



保利(香港)投資有限公司

Poly (Hong Kong) Investments Limited

Stock Code : 119

INTERIM REPORT 2009



INTERIM RESULTS

The directors (the "Directors") of Poly (Hong Kong) Investments Limited (the "Company") hereby announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2009 with comparative figures for the six months ended 30th June, 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th June,	
	<i>Notes</i>	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Revenue	3	456,048	502,674
Cost of sales		<u>(274,852)</u>	<u>(309,948)</u>
Gross profit		181,196	192,726
Other income		26,347	14,905
Selling expenses		(95,085)	(75,996)
Administrative expenses		(114,364)	(84,696)
Equity-settled share-based payment expenses		(7,059)	(21,846)
Net increase (decrease) in fair value of held-for-trading investments		191	(28,180)
Net increase in fair value of investment properties		53,299	61,223
Finance costs		(33,369)	(28,144)
Share of results of jointly controlled entities		(3,545)	(145)
Share of results of associates		<u>22,265</u>	<u>10,200</u>
Profit before taxation	4	29,876	40,047
Income tax expense	5	<u>(26,583)</u>	<u>(39,452)</u>
Profit for the period		<u>3,293</u>	<u>595</u>
Attributable to:			
Owners of the Company		18,436	10,833
Non-controlling interests		<u>(15,143)</u>	<u>(10,238)</u>
		<u>3,293</u>	<u>595</u>
Dividends	6	<u>38,221</u>	<u>95,552</u>
Earnings per share	7		
– Basic		<u>0.96 cents</u>	<u>0.62 cents</u>
– Diluted		<u>0.95 cents</u>	<u>0.61 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th June,	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Profit for the period	3,293	595
Other comprehensive income		
Exchange differences arising on translation of foreign operations	–	302,601
Available-for-sale financial assets	270,930	(259,348)
(Loss) gain on revaluation of property	(69,027)	7,380
Income tax relating to revaluation of property	17,257	(1,845)
Other comprehensive income for the period, net of tax	219,160	48,788
Total comprehensive income for the period	222,453	49,383
Total comprehensive income attributable to:		
Owners of the Company	250,777	29,558
Non-controlling interests	(28,324)	19,825
	222,453	49,383

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30th June, 2009 HK\$'000 (Unaudited)	31st December, 2008 HK\$'000 (Audited)
Non-Current Assets			
Investment properties	9	3,444,997	3,392,821
Property, plant and equipment	9	1,008,091	1,036,814
Prepaid lease payments – non-current portion		342,680	347,265
Interests in associates		89,080	66,815
Interests in jointly controlled entities		1,177	1,422
Available-for-sale investments		386,777	115,847
Club membership		1,130	1,130
Deposits paid for acquisition of land use rights		876,888	1,275,637
Deferred tax assets		138,772	148,649
		6,289,592	6,386,400
Current Assets			
Properties under development		14,044,220	11,284,857
Properties held for sale		337,206	509,694
Other inventories		28,633	28,045
Trade and other receivables	10	574,325	605,924
Prepaid lease payments – current portion		9,222	9,222
Short-term loan receivables		–	96,013
Held-for-trading investments		2,537	16,526
Deposit paid for acquisition of a property development project		45,506	45,506
Amounts due from fellow subsidiaries		43,067	53,771
Amount due from a jointly controlled entity		2,708	2,275
Amounts due from non-controlling shareholders		92,482	72,000
Amount due from a related company		6,826	6,826
Taxation recoverable		112,782	35,683
Pledged bank deposits		63,554	51,491
Bank balances, deposits and cash		6,872,878	3,111,903
		22,235,946	15,929,736

	<i>Notes</i>	30th June, 2009 HK\$'000 (Unaudited)	31st December, 2008 HK\$'000 (Audited)
Current Liabilities			
Trade and other payables	11	1,630,759	1,625,823
Pre-sale deposits		5,294,009	1,738,770
Property rental deposits		56,303	60,142
Amount due to ultimate holding company		598,434	826,216
Amount due to an intermediate holding company		2,528,076	1,536,464
Amounts due to fellow subsidiaries		409,830	201,493
Amounts due to non-controlling shareholders		938,680	920,960
Amount due to an associate		34,130	34,130
Taxation payable		610,738	673,457
Bank borrowings – due within one year	12	1,580,080	1,552,831
		<u>13,681,039</u>	<u>9,170,286</u>
Net Current Assets		<u>8,554,907</u>	<u>6,759,450</u>
		<u>14,844,499</u>	<u>13,145,850</u>
Capital and Reserves			
Share capital	13	1,070,524	955,524
Reserves		5,993,988	5,124,537
Equity attributable to owners of the Company		7,064,512	6,080,061
Non-controlling interests		1,067,715	1,076,983
Total Equity		<u>8,132,227</u>	<u>7,157,044</u>
Non-Current Liabilities			
Bank borrowings – due after one year	12	5,970,122	5,245,345
Loan from a fellow subsidiary		167,070	162,203
Deferred tax liabilities		575,080	581,258
		<u>6,712,272</u>	<u>5,988,806</u>
		<u>14,844,499</u>	<u>13,145,850</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2009

	Attributable to equity owners of the Company													
	Share capital	Share premium	Share option reserve	Hotel properties revaluation reserve	Translation reserve	Capital redemption reserve	PRC statutory reserves	Investment revaluation reserve	Asset revaluation reserve	Other capital reserve	Accumulated profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2009	955,524	3,392,844	35,894	83,472	474,811	23,917	71,559	(228,777)	5,798	307,485	957,534	6,080,061	1,076,983	7,157,044
Profit for the period	-	-	-	-	-	-	-	-	-	-	18,436	18,436	(15,143)	3,293
Available-for-sale financial assets	-	-	-	-	-	-	-	270,930	-	-	-	270,930	-	270,930
Loss on revaluation of property	-	-	-	(51,452)	-	-	-	-	-	-	-	(51,452)	(17,575)	(69,027)
Income tax relating to revaluation of property	-	-	-	12,863	-	-	-	-	-	-	-	12,863	4,394	17,257
Total comprehensive income for the period	-	-	-	(38,589)	-	-	-	270,930	-	-	18,436	250,777	(28,324)	222,453
Recognition of equity-settled share-based payment expenses	-	-	7,059	-	-	-	-	-	-	-	-	7,059	-	7,059
Issue of shares	115,000	678,500	-	-	-	-	-	-	-	-	-	793,500	-	793,500
Share issue expenses	-	(28,664)	-	-	-	-	-	-	-	-	-	(28,664)	-	(28,664)
Transfer	-	-	-	-	-	-	333	-	-	-	(333)	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	(38,221)	(38,221)	-	(38,221)
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	19,056	19,056
At 30th June, 2009	1,070,524	4,042,680	42,953	44,883	474,811	23,917	71,892	42,153	5,798	307,485	937,416	7,064,512	1,067,715	8,132,227

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2008

	Attributable to equity owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Hotel properties revaluation reserve HK\$'000	Translation reserve HK\$'000	Capital redemption reserve HK\$'000	PRC statutory reserves HK\$'000	Investment revaluation reserve HK\$'000	Other capital reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interests 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
Profit for the period	-	-	-	-	-	-	-	-	-	10,833	10,833	(10,238)	595
Exchange differences arising on translation of foreign operations	-	-	-	-	273,688	-	-	-	-	-	273,688	28,913	302,601
Available-for-sale financial assets	-	-	-	-	-	-	-	(259,348)	-	-	(259,348)	-	(259,348)
Gain on revaluation of property	-	-	-	5,847	-	-	-	-	-	-	5,847	1,533	7,380
Income tax relating to revaluation of property	-	-	-	(1,462)	-	-	-	-	-	-	(1,462)	(383)	(1,845)
Total comprehensive income 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	126,895	1,421,213	-	-	-	-	-	-	-	-	1,548,108	-	1,548,108
Share issue expenses	-	(41)	-	-	-	-	-	-	-	-	(41)	-	(41)
Transfer	-	-	-	-	-	-	1,318	-	-	(1,318)	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(1,836)	(1,836)
Dividend paid	-	-	-	-	-	-	-	-	-	(95,552)	(95,552)	-	(95,552)
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	34,925	34,925
Non-controlling interests arising on the acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	612,523	612,523
At 30th June, 2008	955,524	3,722,768	25,956	79,088	536,443	23,917	25,010	(282,599)	307,485	791,923	6,185,515	983,002	7,168,517

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th June,	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Net cash from/(used in) operating activities	865,041	(890,029)
Net cash from investing activities	429,365	645,299
Net cash from financing activities	<u>2,466,569</u>	<u>1,425,554</u>
Net increase in cash and cash equivalents	3,760,975	1,180,824
Cash and cash equivalents at beginning of the period	3,111,903	1,823,199
Effect of foreign exchange rate change	<u>–</u>	<u>102,162</u>
Cash and cash equivalents at end of the period	<u>6,872,878</u>	<u>3,106,185</u>
Analysis of the balance of cash and cash equivalents represented by		
– bank balances, deposits and cash	<u>6,872,878</u>	<u>3,106,185</u>

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, except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

A number of new or revised standards, amendments and interpretations are effective for the financial year beginning on 1 January 2009. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31st December, 2008.

In the current interim period, the Group has applied the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning 1st January, 2009.

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instrument issued in 2008
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

As a result of the adoption of HKAS 1 (Revised), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

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

HKFRSs (Amendments)	Amendment of HKFRS 5 as a part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs	Improvements to HKFRSs issued in 2009 ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 39 (Amendments)	Eligible Hedged Items ¹
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards ¹
HKFRS 3 (Revised)	Business Combinations ¹
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC)-Int 18	Transfers of Assets from Customers ²

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

² *Effective for transfers on or after 1st July, 2009*

³ *Effective annual periods beginning on or after 1st July, 2009 or 1st January, 2010, as appropriate*

HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009.

3. Revenue and segment information

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1st January, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. There are no material changes in the identification of the Group's reportable segments following the adoption of HKFRS 8.

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

For the six months ended 30th June, 2009

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Total HK\$'000
REVENUE						
External revenue	217,770	150,162	30,582	57,534	-	456,048
Inter-segment revenue*	-	1,468	4,479	40,123	(46,070)	-
Total revenue	217,770	151,630	35,061	97,657	(46,070)	456,048
SEGMENT RESULT						
	(49,738)	105,355	5,012	9,297	-	69,926
Unallocated Income						12,750
Unallocated expenses						(38,151)
Finance costs						(33,369)
Share of results of jointly controlled entities				(3,545)		(3,545)
Share of results of associates	22,265					22,265
Profit before taxation						29,876
Income tax expense						(26,583)
Profit for the period						3,293

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

For the six months ended 30th June, 2008

	Property development business HK\$'000	Property investment and management HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Total HK\$'000
REVENUE						
External revenue	276,956	114,122	39,485	72,111	–	502,674
Inter-segment revenue*	–	2,784	–	39,367	(42,151)	–
Total revenue	276,956	116,906	39,485	111,478	(42,151)	502,674
SEGMENT RESULT						
	(35,741)	110,544	7,235	(11,359)	–	70,679
Unallocated Income						11,571
Unallocated expenses						(24,114)
Finance costs						(28,144)
Share of results of jointly controlled entities				(145)		(145)
Share of results of associates	10,200					10,200
Profit before taxation						40,047
Income tax expense						(39,452)
Profit for the period						595

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

4. Profit before taxation

	Six months ended	
	30th June, 2009 HK\$'000	30th June, 2008 HK\$'000
Profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments	4,585	4,493
Depreciation and amortisation of property, plant and equipment	29,823	25,847
Share of tax of associates (included in share of results of associates)	–	–
	34,408	30,787

5. Income tax expense

	Six months ended	
	30th June, 2009 HK\$'000	30th June, 2008 HK\$'000
The charge comprises:		
Hong Kong profits tax calculated at 16.5% (six months ended 30th June, 2008: 16.5%) of the estimated assessable profits for the period	–	–
PRC income tax	<u>3,742</u>	<u>17,156</u>
	<u>3,742</u>	<u>17,156</u>
Land appreciation tax	<u>1,884</u>	<u>13,439</u>
Deferred taxation	<u>20,957</u>	<u>8,857</u>
	<u>26,583</u>	<u>39,452</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. Dividends

	Six months ended	
	30th June, 2009 HK\$'000	30th June, 2008 HK\$'000
2008 final dividend of HK\$0.02 (2007: HK\$0.05) per share	<u>38,221</u>	<u>95,552</u>

The Directors have decided not to declare any interim dividend for the six months ended 30th June, 2009 (2008: HK\$nil).

7. Earnings per share

The calculation of basic and diluted earnings per share for the six months ended 30th June, 2009 is based on the following data:

	Six months ended	
	30th June, 2009	30th June, 2008
	HK\$'000	HK\$'000
Earnings:		
Profit for the period attributable to owners of the Company	18,436	10,833
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,922,483,510	1,738,472,378
Effect of dilutive potential ordinary shares on share options	14,122,095	24,363,476
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,936,605,605	1,762,835,854

8. Transfer to and from reserves

During the six months ended 30th June, 2009, the Group's subsidiaries in the PRC appropriate net of non-controlling interests' share of approximately HK\$333,000 out of accumulated profits to the PRC statutory reserves (2008: HK\$1,318,000).

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

During the period, the additions to the Group's property, plant and equipment amounted to approximately HK\$71 million, which included capital expenditure paid for construction in progress, renovation work and additions of furniture and fixture.

The Group's investment properties and hotel properties at 30th June, 2009 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\$53 million has been recognised directly in the income statement, while the decrease in fair value of hotel properties of HK\$70 million has been recognised in the hotel properties revaluation reserve.

10. Trade and other receivables

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

	30th June, 2009 HK\$'000	31st December, 2008 HK\$'000
0 to 30 days	69,011	333,241
31 to 90 days	17,230	19,034
More than 90 days	51,912	33,375
Total trade receivables	138,153	385,650
Other receivables	436,172	220,274
	574,325	605,924

11. Trade and other payables

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

	30th June, 2009 HK\$'000	31st December, 2008 HK\$'000
0 to 30 days	712,898	937,051
31 to 90 days	9,538	11,829
More than 90 days	210,310	73,772
Total trade payables	932,746	1,022,652
Other payables	698,013	603,171
	1,630,759	1,625,823

12. Bank borrowings

During the period, the Group obtained new bank loans of the amount of HK\$2,628 million. The loans bear interest at market rates. The Group also repaid approximately HK\$1,876 million during the period.

13. Share capital

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.50 each		
Authorised:		
At 1st January, 2009 and at 30th June, 2009	4,000,000,000	2,000,000
Issued and fully paid:		
At 1st January, 2009	1,911,047,046	955,524
Issue of shares	230,000,000	115,000
At 30th June, 2009	2,141,047,046	1,070,524

14. 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\$2,040,579,000 as at 30th June, 2009 (31st December, 2008: HK\$1,720,761,000). 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. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

At 30th June, 2009, the Company had given guarantees to certain banks and a fellow subsidiary in respect of credit facilities granted to certain subsidiaries of the Company. The amounts that could be required to be paid if the guarantees were called upon in entirety amounted to HK\$136,518,000 (31st December, 2008: HK\$171,000,000). HK\$136,518,000 (31st December, 2008: HK\$171,000,000) had been utilised by subsidiaries.

15. Capital commitments

	30th June, 2009 HK\$'000	31st December, 2008 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
– property development expenditures	2,975,748	2,380,350
– acquisition of land use rights	1,400,481	1,416,436
– addition of construction in progress	9,818	30,116
	4,386,047	3,826,902
Capital expenditure authorised but not contracted for in respect of acquisition of land use rights	329,920	329,920

16. Related party transactions

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

	Six months ended	
	30th June, 2009 HK\$'000	30th June, 2008 HK\$'000
Property rental income (<i>note a</i>)	5,088	3,979
Imputed interest expenses (<i>note b</i>)	4,866	4,872
Theatre operating expenses (<i>note c</i>)	7,229	2,599
Construction fee paid (<i>note d</i>)	639,138	195,057
Interest expenses (<i>note e</i>)	78,133	60,603
Guarantee charges (<i>note f</i>)	2,526	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 theatre operating expenses were paid to a jointly controlled entity and a fellow subsidiary for the operation and management of a theatre.
- (d) The construction fee paid to a subsidiary of the ultimate holding company, which were charged at market rate.
- (e) The interest expenses derived from the loans advanced from an intermediate holding company, a subsidiary of the ultimate holding company, the ultimate holding company and non-controlling shareholders of subsidiaries, which carried interest at a fixed rate of 6.85%, and variable rate from 90% of benchmark rate to benchmark rate plus 1.5%.
- (f) 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, 2009 (2008: HK\$nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Operating Conditions

For the first half of year 2009, the Group recorded a turnover of HK\$456,048,000 (corresponding period in 2008: HK\$502,674,000), representing a decrease of HK\$46,626,000 or 9% as compared with the corresponding period last year. Profit attributable to shareholders amounted to HK\$18,436,000 (corresponding period in 2008: a profit of HK\$10,833,000), representing an increase of HK\$7,603,000 or 70% as compared with the corresponding period last year. Basic earnings per share was HK0.96 cents (corresponding period in 2008: HK0.62 cents), representing an increase of HK0.34 cents or 55% as compared with the corresponding period last year, while diluted earnings per share was HK0.95 cents (corresponding period in 2008: HK0.61 cents). For the first half of year 2009, the Group's operating profit margin was 39.7%, representing an increase of 1.4% as compared with 38.3% in the corresponding period last year.

As at 30th June, 2009, the shareholders' equity of the Group amounted to HK\$7,064,512,000 (31st December, 2008: HK\$6,080,061,000), a growth of 16.2% as compared with the end of last year, and net book asset value per share was HK\$3.3 (31st December, 2008: HK\$3.18), a growth of 3.8% as compared with the end of last year.

Business Review

In the first half of year 2009, the real estate market of the mainland gradually recovered, experiencing a great rebound in the number of deals. With the introduction of government measures such as preferential realty transfer tax treatment, there's a surge in housing demand for self-living and upgrading purposes, resulted in a hot sale in the market. The overall real estate market recorded growth in both transaction volumes and prices which demonstrated significant improvement. The Group's adoption of effective sales strategies enables its property development projects to maintain better market competitiveness and hence well received by the market, and realised substantial growth in both sold area and sales over the previous year.

Currently, the Group has 20 projects under construction. From the beginning of the year to August, 6 new projects have commenced construction works. 14 projects were launched continuously and 2 projects were newly launched. 2 projects have been completed and delivered.

On 12th June, the Group successfully raised HK\$790 million by placing 230,000,000 shares at a price of HK\$3.45 per share, which helps to improve the gearing of the Group and provides sufficient capital for its future development.

Sales

In the first half of year 2009, the pre-sale and sale areas of the Group totaled 630,000 square meters, representing an increase of 330% as compared with previous year. The Group completed nearly 80% of its full-year sales target (i.e. 800,000 square meters) in the first half of the year, with the pre-sale and sale amount totaled RMB3.8 billion.

The pre-sale and sale realized in the first half of the year distributed over 9 cities, of which 37% were attributable to developments in the first-tier cities, which amounted to RMB1.39 billion with an average sales price of approximately RMB7,500, while 50% were attributable to developments in the second-tier cities located in central and south-western regions, which amounted to RMB1.88 billion with an average price of approximately RMB5,300, and 13% were attributable to developments in other cities, which amounted to RMB510 million with an average price of approximately RMB5,400.

Project	Accumulated contracts signed in January to June 2009 [*]		
	Amount (RMB million)	Area ('000 square meter)	Average price (RMB/ square meter)
Shanghai Poly Town	494	58	8,551
Shanghai Poly Noble Duke	408	41	9,973
Guangzhou City of Poly	397	80	4,969
Shenzhen Sea Songs Garden	90	7	13,218
Wuhan Poly Royal Palace	344	59	5,851
Guiyang Poly Newisland	363	80	4,502
Guiyang Clouds Hill International	301	68	4,453
Nanning Poly Upper House	20	4	5,786
Nanning Poly Century	748	111	6,691
Kunming Sunny Lake & Splendid Life	98	31	3,157
Harbin Poly Yi He Homeland Southern District	11	2	4,544
Harbin Poly The Water's Fragrant Dike	151	20	7,555
Poly Harbin Contemporary No. 9 Park Life	58	15	3,941
Jinan Poly Garden	242	50	4,886
Jinan Poly Lotus	44	7	5,949
Subtotal	3,769	633	5,956
Car parking space	7	-	-
Total	3,776	633	5,967

^{*} Chongqing Emerald Valley not included

In the fourth quarter, the Group has planned to launch 3 residential projects, including Shanghai Poly Lakeside Garden Phase 1, Shanghai Poly Villa Garden and Nanning Shan Shui Yi Cheng.

Projects under Construction

Project	Table for projects under construction as at August 2009			
	Site area (‘000 square meter)	Aggregate gross floor area (‘000 square meter)	Group’s interest	Expected completion year
Shanghai Poly Square	27	102	90%	2010
Shanghai Poly Town Phases 1, 2 & 3	136	301	100%	Phase 1, 2009
Shanghai Poly Lakeside Garden Phase 1	24	58	100%	2010
Shanghai Poly Noble Duke Phases 1 & 2	75	146	50.1%	Phase 1, 2009
Shanghai Poly Villa Garden	12	16	100%	2010
Guangzhou City of Poly Phases 1 & 2	187	382	51%	Phase 1, 2009
Wuhan Poly Cultural Plaza	12	143	100%	2012
Wuhan Poly Royal Palace Phases 1 & 2	112	322	100%	Phase 1, 2009
Chongqing Emerald Valley Phases 3 & 4	290	314	30%	2010
Guiyang Poly Newisland Phases 2 & 3	195	585	66.5%	Phase 2, 2009
Guiyang Clouds Hill International Phase 1	66	297	60%	2011
Nanning Poly Upper House	80	128	75%	2009
Nanning Poly Century	47	190	75%	2009
Nanning Shan Shui Yi Cheng	67	271	75%	2011
Kunming Sunny Lake & Splendid Life Phase 1	85	69	80%	2009
Harbin Poly The Water’s Fragrant Dike Phase 1	122	97	58%	2009
Poly Harbin Contemporary No. 9 Park Life Phase 1	133	142	51%	2009
Jinan Poly Garden Phases 1 & 2	83	265	100%	Phase 1, 2009
Jinan Poly Lotus	26	84	100%	2010
Huizhou Poly Shan Shui Cheng Phase 1	137	130	80%	2011
Total:	1,916	4,042		

SUMMARY FOR PROJECTS UNDER CONSTRUCTION

1. Shanghai Poly Square

Shanghai Poly Square is situated in the Huangpu River in Lujiazui, Putong, Shanghai, enjoys 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% interests in the project.

The project is under construction and is expected to be completed in the first quarter of 2010.

2. Shanghai Poly Town (Phases 1 to 3)

Shanghai Poly Town is situated in the central area of Jiading New City, Jiading District, Shanghai, divided into 4 phases with an aggregate site area of approximately 169,000 square meters. The residential area, which has an aggregate gross floor area of approximately 408,000 square meters, comprise an apartment area integrating both commercial, residential premises, town houses with ample services and auxiliary facilities. The Group holds 100% interests in the project.

Phase 1 of the project has an aggregate gross floor area of approximately 113,000 square meters. The town houses have been completed and delivered while the residential premises are under the construction. Phases 2 & 3 of the project have an aggregate gross floor area of 188,000 square meters and their construction works were commenced at the end of 2008. The whole project will be completed and delivered in phases by the end of 2008 to early 2012. The project was launched for pre-sale in April 2008. As at June 2009, town houses and residential units with a gross floor area of approximately 95,000 square meters have been sold out.

3. Shanghai Poly Lakeside Garden (Phase 1)

Shanghai Poly Lakeside Garden is situated in the core zone of Jiading New City, Jiading District, Shanghai and is within the educational area with comprehensive facilities in Jiading New City. By linking the urban areas with the Shanghai Lightrail Line 11 being planned, this project is conveniently located and will become an important residential area of Jiading. The project occupies a site area of approximately 119,000 square meters with an aggregate gross floor area of approximately 284,000 square meters. The Group holds 100% interests in the project.

Phase 1 of the project has an aggregate gross floor area of approximately 58,000 square meters. The project will be delivered by 2010 and the pre-sale of which is expected to commence in the fourth quarter of 2009.

4. Shanghai Poly Noble Duke (Phases 1 and 2)

Shanghai Poly Noble Duke is situated in the center of “new town”, which is the focus of reconstruction under “the Eleventh Five-Year Plan”, in the Tangzheng of Pudong New Area. Adjacent to Zhangjiang High-tech Industrial Park (張江高科技園區), the project is located near the extension lot of the Tangzheng station of Subway Link No. 2 and is easily accessible. 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% interests in the project.

The project is at the stage of main structure construction. It is expected that the construction of Phase 1 to be completed by the end of 2009 and Phase 2 to be completed in 2010. The pre-sale of the project commenced in September 2008 and as at June 2009, the accumulated sales of residential units amounted to a gross floor area of approximately 72,000 square meters.

5. Shanghai Poly Villa Garden

Shanghai Poly Villa Garden is situated in the New Jiangwan City, Yangpu District, Shanghai, occupying a site area of 12,000 square meters with an aggregate gross floor area of approximately 16,000 square meters. The project comprises 6 blocks of multi-storey residential houses with lifts and gardens, and planned to be constructed into an ecological residential area with Scandinavian design. The Group holds 100% interests in the project.

The construction works of the project has commenced at the beginning of 2009. It is expected that the construction to be completed in 2010. The project is scheduled to commence pre-sale in the fourth quarter of 2009.

6. **Guangzhou City of Poly (Phases 1 and 2)**

Guangzhou City of Poly is situated in the automobile manufacturing base of Huadou District, Guangzhou and is adjacent to the commercial and administration centre of the district. The project has a total site area of approximately 249,000 square meters and an aggregate gross floor area of approximately 538,000 square meters. It will be developed into a residential complex comprising villas, condominiums and high-rise apartments. The Group holds 51% interests in the project.

Phase 1 of the project occupies a gross floor area of approximately 223,000 square meters. It is expected that the project will be completed in 2009. The construction works of phase 2, with a gross floor area of approximately 159,000 square meters, has commenced in the second half of 2009 and is expected to be completed in 2010. The pre-sales of Phase 1 commenced in September 2008. As at June 2009, the accumulated sales amounted to a gross floor area of approximately 118,000 square meters.

7. **Wuhan Poly Cultural Plaza**

Wuhan Poly Cultural Plaza is located on an intersection of Zhongnan Road and Mingzhu Road in Wuchang, Wuhan (at the central region of Hong Shan Plaza), which is opposite to the Hubei Provincial Government, close to Inner Ring Road of the city and will connect to Subway Line no. 2 & 4. The project has a site area of approximately 12,000 square meters and an aggregate gross floor area of approximately 143,000 square meters. The project will be constructed as a landmark commercial and office complex in Wuchang. The Group holds 100% interests in the project.

The project is under the construction and is expected to be completed in 2012.

8. Wuhan Poly Royal Palace (Phases 1 and 2)

Situated at the core area of Guanggu 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 Donghu scenic area on its north and the immense South Lake on its south. The project has a site area of approximately 199,000 square meters and an aggregate gross floor area of approximately 640,000 square meters and will be constructed into a medium and high-end residential area. The Group holds 100% interests in the project.

Phase 1 of the project has an aggregate gross floor area of approximately 208,000 square meters which is under construction and is planned to be completed in 2009. Phase 2 of the project has an aggregate gross floor area of approximately 114,000 square meters. Its construction has officially commenced in 2008 and is expected to be completed in 2010. The pre-sales of Phase 1 of the project has commenced in December 2007. As at June 2009, the accumulated pre-sales of residential units amounted to a gross floor area of approximately 122,000 square meters.

9. Chongqing Emerald Valley (Phases 3 and 4)

Chongqing Emerald Valley is situated in the North New District of Chongqing, which is a rare area having beautiful view with surrounding hills in the northern part of Chongqing. The project has a site area of approximately 523,000 square meters, with aggregate gross floor area of approximately 483,000 square meters. The project comprises medium and high-end residential development of town houses and residential houses with gardens, and will become a small residential district in French style. The Group holds 30% interests in the project.

The construction of Phase 1 of the project, with an area of approximately 108,000 square meters, was completed at the end of 2007. Construction of Phase 2 of the project, with an area of approximately 61,000 square meters, was completed in 2008. Phase 3 of the project, with an area of approximately 258,000 square meters, is expected to be completed in 2010. Phase 4 of the project, with an area of approximately 56,000 square meters, is expected to be completed in 2011. As at June 2009, the accumulated pre-sales and sales of residential units amounted to a gross floor area of approximately 246,000 square meters.

10. Guiyang Poly Newisland (Phases 2 and 3)

Located in Wudang District, Guiyang, Guizhou Province, Guiyang Poly Newisland has a site area of approximately 482,000 square meters and a gross floor area of approximately 1,005,000 square meters. It will be constructed into a large-scale hot spring cultural residential project. The Group holds 66.5% interests in the project.

The gross floor area of Phase 1 of the project amounted to approximately 189,000 square meters and was completed and passed through inspection. The gross floor area of Phases 2 and 3 of the project amounted to approximately 585,000 square meters, and the constructions have commenced in 2008 and in the first half of 2009 respectively, which is expected to be completed by the end of 2009 and in 2011 respectively. Phase 2 of the project was launched for sale in the second half of 2008. As at June 2009, the accumulated sales of residential units and villas amounted to a gross floor area of approximately 262,000 square meters.

11. Guiyang Clouds Hill International (Phase 1)

Located at the north-east side of Qianling Park of Guiyang and opposite to the Xiaoguan Lake, Guiyang Clouds Hill International is less than one kilometer from the provincial government and will be developed into a leisure and cultural residential zone. The project has a site area of approximately 156,000 square meters and an aggregate gross floor area of almost 673,000 square meters. The Group holds 60% interests in the project.

Phase 1 of the project has a site area of approximately 66,000 square meters and a gross floor area of approximately 297,000 square meters. Its construction commenced in the first half of 2008 and is expected to be completed in 2011. The pre-sales of Phase 1 commenced in November 2008. As at June 2009, the accumulated sales of residential units amounted to a gross floor area of approximately 103,000 square meters.

12. Nanning Poly Upper House

Nanning Poly Upper House is situated in Fengling New Development District, Nanning, adjacent to the ASEAN member's liaison department area of ASEAN commercial district. It has a site area of approximately 80,000 square meters and an aggregate gross floor area of approximately 128,000 square meters. The project is the first scenic view type apartment and commercial apartment introduced to Nanning market. The Group holds 75% interests in the project.

The construction of part of the residential area was completed and delivered in 2008. The construction of the remaining area of approximately 50,000 square meters is expected to be completed and delivered by the end of 2009.

13. Nanning Poly Century

Nanning Poly Century is situated on the south side of Nanning Minzu Avenue in the ASEAN International Business Area. It has a total site area of approximately 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 area. The Group holds 75% interests in the project.

The project is expected to be completed and delivered by the end of 2009. The pre-sales of the project commenced in July 2008. All units were sold out.

14. Nanning Shan Shui Yi Cheng

Located in the Dong Gou Ling New District, Xingning District, Nanning, Nanning Shan Shui Yi Cheng is adjacent to the Xingning District Government. The project has a site area of approximately 67,000 square meters and an aggregate gross floor area of approximately 271,000 square meters. It is planned to develop into a high-rise residential area with 21 buildings of 15-18 storeys. The Group holds 75% interests in the project.

The construction of the project has commenced in the beginning of 2009. The project is expected to be completed in 2011. The project is scheduled to commence pre-sales in the fourth quarter of 2009.

15. Kunming Sunny Lake & Splendid Life (Phase 1)

The project is located in Anning of Kunming, Yunnan. It has a site area of approximately 160,000 square meters and an aggregate gross floor area of approximately 300,000 square meters. It is planned to develop into an integrated high-end residential and commercial area. The Group holds 80% interests in the whole project.

The project will be developed in two phases. Phase 1 is currently under construction. Phase 1 of the project has a gross floor area of 69,000 square meters, which is expected to be completed in the second half of 2009. The pre-sales of phase 1 has commenced in April 2009. As at June 2009, the accumulated sales of residential units and villas amounted to a gross floor area of approximately 24,000 square meters.

16. Harbin Poly The Water's Fragrant Dike (Phase 1)

Harbin Poly The Water's Fragrant Dike is adjacent to the Harbin municipal government offices, with a financial and business service centre, Dragon Culture Theme Park and Songbei University Town. The whole project has a site area of approximately 567,000 square meters and an aggregate gross floor area of approximately 703,000 square meters. It is planned to develop into a large-scale low density high-end residential area mainly comprising of villas. The Group holds 58% interests in the project.

Phase 1 of the project has a site area of 122,000 square meters and a gross floor area of approximately 97,000 square meters. Part of its construction was completed in the beginning of 2009 and has started to deliver. Phase 2 of the project has a site area of approximately 93,000 square meters and a gross floor area of approximately 84,000 square meters. Construction of Phase 2 is expected to be commenced in the second half of 2009 and is expected to be completed in 2010. The pre-sales of Phase 1 has commenced in September 2008. As at June 2009, the accumulated sales of villas amounted to a gross floor area of approximately 33,000 square meters.

17. Poly Harbin Contemporary No. 9 Park Life (Phase 1)

Located in Songbei District, Poly Harbin Contemporary No. 9 Park Life is closely adjacent to Songbei Commercial Central District, Convention and Exhibition Centre and Oumeiya Science Park District. The whole project has a site area of approximately 172,000 square meters and an aggregate gross floor area of approximately 281,000 square meters. It is planned to develop into a high quality residential community. The Group holds 51% interests in the project.

Phase 1 of the project has a site area of approximately 133,000 square meters and a gross floor area of approximately 142,000 square meters. The project is currently under construction and is expected to complete in the second half of 2009. The pre-sales of Phase 1 has commenced in October 2008. As at June 2009, the accumulated sales of residential units amounted to a gross floor area of approximately 18,000 square meters.

18. Jinan Poly Garden (Phases 1 and 2)

Jinan Poly Garden is situated at the eastern part of the Jinan High-tech Development Zone. The project, with a site area of approximately 83,000 square meters and an aggregate gross floor area of approximately 265,000 square meters, will be developed into a premium high-end residential area. The Group holds 100% interests in the project.

The project will be developed in two phases and is currently under construction. Phase 1 of the project has a site area of 49,000 square meters and an aggregate gross floor area of approximately 132,000 square meters. It is expected to be completed by the end of 2009. The pre-sales of Phase 1 has commenced in June 2009. As at June 2009, the accumulated sales of residential units amounted to a gross floor area of approximately 50,000 square meters.

19. Jinan Poly Lotus

Located in Lixia District of Jinan, Jinan Poly Lotus is adjacent to Daming Lake. The project has a site area of 26,000 square meters and an aggregate gross floor area of approximately 84,000 square meters. It will be developed into an apartment residential area. The Group holds 100% interests in the entire project.

The project is currently under construction and is expected to be completed in 2010. The pre-sales of the project has commenced in October 2008. As at June 2009, the accumulated sales of residential units amounted to an area of approximately 58,000 square meters.

20. Huizhou Poly Shan Shui Cheng (Phase 1)

Huizhou Poly Shan Shui Cheng is located in Bouluo County of Huizhou, Guangdong Province. The project has a site area of 358,000 square meters and an aggregate gross floor area of approximately 467,000 square meters, which will be constructed into a high-end residential area mainly comprising of villas, condominiums and high-rise apartments. The Group holds 80% interests in the entire project.

Phase 1 of the project has a site area of approximately 137,000 square meters and a gross floor area of approximately 130,000 square meters. The construction of the project has commenced in August 2009 and is expected to be completed in 2011.

Land Reserves

From the beginning of 2009 to present, the Group acquired three land parcels in Guiyang, Foshan and Huizhou respectively, with a total site area of 610,000 square meters and a total constructible gross floor area of approximately 1,100,000 square meters. At present, the Group possesses land reserves of a total site area of approximately 2,810,000 square meters and a planned gross floor area of approximately 5,320,000 square meters in 10 cities, which are sufficient for planned development in the coming two to three years. In the second half of the year, the Group will continue to rely on the abundant social resources. It will expand its land reserves with reasonable cost by various means in order to modify its strategic planning in the real estate market of China.

Project	List of land reserves as at August 2009			
	Site area (‘000 square meter)	Aggregate gross floor area (‘000 square meter)	Group’s interest	Expected construction commencement date
Shanghai Poly Town Phase 4	33	107	100%	2nd half of 2009
Shanghai Poly Lakeside Garden Phase 2	95	226	100%	1st half of 2010
Shanghai Tangzhen Tang Xing Lu	120	242	50%	2nd half of 2009
Guangzhou City of Poly Phase 3	62	156	51%	1st half of 2010
Foshan Chan Shan Cheng Qu	31	172	51%	2nd half of 2010
Wuhan Poly Royal Palace Phase 3	87	318	100%	1st half of 2010
Wuhan Yang Yuan Project	30	84	51%	To be confirmed
Wuhan Jinyintan Project	122	153	100%	To be confirmed
Chongqing Poly Spring Villa Phases 2 & 3	143	38	51%	2nd half of 2009
Guiyang Poly Newisland Phase 4	100	231	66.5%	1st half of 2010
Guiyang Clouds Hill International Phase 2	90	376	60%	1st half of 2010
Guiyang Poly International Plaza Phases 1 & 2	21	242	66.5%	2nd half of 2009
Guiyang Poly Spring Boulevard	448	775	66.5%	1st half of 2010
Kunming Sunny Lake & Splendid Life Phase 2	75	231	80%	1st half of 2010
Nanning Long Hu Lan Wan	568	527	75%	2nd half of 2009
Poly Harbin Contemporary No. 9 Park Life Phase 2	39	139	51%	1st half of 2010
Harbin Yi He Homeland Northern District Phases 1 & 2	78	361	51%	2nd half of 2009
Harbin Poly The Water’s Fragrant Dike Phases 2, 3 & 4	445	606	58%	2nd half of 2009
Huizhou Poly Shan Shui Cheng Phase 2	221	337	80%	1st half of 2010
Total:	2,808	5,321		

Property Investment

During the period, under the influence of poor economic conditions and the stagnant market, the overall performance of the property leasing market of the mainland was held back. The increasing pressure on property business has caused certain effect to the investment properties of the Group. Notwithstanding, by adopting measures to improve management, enhance competitiveness of service, reduce operation costs and minimize risks, the Group's investment properties have maintained a high occupancy rate and generated stable long-term income for the Group.

List of major investment properties and hotels as at August 2009			
Location	Project	Gross floor area attributable to the Group ('000 square meter)	Category
Shanghai	Shanghai Stock Exchange Building	48	Office building
Beijing	Beijing Poly Plaza	71	Office building, hotel and theatre
Beijing	Beijing Legend Garden Villas	12	Apartment and villa
Shenzhen	Shenzhen Poly Cultural Plaza	135	Mall, cinema, theatre, etc.
Wuhan	Hubei Poly White Rose Hotel	33	Hotel

1. Shanghai Stock Exchange Building

Shanghai Stock Exchange Building is situated in the financial district in Lujiazui, Pudong District, Shanghai, which houses the Shanghai Stock Exchange. The Group holds a gross floor area of approximately 48,000 square meters of the building, approximately 2,000 square meters of which is for its own use and approximately 46,000 square meters is for leasing purpose.

As at the first half of 2009, the occupancy rate was approximately 83% and the average rental rate was RMB6.1/square meter/day.

2. Beijing Poly Plaza

Beijing Poly Plaza is located in a prime site adjacent to embassies of various countries in China and Central Business District. Beijing Poly Plaza is a composite architecture comprised of a four-star hotel, offices with an area of 20,000 square meters and a theatre.

As at the first half of 2009, the occupancy rate of office building was approximately 97%. The hotel room occupancy rate was approximately 57%. The average room rate was RMB617/day/room.

3. 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 real estate project in Beijing. It is surrounded by an exquisite natural environment and is easily accessible. The Group holds residential units and commercial property with an area of approximately 5,800 square meters and approximately 6,300 square meters respectively. As at the first half of 2009, the income amounted to RMB3,080,000.

4. Shenzhen Poly Cultural Plaza

Shenzhen Poly Cultural Plaza is situated in the core area of Nanshan Commercial and Cultural Centre in Shenzhen. The Plaza, with an aggregate gross floor area of over 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. As at the first half of 2009, the occupancy rate of the Plaza was approximately 84% and the average rental was RMB2/square meter/day.

5. 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 approximately 33,000 square meters. White Rose Hotel was closed temporarily in the beginning of 2008 for renovation. After renovation, part of the hotel re-opened for business at the end of June. The hotel is upgraded from four-star to five-star with 320 suites and catering and entertainment facilities after the renovation work.

Property Management

The Group holds various property management companies which principally engage in the management of hotels and high-end properties. 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.

As at the first half of 2009, the property company realised an income of RMB32,300,000 and managed over 46 property projects with an aggregate gross floor area of 4.14 million square meters, encompassing offices premises, hotels, shopping malls, villas and residences.

FINANCIAL REVIEW

Liquidity and Capital Structure

As at 30th June, 2009, the shareholders' equity of the Group amounted to HK\$7,064,512,000 (31st December, 2008: HK\$6,080,061,000), while the net asset value per share was HK\$3.3 (31st December, 2008: HK\$3.18). As at 30th June, 2009, the Group's gearing ratio (on the basis of the amount of total liabilities divided by total assets) was 71.5% (31st December, 2008: 67.9%).

As at 30th June, 2009, the Group had outstanding bank loans of HK\$7,550,202,000. In terms of maturity, the outstanding bank loans can be divided into HK\$1,580,080,000 (21%) to be repaid within one year, HK\$2,939,710,000 (39%) to be repaid after one year but within two years, HK\$2,919,631,000 (39%) to be repaid after two years but within five years and HK\$110,781,000 (1%) to be repaid after five years. In terms of currency denomination, the outstanding bank loans can be divided into HK\$6,950,202,000 (92%) in Renminbi and HK\$600,000,000 (8%) in Hong Kong dollars.

8.7% of the bank borrowings of the Group are subject to fixed interest rates and the remaining 91.3% 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, 2009, the Group had net current assets of HK\$8,554,907,000 and total bank balances of HK\$6,936,432,000 (31st December, 2008: HK\$6,759,450,000 and HK\$3,163,394,000 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, 2009, bank deposits amounted to HK\$63,554,000 (31st December, 2008: HK\$51,491,000), certain of the Group's properties under development of approximately HK\$7,856,042,000 (31st December, 2008: approximately HK\$6,775,955,000), certain of the Group's properties held for sale of approximately HK\$230,878,000 (31st December, 2008: approximately HK\$263,115,000), certain of the Group's investment properties of approximately HK\$1,204,986,000 (31st December, 2008: approximately HK\$1,699,394,000), hotel properties, prepaid lease payments, other property, plant and equipment with an aggregate net book value of approximately HK\$1,010,892,000 (31st December, 2008: HK\$1,095,553,000) 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\$2,040,579,000 as at 30th June, 2009 (31st December, 2008: HK\$1,720,761,000). 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. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

At 30th June, 2009, the Company had given guarantees to certain banks and a fellow subsidiary in respect of credit facilities granted to certain subsidiaries of the Company. The amounts that could be required to be paid if the guarantees were called upon in entirety amounted to HK\$136,518,000 (31st December, 2008: HK\$171,000,000). HK\$136,518,000 (31st December, 2008: HK\$171,000,000) had been utilised by subsidiaries.

STAFF

As at 30th June, 2009, the Group employed about 2,760 (30th June, 2008: 2,524) staff with remuneration for the period amounted to approximately HK\$69,956,000. 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 1.1.2009	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30.6.2009
Category 1: Directors							
He Ping	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>40,750,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,750,000</u>
Category 2: Employees							
	2000	3,000,000	-	-	-	-	3,000,000
	2008	18,250,000	-	-	-	-	18,250,000
		<u>21,250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,250,000</u>
Total all categories		<u>62,000,000</u>	<u>-</u>	<u>-</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\$
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, 2009, 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 (0.210%), 200,000 Shares (0.009%) and 300,000 Shares (0.014%) 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
		<u>40,750,000</u>	<u>40,750,000</u>

Save as disclosed above, at 30th June, 2009, 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, 2009, 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	19.45%
Source Holdings Limited	228,398,760	100,086,800	328,485,560 (Note 1)	15.34%
Ting Shing Holdings Limited	–	744,970,640 (Note 2)	744,970,640	34.79%
Poly (Hong Kong) Holdings Limited	111,446,476	744,970,640 (Note 3)	856,417,116	39.99%
Poly Southern Group Limited	253,788,246	–	253,788,246	11.85%
China Poly Group Corporation	–	1,110,205,362 (Note 4)	1,110,205,362	51.85%
Osbert Lyman (Note 5)	–	130,035,000	130,035,000	6.07%
Royson Lyman (Note 5)	–	129,056,000	129,056,000	6.03%
Elke Lu (Note 5)	–	129,056,000	129,056,000	6.03%
Strategic Power International Limited (Note 5)	13,974,000	116,061,000 (Note 6)	130,035,000	6.07%
Delta Venture Holdings Limited (Note 5)	26,431,000	102,625,000 (Note 6)	129,056,000	6.03%
Albertson Capital Limited (Note 5)	116,061,000 (Note 6)	–	116,061,000 (Note 6)	5.42%

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 856,417,116 Shares as a result of its direct holding of 111,446,476 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. These Shares are held by Albertson Capital Limited in which each of Strategic Power International Limited and Delta Venture Holdings Limited has a 50% interests. Strategic Power International Limited is owned as to 70% by Mr. Osbert Lyman and Delta Venture Holdings Limited is owned as to 50% by Mr. Royson Lyman and 50% by Mr. Elke Lu.
6. 102,625,000 Shares are held by Albertson Capital Limited pursuant to its corporate substantial shareholder notice dated 18th June, 2009. Furthermore, 116,061,000 Shares are held by Albertson Capital Limited pursuant to the corporate substantial shareholder notice in respect of Strategic Power International Limited dated 26th June, 2009.

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, 2009.

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

During the six months period ended 30th June, 2009, 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, 2009 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

XUE Ming

Managing Director

Hong Kong, 31st August, 2009