | Project | Gross Floor Area (square meters) | Category |
|-----------|--|-------------------------------------|------------------------------------|
| Shanghai | Shanghai Stock Exchange Building ^{#1} | 48,000 | Office building |
| Beijing | Poly Plaza ^{#2} | 71,000 | Office building, hotel and theatre |
| Beijing | Beijing Legend Garden Villas ^{#1} | 11,000 | Apartment, villa, commercial |
| Wuhan | Hubei Poly White Rose Hotel | 33,000 | Hotel |
| Hong Kong | 25th Floor, Tower 1, Admiralty Centre | 2,000 | Office building |
| Shenzhen | Shenzhen Poly Cultural Plaza ^{#1} | 133,000 | Mall, cinema, theatre, etc. |

^{#1} Based on the gross floor area of the project held by the Group

^{#2} Based on the 75% equity interest of the building held by the Group

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 such financial institutions as Banque Nationale de Paris, Credit Suisse, China Everbright Holdings Company Limited and Hong Kong Hang Seng Bank, etc.

The Group holds a gross floor area of approximately 48,000 square meters of the building, approximately 1,000 square meters of which is for its own use and approximately 47,000 square meters for leasing.

As of 30th June, 2008, the rental income amounted to RMB42.03 million, an increase of 29% as compared to the corresponding period last year which amounted to RMB32.55 million. The occupancy rate remained at 99% and the average rental rate was RMB5.93/square meter/day, representing an increase of 15% as compared with the corresponding period of last year of RMB5.17/square meter/day. The rental rate for new leases exceeded RMB8.2/square meter/day as a result of the robust economic development in Shanghai. Its investment returns are expected to continually increase in the future.

2. Poly Plaza

Poly Plaza situated in Beijing is located in a prime site adjacent to embassies of various countries in China and Central Business District (CBD). Poly Plaza is a composite architecture comprised of a four-star hotel with 292 standard rooms and deluxe rooms, offices with an area of 20,000 square meters and a theatre with over 1,300 seats.

In the first half of 2008, the turnover of Poly Plaza amounted to RMB65.70 million. In June 2008, guest room occupancy rate was 73% and the average room rate amounted to RMB689/day/room, representing an increase of RMB53 or 8% as compared with the corresponding period last year. The guest rooms contributed RMB475/day/room, 19.4% higher than that for four-star hotels in Beijing of RMB398/day/room.

3. Shenzhen Poly Cultural Plaza

Shenzhen Poly Cultural Plaza is situated in the core area of Nanshan Commercial and Cultural Centre. The Plaza, with an aggregate gross floor area of 148,000 square meters (a mall area of approximately 13,000 square meters was sold), is a large-scale cultural and commercial project with functions such as theatre, convention and exhibition, cinema, museum, recreation, entertainment, catering, shopping. Shenzhen Poly Cultural Plaza was opened for use in March 2008 and is now for lease. The Group holds 100% of interests in the project.

4. Hubei Poly White Rose Hotel

White Rose Hotel is situated in Wuhan, Hubei Province and is in close proximity to Hong Shan Plaza in town centre, with a gross floor area of 33,000 square meters. White Rose Hotel was closed temporarily in October 2007 for five star suites renovation, and there will be 320 suites after the renovation work. The renovation work is expected to be completed by the end of 2008.

5. Beijing Legend Garden Villas

Beijing Legend Garden Villas is situated in the Tianzhu high-end villa district next to the capital airport. The villa is the first high-end foreigner-oriented apartment in Beijing. It is surrounded by an exquisite natural environment with comprehensive ancillary facilities.

As of 30th June, 2008, the Group held such project for the purpose of investing properties. For the period, 6 apartments totaling 921 square meters were sold, which generated an income of HK\$6.71 million, and residential area of 7,053 square meters was remained. It also held commercial property of 10,808 square meters, with rental and other income for the period amounted to HK\$5.04 million.

6. 25th Floor, Tower 1, Admiralty Centre

Admiralty Centre situates above the MTR station in the financial hub in Hong Kong and is easily accessible. The Group owns the whole 25/F (representing an area of approximately 2,000 square meters) of tower 1, with half of which for self-use and the remaining half for lease.

As of 30th June, 2008, the leasing rate reached 100%. The aggregate rental income amounted to HK\$2.28 million, representing an increase of 34% compared with the corresponding period last year.

REVIEW OF PROPERTY MANAGEMENT BUSINESS

Shanghai Poly Property Hotel Management Company Limited is a professional company held by the Group and principally engages in the management in high-end properties and hotels. The company won numerous awards and honors over the years, including the titles of the model unit of quality management, of services, and of integrity.

The property company realised an income of HK\$17.79 million in first half of the year and managed over 30 property projects with an aggregate gross floor area of 3.97 million square meters, encompassing offices premises, hotels, shopping malls, villas and residential.

FINANCIAL REVIEW

Liquidity and Capital Structure

As at 30th June, 2008, the shareholders' funds of the Group amounted to HK\$6,185,515,000 (31st December, 2007: HK\$4,669,181,000), while the net asset value per share was HK\$3.24 (31st December, 2007: HK\$2.83). As at 30th June, 2008, the Group's gearing ratio (on the basis of the amount of total liabilities divided by total assets) was 66% (31st December, 2007: 51%).

As at 30th June, 2008, the Group had outstanding bank loans of HK\$5,204,122,000. In terms of maturity, the outstanding bank loans can be divided into HK\$1,369,087,000 (26%) to be repaid within one year, HK\$1,463,570,000 (28%) to be repaid after one year but within two years, HK\$2,154,289,000 (42%) to be repaid after two years but within five years and HK\$217,176,000 (4%) to be repaid after five years. In terms of currency denomination, the outstanding bank loans can be divided into HK\$4,504,122,000 (87%) in Renminbi and HK\$700,000,000 (13%) in Hong Kong dollars.

2% of the bank borrowings of the Group are subject to fixed interest rates and the remaining 98% 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, 2008, the Group had net current assets of HK\$5,647,250,000 and total bank balances of HK\$3,182,269,000 (31st December, 2007: HK\$2,665,013,000 and HK\$1,829,878,000 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 risks is not material.

Pledge of Assets

As at 30th June, 2008, bank deposits amounted to HK\$76,084,000 (31st December, 2007: HK\$6,679,000), certain of the Group's properties under development of approximately HK\$3,182,933,000 (31st December, 2007: approximately HK\$1,673,387,000), certain of the Group's investment properties of approximately HK\$1,110,683,000 (31st December, 2007: approximately HK\$448,570,000), hotel properties, prepaid lease payments, other property, plant and equipment with an aggregate net book value of approximately HK\$1,131,906,000 (31st December, 2007: HK\$565,815,000) and shares in certain subsidiaries were pledged to secure credit facilities granted to the Group.

Contingent Liabilities

The Group arranged mortgage loan facilities with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayment. The maximum guarantees given to banks amount to HK\$1,289,432,000 as at 30th June, 2008 (31st December, 2007: HK\$nil). Such guarantees terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgaged loans by the buyers of the properties. In the opinion of the Directors, the fair value of such guarantees at initial recognition was insignificant.

STAFF

As at 30th June, 2008, the Group employed about 2,524 (30th June, 2007: 2,320) staff with remuneration for the period amounted to approximately HK\$58,468,000. 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.

COMPANY PROSPECT

Thanks to great support from our shareholders and management of our specialised management team, the real estate projects of the Group are being progressed as planned. In the second half of 2008, there will be various projects scheduled to commence, realised for sale and generating income. It is expected that turnover of the Group will be increase steadily during the second half of the year.

The Group is truly confident of its development prospects with its core business focuses on investing and development of real estate. Through the support of parent company and our shareholders, the Group will expedite its total transformation to real estate business shortly, while continue to actively and soundly participate in the quality real estate projects in the mainland China, so as to sustain healthy development of the Group, and to realise steady growth in results, thus creating fabulous returns for the 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 1.1.2008 | Granted during the period | Exercised during the period | Cancelled during the period | Lapsed during the period | Outstanding at 30.6.2008 |
|-----------------------|-------------|-------------------------|---------------------------|-----------------------------|-----------------------------|--------------------------|--------------------------|
| Category 1: Directors | | | | | | | |
| He Ping | 1998 | 4,500,000 | - | (4,500,000) | - | - | - |
| | 2000 | 5,000,000 | - | - | - | - | 5,000,000 |
| | 2005 | 8,900,000 | - | - | - | - | 8,900,000 |
| | 2008 | - | 4,500,000 | - | - | - | 4,500,000 |
| Chen Hong Sheng | 2005 | 8,000,000 | - | - | - | - | 8,000,000 |
| | 2008 | - | 3,500,000 | - | - | - | 3,500,000 |
| Wang Xu | 2008 | - | 3,000,000 | - | - | - | 3,000,000 |
| Xue Ming | 2008 | - | 2,650,000 | - | - | - | 2,650,000 |
| Han Qing Tao | 2008 | - | 1,600,000 | - | - | - | 1,600,000 |
| Ye Li Wen | 2008 | - | 1,600,000 | - | - | - | 1,600,000 |
| Chan Tak Chi, William | 2008 | - | 300,000 | - | - | - | 300,000 |
| Ip Chun Chung, Robert | 2008 | - | 300,000 | - | - | - | 300,000 |
| Yao Kang, J.P. | 2008 | - | 500,000 | - | - | - | 500,000 |
| Lam Tak Shing, Harry | 2008 | - | 300,000 | - | - | - | 300,000 |
| Choy Shu Kwan | 2005 | 300,000 | - | - | - | - | 300,000 |
| | 2008 | - | 300,000 | - | - | - | 300,000 |
| | | <u>26,700,000</u> | <u>18,550,000</u> | <u>(4,500,000)</u> | <u>-</u> | <u>-</u> | <u>40,750,000</u> |
| Category 2: Employees | | | | | | | |
| | 1998 | 4,000,000 | - | (4,000,000) | - | - | - |
| | 2000 | 3,000,000 | - | - | - | - | 3,000,000 |
| | 2008 | - | 18,250,000 | - | - | - | 18,250,000 |
| | | <u>7,000,000</u> | <u>18,250,000</u> | <u>(4,000,000)</u> | <u>-</u> | <u>-</u> | <u>21,250,000</u> |
| Total all categories | | <u>33,700,000</u> | <u>36,800,000</u> | <u>(8,500,000)</u> | <u>-</u> | <u>-</u> | <u>62,000,000</u> |

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

| Option type | Date of grant | Vesting period | Exercise period | Exercise price HK\$ |
|-------------|---------------|-------------------------|-------------------------|------------------------|
| 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 |
| 2008 | 29.4.2008 | 29.4.2008 – 28.4.2013 | 29.4.2008 – 28.4.2013 | 4.790 |

DIRECTORS' INTERESTS IN SECURITIES

At 30th June, 2008, 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 Shares and underlying Shares of the Company were as follows:

Long position

Ordinary shares of HK\$0.5 each of the Company

Mr. He Ping, Mr. Ye Li Wen and Mr. Chan Tak Chi, William are holding 4,500,000 Shares (0.235%), 200,000 Shares (0.010%) and 300,000 Shares (0.015%) respectively in the issued share capital of the Company.

Share options of the Company

| Name of director | Capacity | Number of options held | Number of underlying Shares |
|-------------------------|------------------|-------------------------------|------------------------------------|
| He Ping | Beneficial owner | 18,400,000 | 18,400,000 |
| Chen Hong Sheng | Beneficial owner | 11,500,000 | 11,500,000 |
| Wang Xu | Beneficial owner | 3,000,000 | 3,000,000 |
| Xue Ming | Beneficial owner | 2,650,000 | 2,650,000 |
| Han Qing Tao | Beneficial owner | 1,600,000 | 1,600,000 |
| Ye Li Wen | Beneficial owner | 1,600,000 | 1,600,000 |
| Chan Tak Chi, William | Beneficial owner | 300,000 | 300,000 |
| Ip Chun Chung, Robert | Beneficial owner | 300,000 | 300,000 |
| Yao Kang, J.P. | Beneficial owner | 500,000 | 500,000 |
| Lam Tak Shing, Harry | Beneficial owner | 300,000 | 300,000 |
| Choy Shu Kwan | Beneficial owner | 600,000 | 600,000 |
| | | 40,750,000 | 40,750,000 |

Save as disclosed above, at 30th June, 2008, 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, 2008, 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. | 416,485,080 | – | 416,485,080 | 21.79% |
| Source Holdings Limited | 228,398,760 | 100,086,800 | 328,485,560 <i>(Note 1)</i> | 17.19% |
| Ting Shing Holdings Limited | – | 744,970,640 <i>(Note 2)</i> | 744,970,640 | 38.98% |
| Poly (Hong Kong) Holdings Limited | 96,876,476 | 744,970,640 <i>(Note 3)</i> | 841,847,116 | 44.05% |
| Poly Southern Group Limited | 253,788,246 | – | 253,788,246 | 13.28% |
| China Poly Group Corporation | – | 1,095,635,362 <i>(Note 4)</i> | 1,095,635,362 | 57.33% |
| Rich Champ Investments Ltd. | 269,000,000 | – | 269,000,000 | 14.07% |
| Yung Chi Kin | – | 269,000,000 <i>(Note 5)</i> | 269,000,000 | 14.07% |

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 100,086,800 Shares through its wholly-owned subsidiaries, Musical Insight Holdings Limited and Wincall Holding Limited of 44,658,800 Shares and 55,428,000 Shares respectively.
2. Ting Shing Holdings Limited is deemed by the SFO to be interested in 744,970,640 Shares as a result of its indirect holding of 744,970,640 Shares through its subsidiaries, Source Holdings Limited and Congratulations Company Ltd. of 328,485,560 Shares and 416,485,080 Shares, respectively.
3. Poly (Hong Kong) Holdings Limited is deemed by the SFO to be interested in 841,847,116 Shares as a result of its direct holding of 96,876,476 Shares and indirect holding of 744,970,640 Shares through its wholly-owned subsidiary, Ting Shing Holdings Limited.

4. China Poly Group Corporation owns 100% of Poly (Hong Kong) Holdings Limited and Poly Southern Group Limited and is accordingly deemed by the SFO to be interested in the Shares directly and indirectly owned by Poly (Hong Kong) Holdings Limited and Poly Southern Group Limited.
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, 2008.

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

During the six months period ended 30th June, 2008, 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, 2008 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
WANG Xu
Managing Director

Hong Kong, 26th September, 2008