保 利（香 港）投 資 有 限 公 司

Poly (Hong Kong) Investments Limited

Interim Report 2005

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, 2005 with comparative figures for the six months ended 30th June, 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30th June, 2005 HK$'000 (Unaudited)	2004 HK$'000 (Unaudited and restated)
Continuing operations			
Turnover	3	**331,935**	189,932
Cost of sales		**(203,709)**	(98,567)
Gross profit		**128,226**	91,365
Other revenue		**20,426**	3,226
Administrative expenses		**(108,860)**	(73,204)
Amortisation of deferred licencing income		**7,477**	7,477
Unrealised holding gain (loss) on investments held for trading		**40**	(403)
Surplus arising on revaluation of investment properties		**10,000**	8,000
Impairment loss on investments in securities		**–**	(5,058)
Finance costs		**(23,086)**	(6,530)
Gain on disposal of a subsidiary		**2,853**	–
Amortisation of goodwill arising on acquisition of associates		**–**	(6,344)
Share of profits of associates		**382**	11,369
Allowance for loans to jointly controlled entities		**–**	(155)
Profit before taxation	4	**37,458**	29,743
Taxation	5	**(7,477)**	(2,955)
Profit for the period from continuing operations		**29,981**	26,788
Discontinued operation			
Profit for the period from discontinued operation		**76,155**	44,037
Profit for the period		**106,136**	70,825
Attributable to:			
Equity holders of the parent		**103,587**	61,308
Minority interests		**2,549**	9,517
		106,136	70,825
Dividend	6	**26,872**	53,706
Earnings per share	7		
From continuing and discontinued operations:			
– Basic		**11.6 cents**	7.0 cents
– Diluted		**11.4 cents**	6.9 cents
From continuing operations:			
– Basic		**3.3 cents**	3.0 cents
– Diluted		**3.3 cents**	3.0 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**30th June, 2005 HK$'000 (Unaudited)**	31st December, 2004 HK$'000 (Audited and restated)
Non-Current Assets			
Investment properties	9	**1,230,609**	720,964
Property, plant and equipment	9	**1,720,818**	1,198,864
Lease premium for land – non-current portion		**354,459**	258,753
Goodwill		**278**	6,474
Interests in associates		**205,956**	467,380
Investment in a property development project		**210,000**	210,000
Investments in securities		**–**	76,461
Available for sale investments		**72,115**	–
Deposit paid for a hotel project		**–**	63,428
Deposit paid on acquisition of subsidiaries and associates		**185,717**	167,489
		3,979,952	3,169,813
Current Assets			
Stores		**–**	444
Inventories		**27,693**	18,650
Lease premium for land – current portion		**8,997**	6,938
Trade and other receivables	10	**559,828**	253,471
Short-term loans receivable		**29,400**	21,500
Investments in securities		**–**	17,850
Investments held for trading		**17,890**	–
Pledged bank deposits		**16,410**	25,178
Bank balances, deposits and cash		**333,304**	446,701
		993,522	790,732
Current Liabilities			
Trade and other payables	11	**448,467**	321,250
Property rental deposits		**4,662**	4,702
Taxation		**7,947**	3,044
Bank borrowings – due within one year	12	**449,923**	279,061
Loan from minority shareholders of subsidiaries		**–**	106,262
		910,999	714,319
Net Current Assets		**82,523**	76,413
		4,062,475	3,246,226

	Notes	30th June, 2005 HK$'000 (Unaudited)	31st December, 2004 HK$'000 (Audited and restated)
Capital and Reserves			
Share capital	13	**447,874**	447,699
Reserves		**2,282,104**	2,122,458
Equity attributable to equity holders of the parent		**2,729,978**	2,570,157
Minority Interests		**412,698**	221,505
Total Equity		**3,142,676**	2,791,662
Non-Current Liabilities			
Bank borrowings – due after one year	12	**464,851**	211,192
Other borrowing		**30,290**	30,290
Loan from a fellow subsidiary		**105,546**	168,224
Loan from minority shareholders of subsidiaries		**229,892**	–
Deferred licencing income		**37,383**	44,858
Deferred tax liabilities		**51,837**	–
		919,799	454,564
		4,062,475	3,246,226

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2005

	Attributable to equity holders of the parent													
	Share capital *HK$'000*	Share premium *HK$'000*	Investment properties revaluation reserve *HK$'000*	Hotel properties revaluation reserve *HK$'000*	Revaluation reserve *HK$'000*	Exchange translation reserve *HK$'000*	Capital redemption reserve *HK$'000*	Goodwill reserve *HK$'000*	PRC statutory reserves *HK$'000*	Other capital reserve *HK$'000*	Accu-mulated profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 1st January, 2004	403,801	1,458,263	31,659	–	–	(535)	15,906	(58,892)	5,270	164,137	309,411	2,329,020	202,531	2,531,551
Profits for the period	–	–	–	–	–	–	–	–	–	–	61,308	61,308	9,517	70,825
Total recognised income and expense for the period	–	–	–	–	–	–	–	–	–	–	61,308	61,308	9,517	70,825
Issue of shares	50,000	–	–	–	–	–	–	–	–	–	–	50,000	–	50,000
Premium arising on issue of shares	–	112,816	–	–	–	–	–	–	–	–	–	112,816	–	112,816
Exercise of share options	1,180	–	–	–	–	–	–	–	–	–	–	1,180	–	1,180
Premium arising on issue of shares after exercise of share options	–	566	–	–	–	–	–	–	–	–	–	566	–	566
Shares repurchased and cancelled:														
– Repurchsed of ordinary shares	(7,432)	–	–	–	–	–	–	–	–	–	–	(7,432)	–	(7,432)
– Premium on shares repurchased	–	–	–	–	–	–	–	–	–	–	(14,219)	(14,219)	–	(14,219)
– Transfer	–	–	–	–	–	–	7,432	–	–	–	(7,432)	–	–	–
Transfer	–	–	–	–	–	–	–	–	885	–	(885)	–	–	–
Dividend paid	–	–	–	–	–	–	–	–	–	–	(53,706)	(53,706)	–	(53,706)
Acquired on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	45	45
Dividend paid to minority shareholders of subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(10,077)	(10,077)
At 30th June, 2004	**447,549**	**1,571,645**	**31,659**	**–**	**–**	**(535)**	**23,338**	**(58,892)**	**6,155**	**164,137**	**294,477**	**2,479,533**	**202,016**	**2,681,549**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2005

	Attributable to equity holders of the parent													
	Share capital *HK$'000*	Share premium *HK$'000*	Investment properties revaluation reserve *HK$'000*	Hotel properties revaluation reserve *HK$'000*	Revaluation reserve *HK$'000*	Exchange translation reserve *HK$'000*	Capital redemption reserve *HK$'000*	Goodwill reserve *HK$'000*	PRC statutory reserves *HK$'000*	Other capital reserve *HK$'000*	Accu-mulated profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 31st December, 2004 – as originally stated	447,699	1,571,672	32,865	3,510	–	(585)	23,338	(58,892)	6,154	164,137	380,259	2,570,157	221,505	2,791,662
Effects of changes in accounting policies	–	–	–	(3,510)	71,528	–	–	–	–	–	(68,018)	–	–	–
At 31st December 2004 – as restated	447,699	1,571,672	32,865	–	71,528	(585)	23,338	(58,892)	6,154	164,137	312,241	2,570,157	221,505	2,791,662
Effect of adoption of new accounting policies	–	–	(32,865)	–	–	–	–	58,892	–	–	5,184	31,211	–	31,211
At 1st January, 2005 – as restated	447,699	1,571,672	–	–	71,528	(585)	23,338	–	6,154	164,137	317,425	2,601,368	221,505	2,822,873
Exchange differences arising on translation of foreign operations	–	–	–	–	–	2,303	–	–	–	–	–	2,303	2,202	4,505
Net income recognised directly in equity	–	–	–	–	–	2,303	–	–	–	–	–	2,303	2,202	4,505
Profits for the period	–	–	–	–	–	–	–	–	–	–	103,587	103,587	2,549	106,136
Total recognised income and expenses for the period	–	–	–	–	–	2,303	–	–	–	–	103,587	105,890	4,751	110,641
Dividend paid	–	–	–	–	–	–	–	–	–	–	(26,872)	(26,872)	–	(26,872)
Exercise of share options	175	–	–	–	–	–	–	–	–	–	–	175	–	175
Premium arising on issue of share	–	84	–	–	–	–	–	–	–	–	–	84	–	84
Share issue expenses	–	(9)	–	–	–	–	–	–	–	–	–	(9)	–	(9)
Transfer	–	–	–	–	–	–	–	–	457	–	(457)	–	–	–
Deem contribution on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	49,342	–	49,342	–	49,342
Dividend paid to minority shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(7,724)	(7,724)
Acquired on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	130,651	130,651
Effect of adoption of new accounting policies during the period	–	–	–	–	–	–	–	–	–	–	–	–	63,515	63,515
At 30th June, 2005	**447,874**	**1,571,747**	**–**	**–**	**71,528**	**1,718**	**23,338**	**–**	**6,611**	**213,479**	**393,683**	**2,729,978**	**412,698**	**3,142,676**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2005

	Six months ended 30th June,	
	2005	2004
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash from operating activities	**48,981**	109,744
Net cash used in investing activities	**(659,066)**	(148,095)
Net cash from financing activities	**503,140**	258,852
Net (decrease) increase in cash and cash equivalents	**(106,945)**	220,501
Cash and cash equivalents at beginning of the period	**440,249**	243,290
Cash and cash equivalents at end of the period	**333,304**	463,791
Analysis of the balance of cash and cash equivalents		
Bank balances, deposits and cash	**333,304**	463,791
	333,304	463,791

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 ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 and the effects of the changes in accounting policies

(a) 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 value or revalued amounts, as appropriate:

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has also resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

(i) Business combinations

In the current period, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves, and goodwill arising on acquisitions after 1st January, 2001 was capitalised and amortised over its estimated useful life.

The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of HK$58.9 million has been transferred to the Group's accumulated profits on 1st January, 2005. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1st January, 2005 onwards and goodwill will be tested for impairment at least annually or in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 are not required to be restated.

In the current period, the Group has also applied HKAS 21 "The Effects of Changes in Foreign Exchange Rates" which requires goodwill of foreign operations to be treated as monetary assets and liabilities and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions of foreign operations prior to 1st January, 2005 is treated as a non-monetary foreign currency item of the Group. Therefore, no prior period adjustment has been made. In the current period, the Group acquired foreign operations and goodwill arose there from has been translated at the closing rate at 30th June, 2005. As there was no significant difference between the exchange rates at the acquisition dates and the closing rate at 30th June, 2005, such translation has had no material effect on the balance of the translation reserve at 30th June, 2005.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves and negative goodwill arising on acquisitions after 1st January, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance was resulted.

Contingent liabilities of acquirees

In accordance with HKFRS 3, contingent liabilities of an acquiree are recognised at the date of the acquisition if the fair value of the contingent liabilities can be measured reliably. Previously, contingent liabilities of acquirees were not recognised separately from goodwill. As no material contingent liabilities of the acquirees were identified in relation to acquisitions that took place in the current period, this change in accounting policy has had no material effect on the goodwill calculation. In addition, because the revised accounting policy has been applied prospectively to acquisitions for which the agreement date is on or after 1st January, 2005, comparative figures for 2004 have not been restated.

(ii) Financial instruments

HKAS 32 "Financial Instruments: Disclosure and Presentation" requires retrospective application whereas HKAS 39 "Financial Instruments: Recognition and Measurement", which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects on the Group as a result of implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

On or before 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice No. 24 "Accounting for Investments in Securities" issued by the HKICPA ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities" or "other investments" as appropriate. "Investment securities" are carried at cost less impairment losses while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. From 1st January, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value or at cost less impairment loss, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1st January, 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. Investments in securities classified under non-current assets with carrying amounts of approximately HK$76,000,000 were reclassified to available-for-sale investments. Included in the available for-sale investments was approximately HK$1,000,000 unlisted equity investments of which fair value cannot be measured reliably and was therefore stated at cost less impairment loss at subsequent balance sheet dates. The remaining HK$75,000,000 available-for-sale investments represented listed equity securities and was stated at fair value. An adjustment with decrease of HK$31,000,000 to the previous carrying amounts of the listed equity securities at 1st January, 2005 has been made to the Group's accumulated profits. Investments in securities classified under current assets with carrying amount of approximately HK$18,000,000 was reclassified to investments held for trading on 1st January, 2005.

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. The adoption of HKAS 39 has had no material effect on the Group's accumulated profits.

(iii) Hotel properties

Hong Kong Interpretation 2 "The Appropriate Accounting Policies for Hotel Properties" clarifies the accounting policy for owner-operated hotel properties. In previous periods, the Group's self-operated hotel properties were carried at revalued amounts and were not subject to depreciation. Hong Kong Interpretation 2 requires owner-operated properties to be classified as property, plant and equipment in accordance with HKAS 16 "Property, Plant and Equipment" and therefore be accounted for either using the cost model or the revaluation model. The Group has resolved to account for these hotel properties using the revaluation model. In the absence of any specific transitional provisions in Hong Kong Interpretation 2, the new accounting policy has been applied retrospectively. Comparative figures have been restated.

(iv) *Owner-occupied leasehold interest in land*

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and is stated at cost or valuation less depreciation and amortisation at the balance sheet date and any accumulated impairment losses. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to lease premium for land under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. Where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. This change in accounting policy has been applied retrospectively and the comparative figures have been restated.

(v) *Investment properties*

In previous periods, the Group's investment properties were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise.

The Group has also applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. The amount held in investment property revaluation reserve at 1st January, 2005 has been transferred to the Group's accumulated profits as at that date.

(b) Summary of the effects of the changes in accounting policies

The effects of the changes in the accounting policies described in note 2 above are as follows:

(i) On results

	Six months ended 30th June,	
	2005	2004
	HK$'000	*HK$'000*
Goodwill no longer amortised	**402**	6,344
Depreciation of owner-operated hotel properties	**(7,973)**	(6,367)
Increase (decrease) in profit for the period	**(7,571)**	(23)

(ii) On income statement line items

	Six months ended 30th June,	
	2005	2004
	HK$'000	*HK$'000*
Increase in administrative expenses	**(7,973)**	(6,367)
Decrease in amortised expenses	**402**	6,344
	(7,571)	(23)

(iii) On balance sheet items

	As at 31.12.2004 (originally stated) HK$'000	Adjustments HK$'000	As at 31.12.2004 (restated) HK$'000	Adjustments HK$'000	As at 1.1.2005 (restated) HK$'000
Hotel properties	647,400	(647,400)	–	–	–
Property, plant and equipment	817,155	381,709	1,198,864	–	1,198,864
Lease premium for land	–	265,691	265,691	–	265,691
Investments in securities – non-current portion	76,461	–	76,461	(76,461)	–
Available-for-sale investments	–	–	–	44,994	44,994
Investments in securities – current portion	17,850	–	17,850	(17,850)	–
Investments held for trading	–	–	–	17,850	17,850
Loan from a follow subsidiary	(168,224)	–	(168,224)	62,678	(105,546)
Net effects on assets and liabilities	1,390,642	–	1,390,642	31,211	1,421,853
Accumulated profits	380,259	(68,018)	312,241	5,184	317,425
Investment property revaluation reserve	32,865	–	32,865	(32,865)	–
Hotel properties revaluation reserve	3,510	(3,510)	–	–	–
Revaluation reserve	–	71,528	71,528	–	71,528
Goodwill reserve	(58,892)	–	(58,892)	58,892	–
Total effects on equity	357,742	–	357,742	31,211	388,953
Minority interests	221,505	–	221,505	–	221,505
Net effect on equity	579,247	–	579,247	31,211	610,458

3. Turnover and segments information

Business segments

For the six months period ended 30th June, 2005

	Continuing operations						
	Supply of electricity and gas *HK$'000*	Property investment and management *HK$'000*	Hotel and restaurant operations *HK$'000*	Manu-facturing and media *HK$'000*	Financial Services *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
By principal activity							
REVENUE							
External revenue	176,381	49,059	59,282	40,827	6,386	–	331,935
Inter-segment revenue	3,738	120	–	–	–	(3,858)	–
Total revenue	180,119	49,179	59,282	40,827	6,386	(3,858)	331,935
SEGMENT RESULT	23,982	35,972	3,521	(2,266)	6,331		67,540
Unallocated corporate expenses							(10,231)
Finance costs							(23,086)
Gain on disposal of a subsidiary							2,853
Share of profits (losses) of associates	2,241			(1,229)	(630)		382
Profit before taxation							37,458
Taxation							(7,477)
Profit for the period from discontinued operation							76,155
Profit for the period							106,136

For the six months period ended 30th June, 2005

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

	The PRC* other than Hong Kong *HK$'000*	Hong Kong *HK$'000*	Total *HK$'000*
Revenue	328,817	3,118	331,935

* *The People's Republic of China*

For the six months period ended 30th June, 2004

	Continuing operations						
	Supply of electricity and gas *HK$'000*	Property investment and management *HK$'000*	Hotel and restaurant operations *HK$'000*	Manu-facturing and media *HK$'000*	Financial Services *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
By principal activity							
REVENUE							
External revenue	72,410	45,165	31,845	30,015	10,497	–	189,932
Inter-segment revenue	–	120	–	–	–	(120)	–
Total revenue	72,410	45,285	31,845	30,015	10,497	(120)	189,932
SEGMENT RESULT	12,149	19,658	7,037	1,941	4,792		45,577
Unallocated corporate expenses							(14,174)
Finance costs							(6,530)
Amortisation of goodwill arising on acquisition of associates	(217)	–	–	(6,127)	–		(6,344)
Share of profits (losses) of associates	9,646	3,957	–	(2,687)	453		11,369
Allowance for loans to jointly controlled entities	–	(155)	–	–	–		(155)
Profit before taxation							29,743
Taxation							(2,955)
Profit for the period from discontinued operation							44,037
Profit for the period							70,825

For the six months period ended 30th June, 2004

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

	The PRC other than Hong Kong *HK$'000*	Hong Kong *HK$'000*	Total *HK$'000*
Revenue	176,482	13,450	189,932

4. Profit before taxation

	Six months ended 30th June, 2005 HK$'000	30th June, 2004 HK$'000
Profit before taxation has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment	**46,860**	31,075
Loss on disposal of properties held for resale	**–**	1,162
Share of tax of associates (included in share of profit of associates)	**259**	580

5. Taxation

	Six months ended 30th June, 2005 HK$'000	30th June, 2004 HK$'000
Continuing operations:		
The charge comprises:		
Hong Kong profits tax calculated at 17.5% (six months period ended 30th June, 2004: 17.5%) of the estimated assessable profits for the period	**–**	–
PRC income tax	**7,477**	2,955
Taxation relating to continuing operations	**7,477**	2,955

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.

In the opinion of the directors, income from discontinued operation is not subject to Hong Kong Profit Tax or any other overseas tax for both years.

6. Dividend

	Six months ended 30th June, 2005 HK$'000	30th June, 2004 HK$'000
2004 final dividend of HK$0.03 per share (2003: HK$0.06 per share)	**26,872**	53,706

The directors have determined that an interim dividend of HK$0.02 (2004: HK$0.02, totalling approximately HK$17,908,000) per share will be paid to shareholders of the Company whose names appear on the Register of Member on 6th October, 2005.

7. Earnings per share

From continuing and discontinued operations

The calculation of basic and diluted earnings per share for the six months ended 30th June, 2005 is based on the following data:

	Six months ended 30th June, 2005 HK$'000	30th June, 2004 HK$'000
Earnings for the purposes of basic and diluted earnings per share – profit for the period attributable to equity holders of the parent	**103,587**	61,308

	Six months ended 30th June, 2005 Number of shares	30th June, 2004 Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	**895,570,962**	877,660,976
Effect of dilutive potential ordinary shares in respect of share options	**10,003,016**	14,393,676
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**905,573,978**	892,054,652

8. Transfers to and from reserves

During the six months period ended 30th June, 2005, the Group's subsidiaries in the PRC appropriate net of minority interests' share of approximately HK$457,000 out of accumulated profits to the PRC statutory reserves.

During the last six months period, the nominal value of shares repurchased of HK$7,432,000 was transferred from accumulated profits to capital redemption reserve and the premium on shares repurchased of HK$14,219,000 was charged to accumulated profits. In addition, a subsidiary of the Group in the PRC appropriated net of minority interests' share of approximately HK$885,000 out of accumulated profits to the PRC statutory reserves.

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

During the period, the Group acquired investment properties at fair value of approximately HK$546 million upon acquisition of a subsidiary and disposed certain investment properties with a carrying value of approximately HK$46 million. The Group also acquired property plant and equipment at fair values of approximately HK$497 million upon acquisition of certain subsidiaries. The Group disposed motor vessel with net book value of approximately HK$133 million and disposed certain property, plant and equipment with a currying value of approximately HK$1 million upon disposal of interest in a subsidiary. Additions to the Group's property, plant and equipment amounted to approximately HK$199 million.

The Group's investment properties were fair valued by AA Property Services Limited, an independent firm of professional property valuers at 30th June, 2005. The resulting increase in fair value of investment properties of HK$10 million has been recognised directly in the income statement.

10. Trade and other receivables

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

	30th June, 2005 *HK$'000*	31st December, 2004 *HK$'000*
0 to 30 days	**34,963**	25,504
31 to 90 days	**26,781**	17,241
More than 90 days	**8,139**	10,498
Total trade receivables	**69,883**	53,243
Receivables on disposal of subsidiaries	**32,710**	47,664
Other receivables	**457,235**	152,564
	559,828	253,471

11. Trade and other payables

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

	30th June, 2005 *HK$'000*	31st December, 2004 *HK$'000*
0 to 30 days	**8,095**	15,520
31 to 90 days	**5,813**	10,030
More than 90 days	**29,756**	3,853
Total trade payables	**43,664**	29,403
Other payables	**404,803**	291,847
	448,467	321,250

12. Bank Borrowings

During the period, the Group obtained new bank loans of the amount of HK$326 million, of which approximately HK$182 million was arose on acquisition of subsidiaries. The loans bear interest at market rates and are in average repayable within one year. The Group also repaid approximately HK$83 million during the period. The net proceeds were used to finance the acquisition of interests in subsidiaries, property plant and equipment and for working capital of the Group.

13. Share capital

	Number of shares	**nominal value** *HK$'000*
Ordinary shares of HK$0.50 each		
Authorised:		
At 1st January, 2005 and at 30th June, 2005	1,200,000,000	600,000
Issued and fully paid:	895,398,200	447,699
At 1st January, 2005		
Exercise of share options	350,000	175
At 30th June, 2005	895,748,200	447,874

14. Contingent liabilities

At 30th June, 2005, the Company had given guarantees to certain banks in respect of banking facilities granted to certain subsidiaries of the Company and the amount utilised was approximately HK$17 million (31st December, 2004: HK$60 million).

In addition, at 30th June, 2005, the Group had given a guarantee of approximately HK$14.3 million (31st December, 2004: HK$14.3 million) to a bank in respect of credit facilities granted to prospective purchasers of properties developed by a jointly controlled entity of the Group.

15. Capital commitments

	The Group	
	30th June, 2005	31st December, 2004
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of:		
– acquisition of property, plant and equipment	**200,000**	–
– acquisition of interests in unlisted companies	**150,000**	266,094
	350,000	266,094
Capital expenditure authorised but not contracted for in respect of:		
– acquisition of interests in unlisted companies	**–**	–
	–	–

16. Discontinued operation

This represented the disposal of the Group's last motor vessel, "Hai Kang" at a consideration of US$25,175,000 (equivalent to HK$196,365,000) and resulted in a gain of HK$59,893,000 to the Group.

The disposal was completed in April 2005 and the Group's shipping operation was ceased.

The profit for the period from the discontinued operation is analysed as follows:

	Four months ended 30th April, 2005 *HK$'000*	Six months ended 30th June, 2004 *HK$'000*
Profit of shipping operation for the period	**16,262**	44,037
Gain on disposal of shipping operation	**59,893**	–
	76,155	44,037

The results of the shipping operation for the interim reporting period were as follows:

	Four months ended 30th June, 2005 *HK$'000*	Six months ended 30th June, 2004 *HK$'000*
Revenue	**25,304**	66,121
Cost of sales	**(9,708)**	(21,151)
Other revenue	**945**	374
Administrative expenses	**(233)**	(209)
Finance costs	**(46)**	(1,098)
Gain on disposal of shipping operation	**59,893**	–
Profit before tax	**76,155**	44,037
Taxation	**–**	–
Profit for the period	**76,155**	44,037

17. Acquisition of subsidiaries

On 1st January, 2005, the Group acquired certain subsidiaries and increased its interest in certain associates to subsidiaries with total cash consideration of approximately HK$298 million. The transactions have been accounted for using the purchase method of accounting.

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

	Acquiree's carrying amount before combination *HK$'000*	Fair value adjustments *HK$'000*	Fair value *HK$'000*
Net assets acquired:			
Investment properties	–	546,000	546,000
Property, plant and equipment	463,397	33,986	497,383
Lease premium for land	–	101,111	101,111
Available for sale investments	16,615	10,499	27,114
Inventories	316,747	(187,735)	129,012
Trade and other receivables	375,685	(185,437)	190,248
Bank and cash balances	39,388	15,252	54,640
Bank borrowings			
– due within one year	(137,276)	(5,982)	(143,258)
Trade and other payables	(588,748)	79,119	(509,629)
Taxation	(7,404)	6,428	(976)
Bank borrowings			
– due after one year	(38,359)	–	(38,359)
Deferred tax liabilities	(39,698)	(13,428)	(53,126)
	400,347	399,813	800,160
Minority interests			(180,651)
			669,509
Goodwill (deem contribution) arising on acquisition			(49,064)
			620,445
Satisfied by:			
Interest in associates			(322,179)
Cash consideration paid			(298,266)
Total considerations			(620,445)
Net cash outflow arising on acquisition;			
Cash consideration paid			(298,266)
Cash and cash equivalents acquired			54,641
			(243,625)

INTERIM DIVIDEND

The Directors resolved that an interim dividend of HK$0.02 (six months ended 30th June, 2004: HK$0.02) per share be paid on or about 7th October, 2005 to the shareholders of the Company whose names appear on the register of members of the Company on 6th October, 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4th October, 2005 to 6th October, 2005 (both days inclusive) during which period no share transfer will be effected. In order to qualify for the proposed interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 3rd October, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th June 2005, the Group recorded a turnover of HK$331,935,000 (2004: HK$189,932,000), representing an increase of 74.8% as compared with the corresponding period last year. The increase in turnover was mainly attributable to the acquisitions of two co-generations in Jiangsu Province, as well as Shanghai Puly Real Estate Development Company Limited and Hubei White Rose Hotel. The net profit of the Group was HK$106,136,000 (2004: HK$70,825,000), representing an increase of 49.9% as compared with the corresponding period last year. The increase of net profit was mainly attributable to the gain of HK$59,000,000 from disposal of the last vessel, "Hai Kang" and additional contributions from newly acquired subsidiaries. Basic earning per share was HK11.6 cent (2004: HK7.0 cent). The Board recommended a payment of interim dividend of HK2 cent per share for the six months ended 30th June 2005 (2004: HK$2 cent).

PRINCIPAL BUSINESSES

Property Investment

Property investment focuses on office buildings and hotels. The construction projects are mainly located in Shanghai, Beijing and Wuhan, with a gross area of 173,500 sq. m. in aggregate.

(1) Shanghai Stock Exchange Building

Shanghai Stock Exchange Building is the trading centre for the PRC stock market and the place where the Shanghai Stock Exchange is located. As a landmark construction, it has enormous market influence and a substantial inherent appreciation potential.

The Group directly holds six floors of Shanghai Stock Exchange Building, with an aggregate floor area of 13,894 sq.m. for office use. As at 30th June, 2005, rental income generated from the six floors was approximately US$1,140,000, representing a rise of 16% as compared to the corresponding period in 2004. The occupancy rate of the first half of 2005 reached 99%, while the average daily rental rate per sq.m. reached US$0.5.

On 11th August, 2004, the Group entered into the Shanghai Properties Acquisition Agreement to acquire 60% equity interest in Shanghai Puly Real Estate Development Company Limited ("Shanghai Puly") at a consideration of RMB258,000,000 (approximately HK$241,210,000). After completion of the acquisition in early 2005, the Group hold 100% equity interest in Shanghai Puly. Shanghai Puly holds a floor area of 34,206 sq.m. in Shanghai Stock Exchange Building. As at 30th June, 2005, rental income was approximately US$1,519,000, with an occupancy rate of 98%, while the average daily rental rate per sq.m. was US$0.53.

The Group holds approximately 47% in aggregate of the floor area of Shanghai Stock Exchange Building.

(2) Poly Plaza, Beijing

The Group owns 75% equity interest in Poly Plaza in Beijing, Poly Plaza with a gross area of 93,000 sq.m. is a comprehensive multi-functional complex comprising Grade A office tower, a four-star ranking hotel tower, a theatre and other ancillary facilities. It enjoys excellent reputation in Beijing.

After being recognized as the "most prefer hotel chosen by the Beijing citizens" in 2004, Poly Plaza entered into the Olympic Lodging Agreement (住宿接待服務協定) for the 2008 Olympic Games with the International Olympic Committee (the "IOC") in 2005 and has duly become the official reception hotel for 2008 Beijing Olympic Games (北京2008奧林匹克運動會官方接待飯店). Poly Plaza will provide the IOC with 250 hotel suites for the period from 26th July, - 31st August, 2008, with a room rate of US$250-290 per day.

The total turnover of Poly Plaza as at 30th June, 2005 reached RMB61,683,000 and a gross profit of RMB30,379,000 as realized. The average occupancy rate for the office building reached 99%. The average occupancy rate for the hotel suites was 76%, and the average room rates were US$74 per day, representing a rise of approximately 14% as compared to the corresponding period in 2004.

(3) Hubei White Rose Hotel, Wuhan

The Group holds 100% equity interest in Hubei White Rose Hotel, which is located in Wuchang District, a political and cultural centre of Wuhan. The 24-storey hotel has a site area of 7,330 sq.m. and a gross floor area of approximately of 27,592 sq.m., with 249 guest rooms and 69 office rooms.

As at 30th June, 2005, the total turnover of the hotel was RMB27,317,000. The average occupancy rate for the guest rooms reached 75% and the average room rates were approximately RMB420 per day. Its contribution rate per room ranked first in Wuchang District.

Property Development

Property development focuses on office buildings and hotels. The construction projects are mainly located in Beijing and Guangzhou, with a gross floor area of 365,000 sq. m. in aggregate.

(1) Beijing Jinrong Street Office Building Project

The Group owns 49% equity interest in Tong Sun Limited. The sole asset of Tong Sun Limited is its co-operative joint venture interests in a Grade A office building development project located at Jinrong Street, Xi Cheng District, Beijing, with a floor area of approximately 128,800 sq.m. In December, 2003, Tong Sun Limited successfully disposed of the whole office building to a sole purchaser at a total consideration of approximately RMB2 billion. The superstructure work of the building was completed in November, 2004. It is expected that the office building will be completed and delivered to the purchaser in early 2006. It is also expected that the Group can fully recover the shareholders' loan and receive the dividend of preference shares amounting to HK$297,000,000 in total after the completion of the disposal.

(2) Guangzhou Hotel and Office Building Project

The Group owns 51% interest in the entire project which occupies a site area of approximately 9,000 sq.m., with a gross floor area of approximately 129,000 sq.m. Its construction works have been carried out based on the standard of Grade A office buildings and international five-star hotels. In June 2005, the Group has signed an agreement for Starwood to manage the 400-room hotel using the Westin Brand. The building development is currently in good progress, and is expected to be completed in late 2006 at the earliest.

(3) Guangzhou Tianhe Road North Office Building Project

The piece of land is located at the junction of Tianhe Road North and Tiyu Road East and proximate to the exit of Guangzhou Train Station and bus station. It has a site area of 7,200 sq.m..

Other Businesses

Other businesses mainly represent energy supply and industrial production, which account for 20% of the Group's total assets.

(1) *Cogenerations*

Currently, the Group holds equity interest ranging from 29.47% to 51% in five cogenerations in the Yangtze River Delta, with an aggregate cogeneration capacity amounted to 165 MW.

At the beginning of 2005, the Group exercised the share options under the Guarantee Agreement, which is to acquire Pexian Mine-Site Environment Cogen-Power Co., Ltd. and Dongtai Suzhong Environmental Protection Co-generation Company Limited, to purchase an additional equity interest of 1.1% at a total consideration of HK$1 respectively, leading the Group to become the 50.1% controlling shareholder in the above 2 cogeneration companies.

The domestic price of coal had maintained at a high level and showed no sign of decrease in the first half of 2005. Despite the fact the coal price and tariff linkage mechanism, which was effective from 1st May, led to the increase in the tariff per unit of RMB0.02 and partially set off the increased cost of coal, contribution to the Group's profit from this sector still decreased to HK$14,775,000 for the first half of the year, representing an decrease of approximately of 13% from the corresponding period in 2004.

(2) *Polystar Digidisc Co. Ltd. ("Polystar")*

The Group owns 66% equity interest in Polystar. At present, the annual disc production capacity of Polystar has already reached 80,000,000 pieces. The actual output of CDs and DVDs for the first half of the year reached 28,200,000 pieces and 11,480,000 pieces, representing an increase of 44% and 15% respectively as compared with the corresponding period in 2004. However, since the beginning of the year, the persistent rise in oil price and the resulting increase in the price of PVC plastic materials, which are by-products of oil used for the production of discs, of 30% as compared with 2004 reduced the profit for the period. In the first half of 2005, Polystar recorded a turnover of RMB43,507,000 and a profit of RMB2,277,000, representing a decrease of approximately 66% as compared to the corresponding period in 2004. It is expected that the impact brought by the increase in the price of production materials can be partially set off by the upward adjustment of selling price of discs and the increase in sales volume.

(3) Oil & Grains Industry and Port Business

The Group holds 35% interest in an oils & grains company and a port company in Yang Jiang City respectively.

The principal business of the oils & grains company is the extraction of soybean oil, and production and sale of soybean meals, soybean oil and related by-products, with an annual production capacity of 1.2 million tons. The construction of its factory was completed in late 2004, and the factory has already commenced production. The principal business of the port company is the operation of a deepwater port located in Yang Jiang City, having an annual handling capacity of approximately 1 million tons of goods. For the first half of the year, the factory and the port company had an accumulated income of RMB859,504,000 and RMB194,674,000 respectively, and were able to maintain a fiscal balance.

FINANCIAL REVIEW

Liquidity and Capital Structure

As at 30th June, 2005, the shareholders' funds of the Group amounted to HK$2,730,000,000 (31st December, 2004: HK$2,570,000,000), while the net asset value per share was HK$3.04 (31st December, 2004: HK$2.87). As at 30th June, 2005, the Group's gearing ratio (on the basis of the amount of total liabilities divided by total assets) was 36.8% (31st December, 2004: 29.5%).

As at 30th June, 2005, the Group had outstanding bank loans of HK$914,774,000. In terms of maturity, the outstanding bank loans can be divided into HK$449,923,000 (49%) to be repaid within one year, HK$341,851,000 (38%) to be repaid after one year but within two years, HK$123,000,000 (13%) to be repaid after two years but within five years. In terms of currency denomination, the outstanding bank loans can be divided into HK$434,774,000 (48%) in Renminbi and HK$480,000,000 (52%) in Hong Kong dollars.

48% of the bank borrowings of the Group are subject to fixed interest rates and the remaining 52% 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, 2005, the Group had a working capital of HK$82,523,000 and total bank balances of HK$349,714,000 (31st December, 2004: HK$76,413,000 and HK$471,879,000 respectively). Together 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, Renminbi and US dollars. The Group maintains a prudent strategy in its foreign exchange risk management, where foreign exchange risks are minimized via balancing the monetary assets versus monetary liabilities, and foreign exchange revenue versus foreign exchange expenditures. Besides as the Hong Kong dollar is pegged to the US dollar, and the exchange rate between Hong Kong dollar and Renminbi also fluctuates slightly, the Group believes that its exposure to foreign exchange risks is not material.

Pledge of Assets

As at 30th June, 2005, bank deposits amounted to HK$16,410,000 (31st December, 2004: HK$25,178,000), certain of the Group's investment properties of approximately HK$712,400,000 (31st December, 2004: approximately HK$702,400,000), and other property interests with an aggregate net book value of approximately HK$861,771,000 (31st December, 2004: HK$997,119,000) and shares in certain subsidiaries and an associate were pledged to secure credit facilities granted to the Group.

Contingent Liabilities

As at 30th June, 2005, the Group had given guarantees to certain banks in respect of banking facilities granted to certain subsidiaries of the Company and the amount utilized was approximately HK$17,000,000 (31st December, 2004: HK$60,000,000).

In addition, as at 30th June, 2005, the Group had given guarantees of approximately HK$14,300,000 (31st December, 2004: HK$14,300,000) to a bank in respect of credit facilities granted to prospective purchasers of properties developed by a jointly controlled entity of the Group.

STAFF

As at 30th June, 2005, the Group employed about 2,000 staff with remuneration for the year amounted to approximately HK$33,000,000. The Group provides its staff with various benefits including year-ended double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

PROSPECTS

The management of the Group is still confident in the economic development of the PRC and the prospects of the Group's PRC projects. The Group will continually adopt an active but prudent operating strategy, strengthen its corporate governance, reduce the operating costs in order to further develop its principal business of property development and operations, optimize the business structure, enhance effectiveness and maximize the return to 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 held by employees (including directors) and movement in such holdings during the period:

	Option type	Outstanding at 1.1.2005	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30.6.2005
Category 1: Directors							
Wang Jun	1997	6,000,000	–	–	–	–	**6,000,000**
	1998	4,500,000	–	–	–	–	**4,500,000**
	2000	5,000,000	–	–	–	–	**5,000,000**
He Ping	1997	6,000,000	–	–	–	–	**6,000,000**
	1998	4,500,000	–	–	–	–	**4,500,000**
	2000	5,000,000	–	–	–	–	**5,000,000**
Li Shi Liang	2000	5,000,000	–	–	–	–	**5,000,000**
		36,000,000	–	–	–	–	**36,000,000**
Category 2: Employees	1997	8,640,000	–	–	–	(360,000)	**8,280,000**
	1998	4,000,000	–	–	–	–	**4,000,000**
	2000	3,535,000	–	(350,000)	–	–	**3,185,000**
		16,175,000	–	(350,000)	–	(360,000)	**15,465,000**
Total all categories		52,175,000	–	(350,000)	–	(360,000)	**51,465,000**

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

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

No options were granted or exercised under the New Scheme during the period from the adoption of the New Scheme to 30th June, 2005.

DIRECTORS' INTERESTS IN SECURITIES

At 30th June, 2005, 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 pursuant to Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules, the interests of the Directors in the underlying Shares of the Company were as follows:

Long positions

Share options

		Number of the Poly HK Options held *(Note 1)*			Number of Shares underlying
Name of Director	**Capacity**	**Granted on 3.9.1997** *(Note 2)*	**Granted on 5.6.1998** *(Note 3)*	**Granted on 30.11.2000** *(Note 4)*	**Total**
Wang Jun	Beneficial owner	6,000,000	4,500,000	5,000,000	15,500,000
He Ping	Beneficial owner	6,000,000	4,500,000	5,000,000	15,500,000
Li Shi Liang	Beneficial owner	–	–	5,000,000	5,000,000

Notes:

1. All Poly HK Options were granted to the Directors under the Former Scheme of the Company at a nominal consideration of HK$1.00 each.

2. These Poly HK Options granted on 3rd September, 1997 are exercisable from 3rd September, 1998 to 2nd September, 2007 (both days inclusive) at an exercise price of HK$5.175 per Share.

3. These Poly HK Options granted on 5th June, 1998 are exercisable from 5th June, 1999 to 4th June, 2008 (both days inclusive) at an exercise price of HK$1.37 per Share.

4. These Poly HK Options granted on 30th November, 2000 are exercisable from 30th November, 2001 to 29th November, 2010 (both days inclusive) at an exercise price of HK$0.74 per Share.

Save as disclosed above, at 30th June, 2005, 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, 2005, 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 positions

Ordinary shares of HK$0.5 each of the Company

Name of shareholder	Number of Shares Beneficial owner	Number of Shares Held by controlled corporation(s)	Total number of Shares	Percentage of the issued share capital of the Company
Musical Insight Holdings Limited	44,658,800	–	44,658,800	4.99%
Wincall Holding Limited	55,428,000	–	55,428,000	6.19%
Congratulations Company Ltd.	169,845,000	–	169,845,000	18.96%
Source Holdings Limited	228,398,760	100,086,800 *(Note 1)*	328,485,560	36.67%
Ting Shing Holdings Limited	–	498,330,560 *(Note 2)*	498,330,560	55.63%
Ringo Trading Limited	42,828,476	498,330,560 *(Note 3)*	541,159,036	60.41%
China Poly Group Corporation	–	541,159,036 *(Note 4)*	541,159,036	60.41%
Chee Ying Cheung	80,952,000	–	80,952,000	9.04%

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 the Shares and indirect holding of the Shares through its wholly-owned subsidiaries, Musical Insight Holdings Limited and Wincall Holding Limited.

2. Ting Shing Holdings Limited is deemed by the SFO to be interested in 498,330,560 Shares as a result of its indirect holding of the Shares through its subsidiaries, Source Holdings Limited and Congratulations Company Ltd.

3. Ringo Trading Limited is deemed by the SFO to be interested in 541,159,036 Shares as a result of its direct holding of the Shares and indirect holding of the Shares through its wholly-owned subsidiary, Ting Shing Holdings Limited.

4. China Poly Group Corporation owns 100% of Ringo Trading Limited and is accordingly deemed by the SFO to be interested in the Shares directly and indirectly owned by Ringo Trading Limited.

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, 2005.

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

During the six months period ended 30th June, 2005, 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, 2005 with the code provisions set out in the Code on Governance Report contained in Appendix 14 to the Listing Rules except for following deviations:

Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. To maintain a balance of power and authority, Mr. Wang Jun assumes the role of chairman and Mr. Li Shi Liang assumes the role of chief executive officer. However, the division of responsibilities between the chairman and chief executive officer are to be clearly set out in writing.

Code Provision A.4.1 provides that non-executive Directors should be appointed for a specific term, subject to re-election. Currently, the one non-executive Director and the three independent non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Articles of Association of the Company.

Code Provision B.1.1 provides that the Company should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. Arrangements are being made for the setting up of a remuneration committee with written terms of reference at the next board meeting proposed to be held in late October 2005. The majority of the members of the proposed remuneration committee will be independent non-executive directors.

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

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in 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
LI Shiliang
Managing Director

Hong Kong, 16th September, 2005