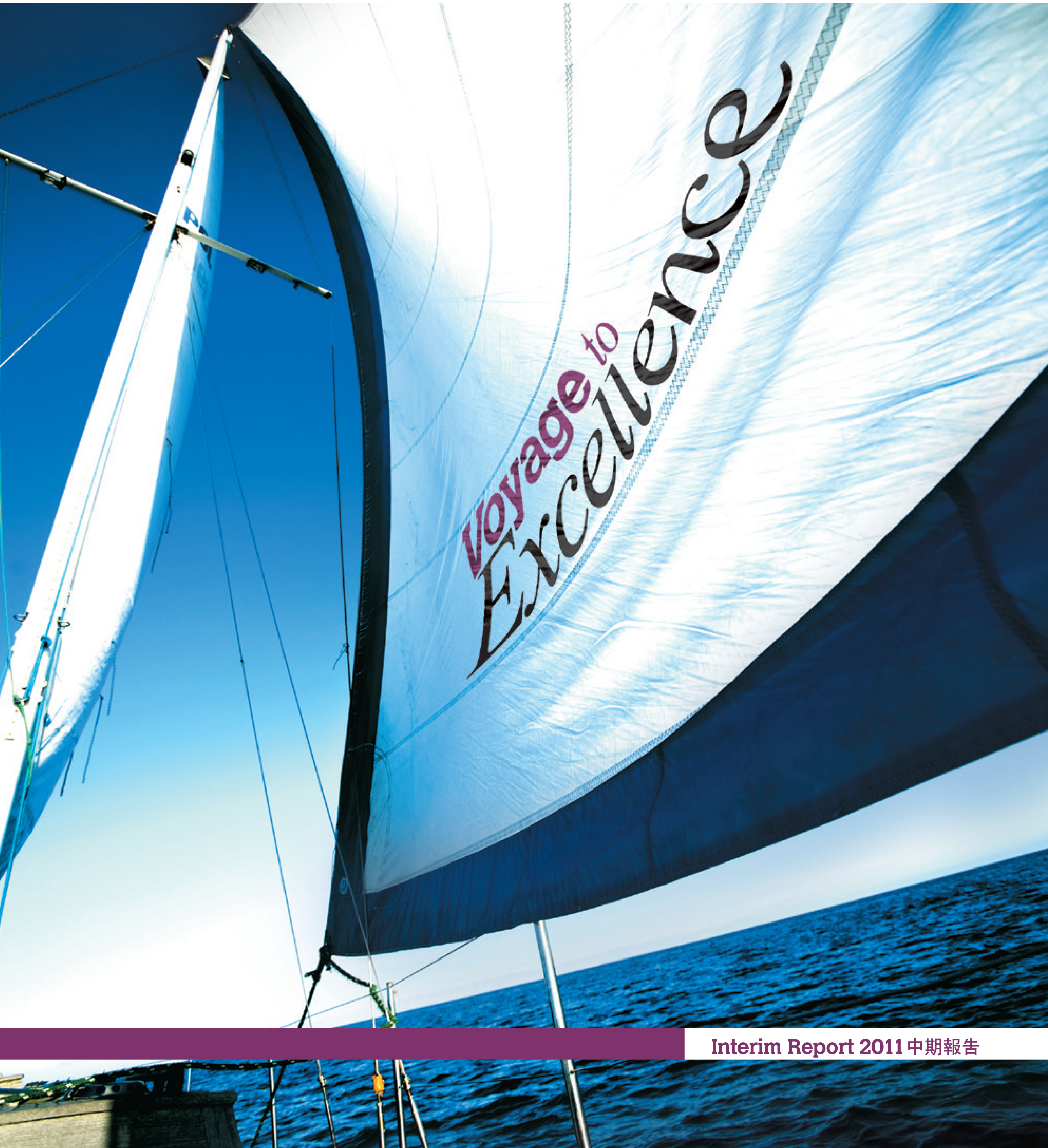
九龍建業有限公司
Kowloon Development Company Limited

Stock Code 股份代號：34



Interim Report 2011 中期報告

Contents

Corporate Information

BOARD OF DIRECTORS AND COMMITTEES

Board of Directors

Executive Directors

Or Wai Sheun *(Chairman)*
Ng Chi Man
Lai Ka Fai
Or Pui Kwan

Non-executive Directors

Keith Alan Holman *(Deputy Chairman)*
Tam Hee Chung
Yeung Kwok Kwong

Independent Non-executive Directors

Li Kwok Sing, Aubrey
Lok Kung Chin, Hardy
Seto Gin Chung, John
David John Shaw

Committees

Executive Committee

Or Wai Sheun *(Chairman)*
Ng Chi Man
Lai Ka Fai
Or Pui Kwan
Yeung Kwok Kwong

Audit Committee

Li Kwok Sing, Aubrey *(Chairman)*
Lok Kung Chin, Hardy
Seto Gin Chung, John
Yeung Kwok Kwong

Remuneration Committee

Seto Gin Chung, John *(Chairman)*
Lai Ka Fai
Li Kwok Sing, Aubrey
Lok Kung Chin, Hardy

CORPORATE AND SHAREHOLDERS' INFORMATION

Company Secretary

Lee Kuen Chiu

Authorised Representatives

Lai Ka Fai
Lee Kuen Chiu

Independent Auditors

KPMG
Certified Public Accountants

Legal Advisers

Sidley Austin

Corporate Information

CORPORATE AND SHAREHOLDERS' INFORMATION *(Continued)*

Share Registrars

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

Stock Code

The Stock Exchange of Hong Kong Limited: 34

Registered Office

23rd Floor, Pioneer Centre, 750 Nathan Road,
Kowloon, Hong Kong
Telephone : (852) 2396 2112
Facsimile : (852) 2789 1370
Website : www.kdc.com.hk
E-mail : enquiry@kdc.com.hk

Principal Bankers

Bank of China
Bank of Communications
Bank of East Asia
Chong Hing Bank
Dah Sing Bank
Hang Seng Bank
Industrial and Commercial Bank of China
Industrial and Commercial Bank of China (Asia)
Standard Chartered Bank

Financial Calendar for Interim Results 2011

Interim results announcement	29 August 2011
Ex-dividend date for interim dividend	29 September 2011
Closure of register of members	3 October 2011 – 4 October 2011 (both days inclusive)
Interim dividend payable	14 October 2011

Highlights

1. The Group's 2011 interim **net profit** amounts to **HK$830 million** compared to HK$676 million (restated) for the corresponding period of 2010.

2. Excluding revaluation gains from the Group's investment properties, the **underlying net profit** for the first half of 2011 amounts to **HK$456 million**, an increase of 63.2% over the same period in 2010. The **underlying earnings per share** for the first six months of 2011 is **HK$0.40** compared to HK$0.24 for the first half of 2010.

3. Barring unforeseen circumstances, it is expected that the Group's operating results for the full year of 2011 will be satisfactory.

4. **Interim dividend per share** for 2011 amounts to **HK$0.21** (2010: HK$0.20).

Group's Business Structure

Kowloon Development Company Limited
(A member of the Polytec Group)
Stock Code: 34

Hong Kong Property

Property Development

Major development projects:
- Clear Water Bay Road
- Macpherson Stadium
- Sai Yeung Choi Street North
- Belcher's Street
- Pok Fu Lam Road

Development Landbank
245,000 sq m

Property Investment

Flagship investment property:
- Pioneer Centre

Investment Landbank
58,000 sq m

Property Management

Properties under management
1,100,000 sq m

Mainland China Property

Property Development

Major development projects:
- Shenhe District, Shenyang
- Le Cove City（江灣城）, Hun Nan Xin District, Shenyang
- The Lake（山語湖）, Nanhai District, Foshan
- Hedong District, Tianjin
- Shiqi District, Zhongshan
- Congan District, Wuxi*

Development Landbank
4,168,000 sq m

Polytec Asset Holdings Limited
Stock Code: 208
73.4%

Macau Property

Property Development

Major development projects:
- Pearl Horizon（海一居）, Lote P, The Orient Pearl District
- Lotes T & T1, The Orient Pearl District

Development Landbank
533,000 sq m

Property Investment

Major investment property:
- The Macau Square

Investment Landbank
13,000 sq m

Energy Business

Oil

Production and exploration of oil in Kazakhstan

Others

Ice & Cold Storage

The Hong Kong Ice and Cold Storage Co. Ltd. is one of the largest ice making distributors in Hong Kong

* Acquired by the Group after 30 June 2011

Chairman's Statement

Interim Results and Dividend

For the six months ended 30 June 2011, the Group's unaudited net profit attributable to shareholders amounted to HK$830 million and basic earnings per share amounted to HK$0.72 compared to HK$676 million (restated) and HK$0.59 (restated) respectively for the corresponding period in 2010.

Excluding revaluation gains from the Group's investment properties, the underlying net profit for the first half of 2011 amounted to HK$456 million, an increase of 63.2% over the same period in 2010. The underlying earnings per share for the first six months of 2011 was HK$0.40 compared to HK$0.24 for the first half of 2010.

The Board of Directors has declared an interim dividend for 2011 of HK$0.21 per share (2010: HK$0.20) payable on 14 October 2011 to shareholders whose names appear on the Register of Members of the Company on 4 October 2011.

Business Review

As an effort to curb the accelerating property prices, which may substantially undermine the affordability for a large number of home-buyers, the governments in Hong Kong, Macau and Mainland China have imposed more severe measures on their respective property markets during the first half of the year. Together with worsening investor confidence due to increasing uncertainty over a sustainable global economic recovery, overall residential transaction volumes in the three property markets have recently started to decline. In particular, the residential transactions in those Mainland China cities with implementation of the home purchase restriction policy have fallen considerably. While residential transaction prices for some areas still remain elevated, prices in general have appeared to be suppressed. We have indeed been facing a more challenging environment since the start of the year.

Property Sales

For the first six months of 2011, total operating profit in the property development segment amounted to HK$321 million, which was mainly generated from sales proceeds recognised from various development projects in Hong Kong, Macau and Mainland China.

In Hong Kong, following the completion of Mount East in North Point, we have been gradually delivering the units to the buyers since the end of June this year. The Group has so far sold almost 50% of the project's residential units, with total recognised sales proceeds and net profits of HK$379 million and HK$134 million respectively for the first half of 2011. In addition, as announced by the Group on 11 May 2011, the Group sold the last residential unit and the remaining car parking spaces of its development project at 31 Robinson Road to the controlling shareholder by disposing King's City Holdings Limited, a wholly-owned subsidiary of the Group, with a gain of HK$88 million.

In Mainland China, for the first half of this year, total sales proceeds of RMB548 million were recognised for The Lake (山語湖), a joint-venture development project of the Group in Foshan, Guangdong Province and the Group's share of net profits amounted to RMB56 million. Additional presales of approximately RMB1.3 billion are expected to be recognised in the second half of 2011 after we obtain the relevant completion certificates.

Chairman's Statement

In addition, we launched the first phase of Le Cove City (江灣城), the Group's wholly-owned residential and commercial development project in Shenyang, Liaoning Province in late last year and we have so far pre-sold a majority of residential units and a portion of retail shops, with total presales proceeds exceeding RMB500 million. A substantial portion of the presales proceeds will likely be recognised in the second half of this year.

In Macau, we have sold a number of retail shops at Pacifica Garden, which is one of the Group's Macau projects held through our 73.4%-owned listed subsidiary, Polytec Asset Holdings Limited ("Polytec Asset"), for total sales proceeds exceeding HK$45 million. The project was completed in the first half of 2010.

Property Development

As of 30 June 2011, the Group's landbank for development amounted to approximately 5 million sq m of attributable gross floor area ("GFA") and the Group's major property projects under planning and development are set out as follows:

Major Property Projects Under Planning and Development

Property Project	District/City	Location	Usage	Approx. Total Site Area (sq m)	Approx. Total GFA (sq m)	Group's Interest	Status	Expected Date of Completion
Hong Kong								
Clear Water Bay Road	Ngau Chi Wan, Kowloon	35 Clear Water Bay Road	Residential & commercial	19,335	196,400	100%	Land exchange under process	To be determined
Macpherson Stadium	Mongkok, Kowloon	10 Yim Po Fong Street	Stadium, youth centre, residential & commercial	2,400	24,800	Joint venture with Urban Renewal Authority and Hong Kong Playground Association	Superstructural work in progress	2012
Sai Yeung Choi Street North	Kowloon	468-474 Sai Yeung Choi Street North	Residential	1,114	8,400	100%	Superstructural work in progress	2012
Belcher's Street	Kennedy Town, Hong Kong	150-162 Belcher's Street and 1-9 Kwan Yick Street	Residential & commercial	1,318	13,200	100%	Foundation work completed Pile cap in progress	2013
Pok Fu Lam Road	Sai Ying Pun, Hong Kong	49-65A Pok Fu Lam Road	Residential	1,083	9,100	97.5%	Preparation of building plan in progress	2013/2014

Major Property Projects Under Planning and Development *(Continued)*

Property Project	District/City	Location	Usage	Approx. Total Site Area (sq m)	Approx. Total GFA (sq m)	Group's Interest	Status	Expected Date of Completion
Mainland China								
Le Cove City (江灣城)	Hun Nan Xin District, Shenyang	6 Hun Nan Er Road	Residential & commercial	171,339	579,000	100%	Superstructural work for first phase in progress First phase of development is expected to be completed in September 2011	By phases from 2011 onwards
The Lake (山語湖)	Nanhai District, Foshan	Heshun Meijing Shuiku Sector, Lishui Town	Residential & commercial	4,020,743	1,600,000 #	50%	Construction work in progress	By phases from 2010 onwards
Shenhe	Shenhe District, Shenyang	West of Daba Road	Residential & commercial	1,100,000	2,000,000	100%	Superstructural work for first phase in progress	By phases from 2012 onwards
Hedong	Hedong District, Tianjin	Lot No. Jin Dong Liu 2004-066, intersection of Shiyijing Road and Liuwei Road	Residential & commercial	137,940	930,000	49%	Master layout plan submitted for approval	By phases from 2013 onwards
Shiqi	Shiqi District, Zhongshan	8 Xueyuan Road	Residential & commercial	18,334	129,000	70%	Superstructural work in progress	2012/2013
Congan*	Congan District, Wuxi	Tongyun Road and Gongyun Road	Residential & commercial	68,833	404,400 ##	80%	Superstructural work for first phase in progress	By phases from 2013 onwards
Macau								
Pearl Horizon (海一居)	Novos Aterros da Areia Preta	Lote P, The Orient Pearl District	Residential & commercial	68,000	699,700	58.8%	Building plan has been approved	By phases from 2014 onwards
Lotes T and T1	Novos Aterros da Areia Preta	The Orient Pearl District	Residential & commercial	17,900	208,400	58.8%	Building plan has been approved	2015/2016

The Lake (山語湖) covers total GFA of approximately 1,600,000 sq m, of which approximately 170,000 sq m has been recognised as sales up to 30 June 2011

With additional underground GFA of approximately 15,000 sq m for the commercial portion and car parking spaces of over 2,300

* Acquired by the Group after 30 June 2011

Chairman's Statement

Property Investment

During the first six months of 2011, the Group disposed of a number of retail spaces at New Mandarin Plaza in Tsim Sha Tsui, one of the Group's non-core investment properties in Hong Kong, with a total recognised gain of HK$87 million. In addition, the Group also disposed of a few retail spaces at Va Iong, the investment properties being owned through Polytec Asset in Macau, with a total gain before tax of HK$45 million. The Group intends to continue to dispose of the remaining non-core investment properties in both Hong Kong and Macau.

Despite the disposal of the above investment properties, for the first half of the year, the Group's gross rental income from its property investment portfolio rose to HK$147 million, an increase of 8.4% over the same period in 2010. More encouragingly, gross rental income from Pioneer Centre, the Group's flagship investment property in Hong Kong, rose to HK$120 million in the first half of 2011, a rise of 11.4% over the corresponding period in 2010, with almost all offices and retail spaces being fully let as of end-June 2011.

The retail market in Hong Kong has remained robust over the first six months of 2011 after a strong rebound last year, with retail sales rising over 24% following an increase of 18% in 2010. The continued rise in retail spending, supported principally by Mainland China tourists, has led to a surge in demand for retail spaces and therefore the Group continued to record strong rental growth rates for both renewal and new letting transactions during the first half of 2011.

Finance and Investments

As of 30 June 2011, total remaining value of the Group's financial investment portfolio amounted to HK$121 million compared to HK$134 million at end-December 2010. The existing portfolio includes largely long-term investment funds and bonds, which have been owned for more than two years. For the first six months of 2011, the finance and investments segment contributed HK$11 million to the Group's operating profit.

Oil Business

For the first six months of 2011, total revenue generated from the oil segment amounted to HK$27 million. The segment recorded an operating loss of HK$29 million. The loss in operation for the period under review was mainly attributable to a temporary suspension of oil production in the first three months of the year, pending the obtaining of a gas flaring permit for the Group's South Alibek Oilfield. While we resumed oil production in April, it takes time for the overall production to return to the normal levels and therefore our cashflows and earnings from the segment may still be affected in the short term. We believe that our oilfield, the South Alibek Oilfield, which is located in the oil and gas rich Pre-Caspian Basin in Kazakhstan and is still in an early stage of development, has good chances of finding more oil and we have accordingly started a series of drilling programs to identify additional potentials.

Property Management

The Group offers a full range of high quality property management services to our clients. Our client base includes not only self-developed luxury residential buildings, serviced apartments and medium scale commercial buildings, but also public housing estates. As of end-June 2011, the total area of properties under management was maintained at approximately 1.1 million sq m.

Post Balance Sheet Events

As announced on 13 May 2011, the Company had entered into an acquisition agreement with a subsidiary of Polytec Holdings International Limited, the ultimate holding company of the Group pursuant to which the Company agreed to purchase 80% equity interest in the issued share capital of Ideaplan Investments Limited ("Ideaplan") together with the assignment of sale loan for an aggregate consideration of HK$1,319,651,404. Ideaplan owns a Wuxi property (the "Wuxi Property") located in the central business district of Wuxi, Jiangsu Province. The Wuxi Property comprises five connected composite use sites with a total site area of 51,437 sq m, and will be developed into a gross floor area of approximately 308,600 sq m (above ground). The acquisition was completed on 6 July 2011.

Furthermore, on 19 August 2011, the Group has successfully obtained through a public auction a site adjacent to the above Wuxi Property with a total site area of 17,396 sq m and a developable gross floor area of approximately 95,800 sq m (above ground), at a total consideration of RMB580 million.

The Group intends to merge the two sites and develop them into a residential, commercial, hotel and office complex, with a combined site area and gross floor area of 68,833 sq m and approximately 404,400 sq m (above ground) respectively.

Prospects

Following the downgrade of US credit ratings in early August and the on-going debt problems in Europe, the uncertainty over the outlook for the global economy has been mounting. Indeed, the current debt crisis will unlikely be permanently resolved unless the governments in the major developed countries, especially the US and Europe, are determined to substantially reduce their respective debt levels as their imprudent fiscal policies of the past decades, including over-expansion of their social benefits, have led to the current unsustainable debt burdens in these countries. Therefore, it is expected that the US and many countries in the European Union will further tighten their fiscal policies or implement austerity measures in order for them to return to more sustainable fiscal paths in the next few years. There is a general consensus that these major developed countries with fiscal tightening policies will be in a period of low-growth in the next few quarters and if the relevant governments do not initiate appropriate measures to effectively stimulate their respective economies, the risk of a global economic recession or stagnation will rise.

While the three economies in the Greater China region, Mainland China, Hong Kong and Macau, have still posted relatively strong growth rates during the first half of the year, they have also been facing accelerating inflationary pressures. With fears of property bubbles emerging, these governments have imposed more severe property measures over the first six months of the year. These property restrictive measures will likely suppress potential buyers' appetite in the short term. Over the medium- and long- term, we remain optimistic about the outlook for the three economies and therefore their respective property markets. With a healthy gearing ratio and sizeable landbank, we are well positioned in all three markets. We are expediting the pace of our project development and targeting more project completion in the coming years.

In Mainland China, we acquired an 80% stake in a development project in Wuxi, Jiangsu Province from our controlling shareholder in July. As the first phase of the project is currently under construction, the acquisition of this project has saved the Group substantial time for clearing up the site and avoided potential risks and

Chairman's Statement

uncertainties associated with the project. The site is situated in the Congan District, a central business district of Wuxi, with an aggregate site area of over 51,400 sq m. In mid-August, the Group obtained a site adjacent to the above site through a public auction, with a total site area of approximately 17,400 sq m. We plan to merge two sites and the combined site is intended to be developed by phases into a residential, commercial, hotel and office complex, with a gross floor area of exceeding 404,400 sq m (above ground). As our aim to gradually increase overall gross rental income for the Group, the complex will comprise a mega shopping mall, which will be added to its existing investment property portfolio, with a gross floor area of approximately 100,000 sq m. We expect to start the presale of the first phase of the residential portion in the fourth quarter this year.

In Shenyang, the presale of the first phase of Le Cove City (江灣城), the Group's first wholly-owned development site in Mainland China which launched in the fourth quarter last year, has been well received by the market. Despite the restrictive property measures, we have sold a majority of residential units in the first phase of development, with total sales proceeds so far exceeding RMB500 million and a large portion of the sales is likely to be recognised in the second half of this year. The Group plans to launch the presale of the Shenhe project in Shenyang and the Shiqi project in Zhongshan later this year.

In Hong Kong, we have actively been procuring additional landbank for the Group. In July, we acquired an over 80% effective share of a residential and commercial re-development project in Hung Hom, Kowloon. We are in progress to acquire the remaining units of the project, which would form an aggregate site area of 4,038 sq m and it is intended to be developed into a residential and commercial project with gross floor area of approximately 33,900 sq m. It is expected that the Group will launch the presale of its two development projects, the Belcher's Street project and the Sai Yeung Choi Street North project, within the next 12 months.

In Macau, we are preparing for a formal launch of the presale of the Group's luxury residential and commercial development project in Lote P of The Orient Pearl District, Macau. The project is being named "Pearl Horizon" (海一居).This large-scale development project covers an aggregate gross floor area of approximately 700,000 sq m, comprising over 5,000 luxury residential units, a sizeable shopping arcade, a five-star clubhouse as well as over 4,000 car parking spaces. This mega project will be developed in phases in the coming years and we are confident that it will provide substantial cashflows and continuing earnings for the Group during the completion period.

For the second half of 2011, the Group's core earnings will likely be generated from the recognition of the presales proceeds from The Lake (山語湖) in Foshan and Le Cove City (江灣城) in Shenyang. Barring unforeseen circumstances, it is expected that the Group's operating results for the full year of 2011 will be satisfactory.

Or Wai Sheun
Chairman

Hong Kong, 29 August 2011

Financial Review

Financial Resources and Bank Borrowings

As at 30 June 2011, the Group's total bank borrowings amounted to HK$5,921 million, with HK$1,242 million repayable within one year and HK$4,679 million repayable beyond one year. The net borrowings position of the Group as at 30 June 2011 amounted to HK$5,185 million after taking into account cash and cash equivalents of HK$736 million, an increase of HK$389 million as compared with the net borrowings of HK$4,796 million as at 31 December 2010. At the same time, the loan from/amount payable to the ultimate holding company amounted to HK$2,632 million as at 30 June 2011 which represented an increase of HK$1,108 million from HK$1,524 million as of year end 2010.

The Group's gearing ratio (calculated on the basis of net bank borrowings and payables to the ultimate holding company over equity attributable to shareholders of the Company) was 40.8% as at 30 June 2011 as compared with 34.0% at year end 2010.

During the period ended 30 June 2011, the Group's development projects in Hong Kong, Mainland China and Macau generated approximately HK$75 million, HK$141 million and HK$45 million cash inflow respectively. This cash inflow related to sales and presale proceeds from Mount East in Hong Kong, Le Cove City in Hun Nan Xin District, Shenyang and Pacifica Garden in Macau. Moreover, the disposal of certain non-core investment properties in Hong Kong and Macau generated cash of approximately HK$113 million whereas the disposal of the remaining duplex and carparks at 31 Robinson Road contributed a further HK$93 million during the period under review.

An additional approximately HK$204 million was invested by the Group in the Tianjin project for the period under review. Acquisition of old properties for redevelopment amounting to HK$952 million was paid. Construction costs paid in respect of the Group's development projects amounted to approximately HK$565 million. The Group paid approximately HK$132 million in relation to the acquisition of the Wuxi development project from the ultimate holding company.

All the Group's borrowings are arranged on a floating rate basis. The Group will closely monitor and manage its exposure to interest rate fluctuations and will consider engaging relevant hedging arrangement when appropriate.

The Group is exposed to exchange rate fluctuations on Renminbi ("RMB") with its investments in Mainland China. External borrowings in RMB together with revenue generated from the development projects in Mainland China will serve as a natural hedge against the exchange rate risk of RMB.

Due to the Group's oil business in Kazakhstan through our listed subsidiary Polytec Asset, the Group has been exposed to the exchange fluctuations in the Kazakhstan Tenge ("KZT"), the local currency of Kazakhstan. While the majority of the operating expenses, as well as capital expenditure, of the Group's oil business is denominated in the KZT, over 80% of its revenue generated from this segment is denominated in the USD. However, this business represents a relatively small portion of the Group's overall business and therefore the fluctuation in the KZT is unlikely to substantially affect the Group's financial position.

With the financing facilities in place, recurrent rental income from investment properties, cash inflow from presale/sale of the Group's development projects, and the financial support from the ultimate holding company, the Group has sufficient financial resources to satisfy its commitments and future funding requirements.

Financial Review

Capital Commitments

As at 30 June 2011, in connection with the Group's investment properties, the Group had commitments for construction work which amounted to HK$144 million. Moreover, the Group had commitments amounted to HK$1,188 million for the acquisition of equity interest of subsidiaries related to Wuxi development project.

Pledge of Assets

As at the balance sheet date, properties having a value of HK$9,844 million and time deposits of HK$15 million were pledged to financial institutions mainly to secure credit facilities extended to the Group.

Contingent Liabilities

The Group has given several guarantees in respect of banking facilities granted to a jointly controlled entity in Mainland China. One guarantee is provided on a joint and several basis in the amount of RMB80 million. The joint venture partner and the Group have signed a mutual indemnification agreement by which each will be indemnified by the other on a 50:50 basis for any loss arising from the guarantee. The related banking facility was fully utilised in the amount of RMB80 million as at 30 June 2011. The other remaining guarantees amounted to RMB486 million, representing a 50% proportional guarantee in respect of RMB972 million term loan facilities. The facilities were utilised to the extent of RMB712 million as at 30 June 2011.

Consolidated Income Statement

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2011 $'000 (unaudited)	2010 $'000 (unaudited) (restated)
Turnover	3	**651,604**	950,938
Cost of sales		**(256,668)**	(682,067)
Other revenue		**8,976**	19,393
Other net income	4(a)	**213,625**	16,882
Depreciation and amortisation		**(5,779)**	(5,494)
Staff costs		**(68,375)**	(45,460)
Other operating expenses		**(90,189)**	(40,969)
Impairment loss on properties written back		**–**	154,770
Fair value changes on investment properties	8	**296,310**	396,506
Profit from operations		**749,504**	764,499
Finance costs	4(b)	**(17,891)**	(5,884)
Share of profits of associated companies	4(d)	**169**	1,308
Share of profits of jointly controlled entities	4(e)	**190,139**	11,329
Profit before taxation	4	**921,921**	771,252
Income tax	5	**(43,174)**	(44,185)
Profit for the period		**878,747**	727,067
Attributable to:			
Shareholders of the Company		**829,988**	675,901
Non-controlling interests		**48,759**	51,166
Profit for the period		**878,747**	727,067
Earnings per share – Basic/Diluted	6	**$0.72**	$0.59

The notes on pages 20 to 33 form part of the interim financial report.

Consolidated Statement of Comprehensive Income

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2011 $'000 (unaudited)	2010 $'000 (unaudited) (restated)
Profit for the period	**878,747**	727,067
Other comprehensive income for the period		
Exchange differences on translation of accounts of overseas subsidiaries	**47,353**	20,620
Changes in fair value of available-for-sale investments	**2,147**	(312)
Changes in fair value of interests in property development	**12,942**	–
Share of other comprehensive income of jointly controlled entities and associated companies	**59,898**	19,978
Transfer to income statement upon disposal of a subsidiary	**(481)**	–
	121,859	40,286
Total comprehensive income for the period	**1,000,606**	767,353
Attributable to:		
Shareholders of the Company	**947,862**	714,934
Non-controlling interests	**52,744**	52,419
Total comprehensive income for the period	**1,000,606**	767,353

The notes on pages 20 to 33 form part of the interim financial report.

Consolidated Balance Sheet

(Expressed in Hong Kong dollars)

	Note	At 30 June 2011 $'000 (unaudited)	$'000 (unaudited)	At 31 December 2010 $'000 (audited)	$'000 (audited)
Non-current assets					
Fixed assets					
– Investment properties			**7,536,590**		7,411,650
– Leasehold land held for own use			**232,265**		235,568
– Other property, plant and equipment			**1,153,801**		1,106,773
	8		**8,922,656**		8,753,991
Oil exploitation assets			**122,088**		123,144
Interests in property development	9		**10,186,346**		10,173,404
Interest in jointly controlled entities			**1,752,479**		1,541,645
Interest in associated companies			**1,918,685**		1,675,361
Financial investments			**22,788**		29,346
Loans and advances			**2,138**		3,717
Other deposit			**–**		2,527
Deferred tax assets			**6,735**		7,464
			22,933,915		22,310,599
Current assets					
Inventories	10	**8,689,239**		7,487,859	
Trade and other receivables	11	**798,153**		185,212	
Loans and advances		**21,476**		19,043	
Amounts due from jointly controlled entities		**140,745**		154,278	
Financial investments		**98,252**		104,594	
Time deposits (pledged)		**15,000**		15,000	
Cash and cash equivalents		**735,645**		719,684	
		10,498,510		8,685,670	
Current liabilities					
Trade and other payables	12	**1,536,414**		1,273,187	
Amount due to a jointly controlled entity		**566,532**		554,448	
Bank loans		**1,242,500**		3,855,500	
Current taxation		**340,821**		298,465	
		3,686,267		5,981,600	
Net current assets			**6,812,243**		2,704,070
Total assets less current liabilities			**29,746,158**		25,014,669

	Note	At 30 June 2011 $'000 (unaudited)	$'000 (unaudited)	At 31 December 2010 $'000 (audited)	$'000 (audited)
Non-current liabilities					
Loan from ultimate holding company	13	**1,750,699**		896,569	
Amount payable to ultimate holding company	14	**881,605**		627,901	
Bank loans		**4,678,701**		1,660,447	
Other payables		**46,981**		46,872	
Deferred tax liabilities		**295,528**		303,170	
			7,653,514		3,534,959
Net assets			**22,092,644**		21,479,710
Capital and reserves					
Share capital	15		**115,068**		115,068
Reserves			**19,052,899**		18,473,255
Total equity attributable to the shareholders of the Company			**19,167,967**		18,588,323
Non-controlling interests			**2,924,677**		2,891,387
Total equity			**22,092,644**		21,479,710

Approved and authorised for issue by the board of directors on 29 August 2011.

The notes on pages 20 to 33 form part of the interim financial report.

Consolidated Statement of Changes in Equity

(Expressed in Hong Kong dollars)

(unaudited)	Attributable to shareholders of the Company							Non-controlling interests $'000	Total equity $'000
	Share capital $'000	Share premium $'000	Capital reserve $'000	Fair value reserves $'000	Exchange reserves $'000	Retained profits $'000	Total $'000		
At 1 January 2011	**115,068**	**8,302,404**	**2,154**	**1,686,252**	**456,561**	**8,025,884**	**18,588,323**	**2,891,387**	**21,479,710**
Changes in equity for the six months ended 30 June 2011									
Profit for the period	**–**	**–**	**–**	**–**	**–**	**829,988**	**829,988**	**48,759**	**878,747**
Other comprehensive income	**–**	**–**	**(481)**	**11,652**	**106,703**	**–**	**117,874**	**3,985**	**121,859**
Total comprehensive income	**–**	**–**	**(481)**	**11,652**	**106,703**	**829,988**	**947,862**	**52,744**	**1,000,606**
Dividends approved in respect of the previous year	**–**	**–**	**–**	**–**	**–**	**(368,218)**	**(368,218)**	**–**	**(368,218)**
Dividend paid/payable to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(19,454)**	**(19,454)**
At 30 June 2011	**115,068**	**8,302,404**	**1,673**	**1,697,904**	**563,264**	**8,487,654**	**19,167,967**	**2,924,677**	**22,092,644**
At 1 January 2010 (restated)	115,068	8,302,404	2,154	1,642,573	313,356	6,496,355	16,871,910	2,957,535	19,829,445
Changes in equity for the six months ended 30 June 2010									
Profit for the period	–	–	–	–	–	675,901	675,901	51,166	727,067
Other comprehensive income	–	–	–	(312)	39,345	–	39,033	1,253	40,286
Total comprehensive income	–	–	–	(312)	39,345	675,901	714,934	52,419	767,353
Dividends approved in respect of the previous year	–	–	–	–	–	(368,218)	(368,218)	–	(368,218)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	(17,684)	(17,684)
At 30 June and 1 July 2010 (restated)	115,068	8,302,404	2,154	1,642,261	352,701	6,804,038	17,218,626	2,992,270	20,210,896
Changes in equity for the six months ended 31 December 2010									
Profit for the period	–	–	–	–	–	1,451,982	1,451,982	18,799	1,470,781
Other comprehensive income	–	–	–	43,991	103,860	–	147,851	14,990	162,841
Total comprehensive income	–	–	–	43,991	103,860	1,451,982	1,599,833	33,789	1,633,622
Dividends approved in respect of the current year	–	–	–	–	–	(230,136)	(230,136)	–	(230,136)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	(16,461)	(16,461)
Decrease in loans from holders of non-controlling interests	–	–	–	–	–	–	–	(115,293)	(115,293)
Decrease in non-controlling interests attributable to an increase in shareholding of a subsidiary	–	–	–	–	–	–	–	(78)	(78)
Decrease in non-controlling interests upon disposal of a subsidiary	–	–	–	–	–	–	–	(2,840)	(2,840)
At 31 December 2010	115,068	8,302,404	2,154	1,686,252	456,561	8,025,884	18,588,323	2,891,387	21,479,710

As at 30 June 2011, loans from holders of non-controlling interests of $53,075,000 (at 31 December 2010: $53,139,000) are classified as equity being the capital contributions on subsidiaries by the non-controlling interests.

The notes on pages 20 to 33 form part of the interim financial report.

Condensed Consolidated Cash Flow Statement

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2011 $'000 (unaudited)	2010 $'000 (unaudited)
Net cash (used in)/from operating activities	**(1,285,066)**	168,311
Net cash used in investing activities	**(195,204)**	(173,865)
Net cash from financing activities	**1,493,465**	58,538
Net increase in cash and cash equivalents	**13,195**	52,984
Cash and cash equivalents at 1 January	**719,684**	575,237
Effect of foreign exchange rate changes	**2,766**	1,355
Cash and cash equivalents at 30 June	**735,645**	629,576

The notes on pages 20 to 33 form part of the interim financial report.

Notes on the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

1 Basis of preparation

The unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual accounts, except for the accounting policy changes that are expected to be reflected in the 2011 annual accounts. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated accounts and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual accounts. The condensed consolidated interim accounts and notes thereon do not include all of the information required for full set of accounts prepared in accordance with Hong Kong Financial Reporting Standards.

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory accounts for that financial year but is derived from those accounts. The auditors have expressed an unqualified opinion on those accounts in their report dated 30 March 2011.

2 Changes in accounting policies

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes Hong Kong Financial Reporting Standards, HKASs and Interpretations), and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's interim financial report:

- HKAS 24 (revised 2009), "Related party disclosures"

- Improvements to HKFRSs (2010)

These developments related primarily to clarification of certain disclosure requirements applicable to the Group's accounts and have had no material impact on the contents of this interim financial report.

2 Changes in accounting policies *(Continued)*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, with the exception of the amendments to HKAS 12, "Income taxes", in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, "Investment property". The amendments are effective for annual periods beginning on or after 1 January 2012, but as permitted by the amendments, the Group has already early adopted the amendments for the year ended 31 December 2010.

As a result of this change in policy, the Group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the balance sheet date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefit embodied in the property over time, rather than through sale. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset's value through use.

This change in policy has been applied retrospectively, with consequential adjustments to comparatives for the six months ended 30 June 2010. This has resulted in a reduction in the amount of deferred tax provided on valuation gain in respect of certain investment properties of the Group. The effects are shown as follows:

	As previously reported $'000	Effect of adoption of amendments to HKAS 12 $'000	As restated $'000
Consolidated income statement for the six month ended 30 June 2010:			
Income tax	110,511	(66,326)	44,185
Profit for the period	660,741	66,326	727,067
Profit attributable to:			
Shareholders of the Company	609,575	66,326	675,901
Earnings per share – Basic/Diluted	$0.53	$0.06	$0.59

Notes on the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

3 Segment reporting

The Group manages its business by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's top management for the purposes of assessing segment performance and allocating resources between segments, the Group has identified the following seven reportable segments.

– Property development segment (Hong Kong/Macau/Mainland China): the development and sales of properties. Given the importance of property development division to the Group, the Group's property development business is segregated further into three reportable segments on a geographical basis.

– Property investment segment: the leasing of properties to generate rental income and to gain from the appreciation in the properties' values in the long term.

– Finance and investments segment: the financial investments and the provision of finance services.

– Oil segment: oil exploration and production.

– Other businesses segment: mainly includes income from the sale of ice and the provision of cold storage services and treasury operations.

Turnover comprises mainly rental income from properties, gross proceeds from sales of properties, crude oil and held for trading investments, income from interests in property development, dividend and interest income.

Reporting segment profit represents profit before tax by excluding fair value changes on investment properties, finance costs, exceptional items and head office and corporate income/expenses.

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets.

3 Segment reporting *(Continued)*

Information regarding the Group's reportable segments as provided to the Group's top management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Six months ended 30 June 2011							
		Property development						
	Consolidated $'000	Hong Kong $'000	Macau $'000	Mainland China $'000	Property investment $'000	Finance and investments $'000	Oil $'000	Others $'000
Turnover	**651,604**	**380,631**	**48,102**	**–**	**146,645**	**18,357**	**27,333**	**30,536**
Reportable segment profit	**465,989**	**241,276**	**33,863**	**45,717**	**156,244**	**10,735**	**(29,123)**	**7,277**
Other net income	**131,878**	**–**	**–**	**–**	**131,878**	**–**	**–**	**–**
Fair value changes on investment properties	**296,310**	**–**	**–**	**–**	**296,310**	**–**	**–**	**–**
Share of fair value changes on investment properties of a jointly controlled entity	**106,040**	**–**	**–**	**–**	**106,040**	**–**	**–**	**–**
Head office and corporate expenses	**(60,405)**							
Finance costs	**(17,891)**							
Profit before taxation	**921,921**							
Share of profits of associated companies	**169**	**–**	**–**	**(597)**	**–**	**–**	**–**	**766**
Share of profits of jointly controlled entities	**190,139**	**–**	**–**	**67,589**	**122,550**	**–**	**–**	**–**

	Six months ended 30 June 2010						
		Property development					
	Consolidated $'000	Hong Kong $'000	Macau $'000	Mainland China $'000	Property investment $'000	Finance and investments $'000	Others $'000
Turnover	950,938	1,410	775,649	–	135,279	12,210	26,390
Reportable segment profit	414,289	158,631	95,083	(2,573)	138,166	19,403	5,579
Other net income	9,826	–	–	–	9,826	–	–
Fair value changes on investment properties	396,506	–	–	–	396,506	–	–
Head office and corporate expenses	(43,485)						
Finance costs	(5,884)						
Profit before taxation	771,252						
Share of profits of associated companies	1,308	–	–	–	–	–	1,308
Share of profits of jointly controlled entities	11,329	–	–	196	11,133	–	–
Impairment loss on properties written back	154,770	154,770	–	–	–	–	–

Notes on the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

3 Segment reporting *(Continued)*

Information regarding the Group's reportable segments as provided to the Group's top management for the purposes of resource allocation and assessment of segment performance for the period is set out below. *(Continued)*

	At 30 June 2011							
		Property development						
	Consolidated $'000	Hong Kong $'000	Macau $'000	Mainland China $'000	Property investment $'000	Finance and investments $'000	Oil $'000	Others $'000
Reportable segment assets	**32,659,918**	**5,333,135**	**10,280,565**	**6,894,195**	**8,440,406**	**152,858**	**1,274,643**	**284,116**
Deferred tax assets	**6,735**							
Time deposits (pledged)	**15,000**							
Cash and cash equivalents	**735,645**							
Head office and corporate assets	**15,127**							
Consolidated total assets	**33,432,425**							
Interest in associated companies	**1,918,685**	**–**	**–**	**1,909,662**	**–**	**–**	**–**	**9,023**
Interest in and amounts due from jointly controlled entities	**1,893,224**	**–**	**–**	**1,203,971**	**689,253**	**–**	**–**	**–**

	At 31 December 2010							
		Property development						
	Consolidated $'000	Hong Kong $'000	Macau $'000	Mainland China $'000	Property investment $'000	Finance and investments $'000	Oil $'000	Others $'000
Reportable segment assets	30,234,331	4,255,834	10,285,205	6,026,766	8,002,462	164,000	1,220,557	279,507
Deferred tax assets	7,464							
Time deposits (pledged)	15,000							
Cash and cash equivalents	719,684							
Head office and corporate assets	19,790							
Consolidated total assets	30,996,269							
Interest in associated companies	1,675,361	–	–	1,667,105	–	–	–	8,256
Interest in and amounts due from jointly controlled entities	1,695,923	–	–	1,111,899	584,024	–	–	–

4 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Other net income represents a net gain on disposal of investment properties of $131,878,000 (six months ended 30 June 2010: $9,826,000), a net gain of $88,089,000 (six months ended 30 June 2010: Nil) in relation to the disposal of a subsidiary engaged in property development and fair value changes on held for trading listed investments of loss of $6,342,000 (six months ended 30 June 2010: gain of $7,056,000).

(b) Finance costs

	Six months ended 30 June	
	2011	2010
	$'000	$'000
Interest on bank loans and overdrafts	**41,151**	26,585
Interest on loan from/amount payable to ultimate holding company	**8,809**	3,187
Less: Amount capitalised (Remark)	**(32,069)**	(23,888)
	17,891	5,884

Remark: Borrowing costs were capitalised at rates of 1.03%–1.64% (six months ended 30 June 2010: 0.55%–1.86%) per annum in Hong Kong and 5.27%–7.04% (six months ended 30 June 2010: 4.86%) per annum in Mainland China.

(c) Other items

	Six months ended 30 June	
	2011	2010
	$'000	$'000
Rentals receivable under operating leases less outgoings	**(140,092)**	(127,213)
Rental income	**(146,645)**	(135,279)
Less: Outgoings	**6,553**	8,066
Depreciation and amortisation (Remark)	**12,386**	5,494
Income from unlisted investments	**(6,403)**	–
Interest income	**(9,858)**	(9,366)

Remark: Cost of sales includes $6,607,000 (six months ended 30 June 2010: Nil) relating to depreciation and amortisation expenses.

Notes on the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

4 Profit before taxation *(Continued)*

Profit before taxation is arrived at after charging/(crediting): *(Continued)*

(d) The Group's share of profits of associated companies for the period, after non-controlling interests and taxation, attributable to shareholders of the Company was $169,000 (six months ended 30 June 2010: $1,308,000).

(e) The Group's share of profits of jointly controlled entities for the period, after non-controlling interests and taxation, attributable to shareholders of the Company was $157,590,000 (six months ended 30 June 2010: $8,372,000).

5 Income tax

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2011	2010
	$'000	$'000
		(restated)
Current tax		
Provision for profits tax		
– Hong Kong	**35,494**	15,778
– Outside Hong Kong	**14,594**	47,232
	50,088	63,010
Deferred tax	**(6,914)**	(18,825)
	43,174	44,185

The provision for Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2010: 16.5%) of the estimated assessable profits for the six months ended 30 June 2011. Tax levied in jurisdictions outside Hong Kong is charged at the appropriate rates of taxation currently ruling in relevant jurisdictions.

6 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of $829,988,000 (six months ended 30 June 2010 (restated): $675,901,000) and weighted average number of ordinary shares in issue during the period of 1,150,681,275 (six months ended 30 June 2010: 1,150,681,275).

6 Earnings per share *(Continued)*

(b) Diluted earnings per share

There are no diluted potential shares in existence during the six months ended 30 June 2011 and 2010.

7 Dividends

(a) Dividends attributable to the interim period

	Six months ended 30 June	
	2011 **$'000**	2010 $'000
Interim dividend declared after the interim period of $0.21 (six months ended 30 June 2010: $0.20) per share	**241,643**	230,136

The interim dividend declared after the interim period has not been recognised as a liability at the interim period end date.

(b) Dividends attributable to the previous financial year and approved during the interim period

	Six months ended 30 June	
	2011 **$'000**	2010 $'000
Final dividend in respect of the previous financial year, approved during the interim period, of $0.32 (six months ended 30 June 2010: $0.32) per share	**368,218**	368,218

8 Fixed assets

The investment properties of the Group were revalued at 30 June 2011 by Vigers Appraisal and Consulting Limited and DTZ Debenham Tie Leung Limited, independent qualified professional valuers, who have appropriate qualifications and experiences in the valuation of similar properties in the relevant locations, on a market value basis in their existing states by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net income allowing for reversionary income potential. A revaluation gain of $296,310,000 (six months ended 30 June 2010: $396,506,000) was recognised in the consolidated income statement for the six months ended 30 June 2011.

Notes on the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

9 Interests in property development

Interests in property development represent the Group's interests in the development of various properties in Macau under the co-investment agreements with wholly owned subsidiaries of the ultimate holding company, Polytec Holdings International Limited ("Polytec Holdings").

Interests in property development are stated at fair value. In determining the fair value of interests in property development, the Group estimates the future cash flows expected to arise from the interests in property development and suitable discount rate in order to calculate the present values. Cash flow projections for the interests in property development are based on the past performance, current market conditions, development and building plans, sale and marketing plans, management's expectations for the market development and terms provided under the co-investment agreements.

No distribution was made during the six months ended 30 June 2011 and 2010.

10 Inventories

	At 30 June 2011 $'000	At 31 December 2010 $'000
Land held for future development	**1,214,950**	495,664
Properties under development	**7,124,723**	6,817,260
Properties held for sale	**334,685**	162,303
Trading goods and consumables	**14,881**	12,632
	8,689,239	7,487,859

The amount of properties held for future development and under development expected to be recovered after more than one year is $1,214,950,000 (at 31 December 2010: $495,664,000) and $5,714,932,000 (at 31 December 2010: $5,160,851,000) respectively. All of the other inventories are expected to be recovered within one year.

11 Trade and other receivables

The following is an ageing analysis of trade receivables:

	At 30 June 2011 $'000	At 31 December 2010 $'000
Current	**232,220**	53,538
Less than 3 months past due	**13,674**	5,354
3 months to 6 months past due	**932**	435
More than 6 months past due	**6,130**	10,065
Amounts past due	**20,736**	15,854
Trade receivables	**252,956**	69,392
Utility and other deposits	**35,675**	7,906
Other receivables and prepayments	**509,522**	107,914
	798,153	185,212

The Group maintains a defined credit policy. An ageing analysis of trade receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with the receivables.

As at 30 June 2011, other receivables and prepayments included an amount of $195,196,000 being receivables from disposal of investment properties and an amount of $131,965,000 being payment made in respect of acquisition of subsidiaries. Further details of acquisition of the subsidiaries are disclosed in note 20.

Notes on the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

12 Trade and other payables

The following is an ageing analysis of trade payables:

	At 30 June 2011 $'000	At 31 December 2010 $'000
Not yet due or on demand	**164,917**	132,551
Within 3 months	**15,620**	42,937
3 months to 6 months	**27**	506
More than 6 months	**33,444**	32,768
Trade payables	**214,008**	208,762
Rental and other deposits	**68,653**	64,798
Other payables and accrued expenses	**798,243**	535,177
Deposits received on sale of properties	**455,510**	464,450
	1,536,414	1,273,187

13 Loan from ultimate holding company

Loan from ultimate holding company is unsecured, interest bearing with interest charged at Hong Kong Interbank Offer Rate ("HIBOR") plus a margin per annum and has no fixed terms of repayment.

14 Amount payable to ultimate holding company

Amount payable to ultimate holding company is unsecured, interest bearing with interest charged at HIBOR plus a margin per annum and is not expected to be settled within one year.

15 Share capital

	At 30 June 2011 No. of shares of $0.1 each	At 30 June 2011 Amount $'000	At 31 December 2010 No. of shares of $0.1 each	At 31 December 2010 Amount $'000
Authorised	**5,000,000,000**	**500,000**	5,000,000,000	500,000
Issued and fully paid	**1,150,681,275**	**115,068**	1,150,681,275	115,068

16 Capital commitments

Capital commitments outstanding at the balance sheet date not provided for in the accounts were as follows:

	At 30 June 2011 $'000	At 31 December 2010 $'000
Contracted for		
– Acquisition of subsidiaries (note 20)	**1,187,686**	–
– Investment properties	**3,956**	2,574
	1,191,642	2,574
Authorised but not contracted for		
– Investment properties	**139,730**	140,000

Notes on the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

17 Contingent liabilities

As at 30 June 2011, the Group has given several guarantees in respect of banking facilities and other obligations of a jointly controlled entity in Mainland China. One guarantee is provided on a joint and several basis with the other joint venture partner in respect of RMB80,000,000 loan facility (at 31 December 2010: RMB80,000,000). The joint venture partner and the Group had signed a mutual indemnification agreement by which each other will be indemnified on a 50:50 basis for any loss arising from the guarantee. The banking facility was utilised to the extent of RMB80,000,000 (at 31 December 2010: RMB80,000,000) at 30 June 2011. The other remaining guarantees amounted to RMB486,000,000 (at 31 December 2010: RMB495,000,000) representing a 50% proportional guarantee in respect of an aggregate of RMB972,000,000 term loan facilities (at 31 December 2010: RMB990,000,000). The facilities were utilised to the extent of RMB712,000,000 (at 31 December 2010: RMB730,000,000) at 30 June 2011.

18 Pledge of assets

As at 30 June 2011, properties of the Group with an aggregate carrying value of approximately $9,843,901,000 (at 31 December 2010: $11,994,697,000) and time deposits of $15,000,000 (at 31 December 2010: $15,000,000) were pledged to banks under fixed charges mainly to secure general banking facilities granted to the Group.

19 Material related party transactions

In addition to the transactions and balances disclosed elsewhere, the Group also entered into the following material related party transactions:

(a) Polytec Holdings has guaranteed the due performance of the Company in respect of its obligations in the property development project in Tianjin, Mainland China.

(b) During the period, interest of $8,809,000 (six months ended 30 June 2010: $3,187,000) was paid to Polytec Holdings.

(c) As at 30 June 2011, certain assets of a jointly controlled entity were pledged to a bank to secure a banking facility granted to the Group to the extent of $195,000,000 (at 31 December 2010: $195,000,000).

(d) As at 30 June 2011, the Group has given guarantees to insurance companies in respect of performance bonds entered into by an associated company to the extent of $10,608,000 (at 31 December 2010: $9,365,000).

(e) During the period, the Group has sold its entire interest in a subsidiary to a subsidiary of Polytec Holdings for a consideration of $93,124,000. A net gain of $88,089,000 was recognised for the transaction.

20 Post balance sheet event

On 13 May 2011, the Company had entered into an agreement with a wholly owned subsidiary of Polytec Holdings for the acquisition of 80% equity interest of a 80% owned subsidiary of Polytec Holdings together with the assignment of related shareholder's loan for an aggregate consideration of $1,319,651,404. The assets held by the subsidiary are substantially a development project located in Wuxi, Mainland China. As at 30 June 2011, an amount of $131,965,140 had been paid by the Group for the acquisition. The transactions were subsequently completed after the balance sheet date.

21 Restatement of comparatives

As a result of the adoption of the amendments to HKAS 12, "Income taxes", certain comparative figures have been adjusted to reflect the decrease in accrual of deferred tax liabilities related to investment properties carried at fair value. Further details of these changes in accounting polices are disclosed in note 2.

Independent Review Report of the Auditors

To the board of directors of
Kowloon Development Company Limited
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 14 to 33 which comprises the consolidated balance sheet of Kowloon Development Company Limited (the "Company") and its subsidiaries (the "Group") as of 30 June 2011 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2011 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, "Interim financial reporting".

KPMG

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Hong Kong, 29 August 2011

Other Information

Compliance with the Code on Corporate Governance Practices

During the six months ended 30 June 2011, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except the code provision A.2.1 (which recommends the roles of the chairman and chief executive officer should be separate) as disclosed in the 2010 Annual Report.

Securities Trading Policy

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 to the Listing Rules) as a code of conduct regarding directors' securities transactions (the "Model Code"). The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the period under review and they have all confirmed that they had fully complied with the required standard set out in the Model Code. The Company has also established written guidelines on employees' securities transactions. Relevant employees are required to obtain written preclearance before initiating a securities transaction during the black out period.

Changes in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the monthly salary of the following Directors have been changed as follows with effect from 1 July 2011:

	Before 1 July 2011	After 1 July 2011
Or Pui Kwan	HK$47,700	HK$50,600
Lai Ka Fai	HK$124,920	HK$132,400
Yeung Kwok Kwong	HK$141,750	HK$150,000

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Disclosure pursuant to Rule 13.21 of the Listing Rules

On 22 January 2010, the Company as borrower entered into a loan agreement (the "Loan Agreement") with a bank as lender for term loan and revolving loan facilities of up to HK$2,568 million for the purposes of refinancing the pre-existing loan made by the bank and financing the general working capital of the Company. The final maturity date of the loan thereunder shall be on the date falling twelve months from 22 January 2010.

The Loan Agreement provides that it would constitute an event of default if the shareholding of Polytec Holdings International Limited ("Polytec Holdings"), or through its subsidiaries, in the Company falls below 51%. After the happening of the event of default, the bank may declare that the indebtedness or any part thereof has become immediately due and payable.

After the final maturity date of the above loan on 21 January 2011, the Company had no more disclosure obligation pursuant to Rule 13.21 of the Listing Rules.

Other Information

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2011.

Directors' Interests and Short Positions

As at 30 June 2011, the interests of the Directors in the shares of the Company and Polytec Asset Holdings Limited ("Polytec Asset") as recorded in the register required to be kept under 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 ("Stock Exchange") pursuant to the Model Code, are set out below:

1. Long positions in the shares of the Company

Name	Nature of interests	Number of shares	Percentage of shareholding (Note 1)	Note
Or Wai Sheun	Founder and beneficiary of a trust	830,330,124		2
	Corporate	277,500		3
		830,607,624	72.18%	
Ng Chi Man	Beneficiary of a trust	830,330,124	72.16%	2
Or Pui Kwan	Beneficiary of a trust	830,330,124		2
	Personal	43,500		
		830,373,624	72.16%	
Lok Kung Chin, Hardy	Founder and beneficiary of trusts	1,425,000	0.12%	4
Lai Ka Fai	Personal	701,000	0.06%	
Keith Alan Holman	Personal	567,000	0.05%	
Tam Hee Chung	Personal	300,000	0.03%	
David John Shaw	Personal	133,500		
	Family	67,000		5
		200,500	0.02%	
Yeung Kwok Kwong	Personal	165,000	0.01%	

Other Information

2. Long positions in the shares of Polytec Asset

Name	Nature of interests	Number of ordinary shares	Percentage of shareholding (Note 6)	Note
Or Wai Sheun	Founder and beneficiary of a trust	3,260,004,812	73.44%	7
Ng Chi Man	Beneficiary of a trust	3,260,004,812	73.44%	7
Or Pui Kwan	Beneficiary of a trust	3,260,004,812	73.44%	7
Yeung Kwok Kwong	Personal	2,000,000	0.05%	
Tam Hee Chung	Personal	1,100,000	0.02%	
Keith Alan Holman	Personal	722,000	0.02%	
Lai Ka Fai	Personal	430,000	0.01%	

Notes:

(1) The percentage of shareholding is calculated based on 1,150,681,275 shares, being the total number of issued shares of the Company as at 30 June 2011.

(2) Such interest in shares is held by Intellinsight Holdings Limited, a wholly-owned subsidiary of Polytec Holdings which is ultimately wholly-owned by a discretionary trust, the trustee of which is Or Family Trustee Limited Inc. The said trust is in turn wholly-owned by another discretionary trust, the trustee of which is HSBC International Trustee Limited.

As Mr Or Wai Sheun is the founder of the trust and the discretionary objects of the trust include Mr Or Wai Sheun, Ms Ng Chi Man (his wife) and Mr Or Pui Kwan (his son), they are taken to be interested in the same block of shares held by the trust.

(3) Such interest in shares is held by China Dragon Limited which is wholly-owned by Mr Or Wai Sheun.

(4) Such interest in shares is owned by discretionary trusts of which Mr Lok Kung Chin, Hardy is the founder and a beneficiary respectively.

(5) Such interest in shares is held by the spouse of Mr David John Shaw.

(6) The percentage of shareholding is calculated based on 4,438,967,838 shares, being the total number of issued ordinary shares of Polytec Asset as at 30 June 2011. Polytec Asset is an associated corporation of the Company.

(7) The three references to 3,260,004,812 shares in Polytec Asset relate to the same block of shares beneficially held by Marble King International Limited, a wholly-owned subsidiary of the Company. By virtue of the deemed interest in the shares of the Company as described in note (2) above, Mr Or Wai Sheun, Ms Ng Chi Man and Mr Or Pui Kwan are taken to be interested in the shares of Polytec Asset.

Save as disclosed above, as at 30 June 2011, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Other Information

Substantial Shareholders' Interests

As at 30 June 2011, shareholders (other than Directors and the chief executive of the Company) who had interests or short positions in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO are set out below:

Name	Nature of interests	Number of shares	Percentage of shareholding (Note 1)	Note
HSBC International Trustee Limited	Trustee	829,354,474	72.07%	2
Or Family Trustee Limited Inc.	Trustee	828,710,124	72.02%	3

Notes:

(1) The percentage of shareholding is calculated based on 1,150,681,275 shares, being the total number of issued shares of the Company as at 30 June 2011.

(2) Based on information available to the Company and subsequent to the recording in the register as required by SFO set out in the table above, there were share movements which were not required to disclose under SFO as at 30 June 2011. HSBC International Trustee Limited was then taken to be interested in 832,644,474 shares of the Company. Such interest included the shares owned by a family trust as explained in note (2) under the previous section headed "Directors' Interests and Short Positions".

(3) Based on information available to the Company and subsequent to the recording in the register as required by SFO set out in the table above, there were share movements which were not required to disclose under SFO as at 30 June 2011. Or Family Trustee Limited Inc. was then taken to be interested in 830,330,124 shares of the Company by virtue of being the trustee of a family trust as explained in note (2) under the previous section headed "Directors' Interests and Short Positions".

All the interests disclosed above represent long positions in the shares of the Company.

Save as disclosed above, as at 30 June 2011, the Company has not been notified by any persons (other than the Directors and the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Information

Human Resources and Remuneration Policy

As at 30 June 2011, the Group has a total number of 625 employees (31 December 2010: 605 employees) of which 371 are Hong Kong staffs, 91 are PRC staffs and 163 are at other regions, with the increase in headcount mainly due to the matching of business growth. Salary levels of employees are competitive. Discretionary bonuses are granted based on performance of the Group as well as performance of individual to attract, motivate and retain talented people.

We believe that the quality of the Group's human resources is critical for it to maintain strong competitive edge. The Group regularly conducts a range of training programs both in-house and through external institutions to strengthen employees' all-round skills and knowledge, aiming to well-equip them to cope with the Group's development in the ever-changing economy.

Besides, the Group has established a recreation club and held an annual dinner in February and monthly working lunch for employees during the period to promote team spirit and loyalty and to share information between departments.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 3 October 2011 to Tuesday, 4 October 2011, both days inclusive. During which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, for registration not later than 4:30 pm on Friday, 30 September 2011.

Corporate Citizenship

The Group is committed to enhance corporate citizenship and has become a corporate member of WWF-Hong Kong since 2007 and continues to support their conservation and education work. Besides making charitable donations, we have also taken part in the program held by WWF–Hong Kong such as "Earth Hour" 2011.

Besides, the Company was also awarded "Caring Company" 2010/11 by The Hong Kong Council of Social Service in recognition of our achievement in corporate social responsibility.

Review of Interim Results

The Audit Committee of the Company has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2011. The Group's independent auditors, KPMG, have carried out a review of the interim financial statements in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants, whose review report is contained on page 34 of this interim report.

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