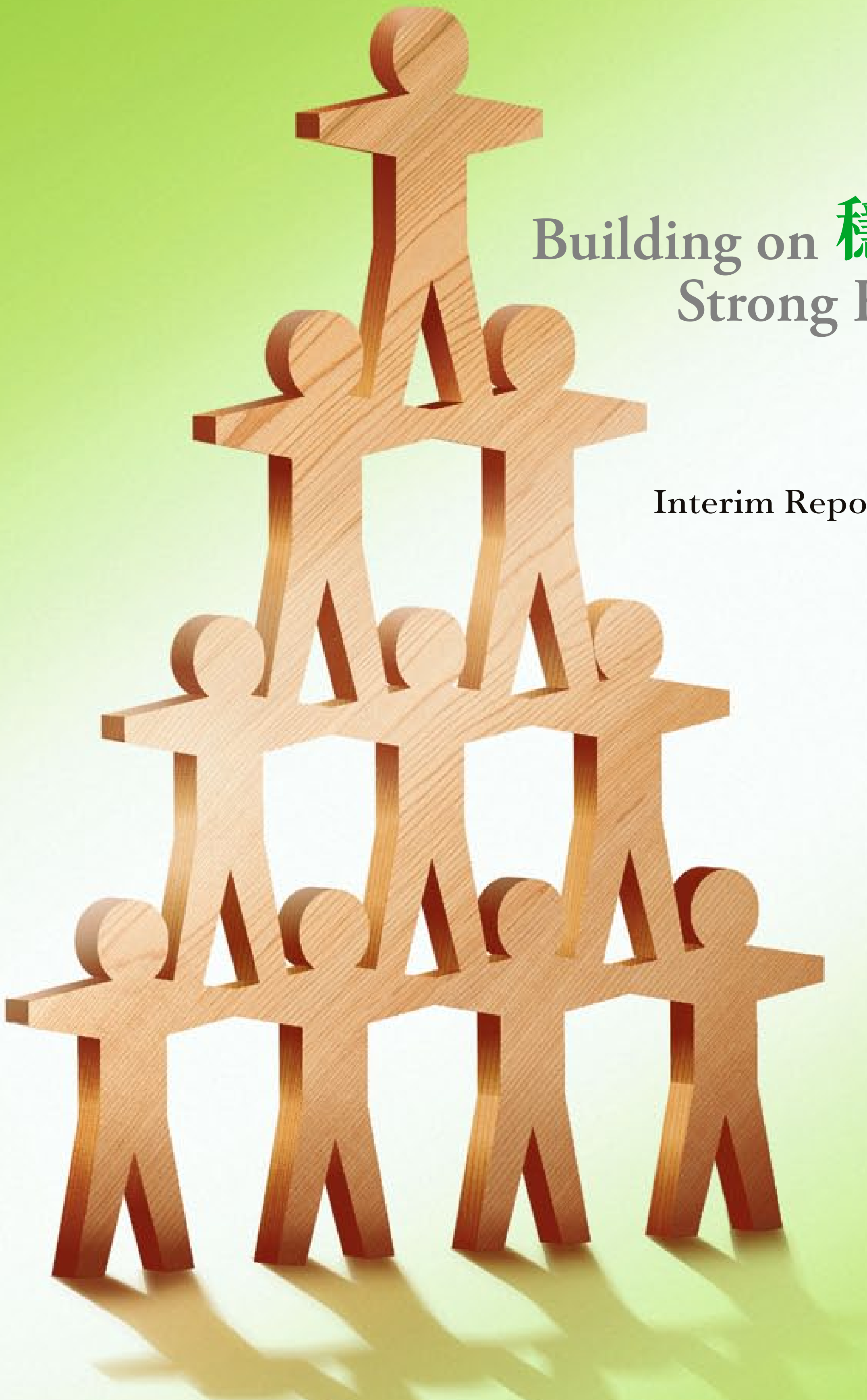
九龍建業有限公司
Kowloon Development Company Limited
(Stock Code 股份代號 : 34)

Building on 穩健根基 Strong Foundation



Interim Report 2010 中期報告

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Corporate Information

Kowloon Development Company Limited

A member of the Polytec Group

Board

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

Company Secretary

Lee Kuen Chiu

Authorised Representatives

Lai Ka Fai
Lee Kuen Chiu

Independent Auditors

KPMG
Certified Public Accountants

Share Registrars

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

Registered Office

23rd Floor, Pioneer Centre
750 Nathan Road
Kowloon, Hong Kong

Stock Code

Hong Kong Stock Exchange: 34

Website

www.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

Highlights

- Group's 2010 interim net profit amounts to HK$610 million compared to HK$887 million for the corresponding period of 2009.

- Excluding revaluation gains from the Group's investment properties net of deferred tax, underlying net profit and earnings per share for the first half of 2010 amounts to HK$278 million and HK$0.24 respectively compared to HK$883 million and HK$0.77 respectively for the corresponding period of 2009.

- Barring unforeseen circumstances, the Group is expected to report good results for the full year of 2010.

- Interim dividend per share for 2010 amounts to HK$0.20 (2009 : HK$0.20)

Chairman's Statement

Interim Results and Dividend

The Group's unaudited net profit attributable to shareholders for the six months ended 30 June 2010 amounted to HK$610 million and earnings per share amounted to HK$0.53 compared to HK$887 million and HK$0.77 respectively for the corresponding period of 2009.

Excluding revaluation gains from the Group's investment properties net of deferred tax, underlying net profit was HK$278 million for the first half of 2010, representing a decrease of 68.5% over the corresponding period in 2009. The underlying earnings per share was HK$0.24 for the first six months of 2010 compared to HK$0.77 over the same period last year.

The Board of Directors has declared an interim dividend for 2010 of HK$0.20 per share (2009: HK$0.20) payable on 15 October 2010 to shareholders whose names appear on the Register of Members of the Company on 6 October 2010.

Business Review

The overall economic activity in the Greater China region has largely picked up from the 2008 financial crisis, with the three economies growing at robust rates during the first half of the year. With interest rates remaining at historic-low levels in most parts of the world since the crisis, overall property prices in all three economies of Hong Kong, Macau and Mainland China have been rising rapidly over the past year.

In view of the recent surge in commercial property prices in Hong Kong, Management has decided to start consolidating the Group's investment property portfolio and indeed the Group has started disposing of certain non-core investment properties since May 2010.

Property Sales

During the period under review, total operating profit generated from property development projects amounted to HK$251 million compared to HK$957 million over the same period last year. The significant decrease in this segment's operating earnings is mainly due to timing differences in booking profits.

In Mainland China, the Group launched the pre-sale of residential units of its 50%-owned project in Foshan (Guangdong Province) in the second quarter of last year, with total pre-sale proceeds from the first phase of residential development already exceeding RMB 2 billion. It is expected that a portion of the pre-sales and the corresponding profits will be recognised in the second half of 2010 upon delivery of the residential units to the purchasers.

In Hong Kong, the soft launch of Mount East, the Group's luxury residential project in North Point, took place in the second half of last year and it has been well received by the market with approximately 30% of a total of 74 residential units being pre-sold. We will formally launch the project later in 2010 and it is expected that the corresponding profit will be recognised by the Group upon its completion in 2011.

In Macau, we have pre-sold 100% of the residential units of Pacifica Garden and over 60% of carparking spaces of the project. The occupation permit of the project was obtained in May this year and we have gradually handed over the residential units to the purchasers. The remaining carparking spaces and retail spaces of the project will be put up for sale at an appropriate time.

Property Development

As at 30 June 2010, the Group's land bank for development amounted to approximately 5 million sq m of attributable gross floor area. The Group's major development projects are set out as follows:

Hong Kong

Ngau Chi Wan, Kowloon

This site is located at No. 35 Clear Water Bay Road in Ngau Chi Wan. This development project is wholly owned by the Group and it has obtained planning approvals for a residential and commercial development with a gross floor area of 196,400 sq m, including a shopping arcade, club house and parking facilities. The land premium is under negotiation with the government.

Macpherson Stadium, Kowloon

The site is located in a prime location of Mongkok. This is a joint venture residential and commercial redevelopment project with Urban Renewal Authority and Hong Kong Playground Association. It will be developed into a luxury residential and commercial complex with club house and parking facilities, retail spaces, a multi-purpose sports stadium and a youth centre. Excluding the multi-purpose sports stadium and a youth centre, the total gross floor area for the residential and commercial portion is approximately 19,000 sq m. Basement excavation and pile cap works are nearly completed and superstructure work will be commenced shortly.

Sai Yeung Choi Street North, Kowloon

The site is located at Nos. 468-474 Sai Yeung Choi Street North. This residential redevelopment project is wholly-owned by the Group, with a gross floor area of approximately 8,400 sq m. It will be re-developed into a modern high-rise residential tower with club house and parking facilities. Foundation work is expected to be completed by end-2010.

Mount East, Ming Yuen Western Street, Hong Kong

The site is located at Nos. 24-32 Ming Yuen Western Street in North Point. This residential project is wholly owned by the Group, with a gross floor area of approximately 5,700 sq m. It will be developed into a luxury residential tower, comprising 74 residential units, retail spaces on ground floor, recreational facilities and a club house with sky garden. It is anticipated that the project will be completed by mid-2011.

Belcher's Street, Hong Kong

This site is located at Nos.150-162 Belcher's Street, which is close to a proposed Kennedy Town MTR station exit. With the original site area of only 564 sq m, the Group is seeking to acquire adjacent old buildings to form a more sizeable development.

Mainland China

Shenhe District, Shenyang

This site is located on the west side of Daba Road of the Shenhe District, which is one of the five main central districts in Shenyang. Previously the site was situated in the Dongling District, which was integrated into the Shenhe District in March this year. This residential and commercial project is wholly owned by the Group, with a planned gross floor area of approximately 2,000,000 sq m. It will be developed into low and medium density residential units by phases. Foundation work for the first phase has been commenced and it is scheduled to be completed by end-2011.

Hun Nan Xin District, Shenyang

The site is located along the Hun River on Hun Nan Er Road of the Hun Nan Xin District in Shenyang. This development project is wholly owned by the Group, with a planned gross floor area of approximately 579,000 sq m. It will be developed into a residential and commercial complex. According to the overall planning and development strategy of the local municipal government, the Hun Nan Xin District will be developed into a modern technological new district with a high-tech industrial development zone, a high-grade commercial and business centre, a high-quality residential area, a university town and a Hun River tourism zone. Superstructural work of the first phase residential development, with a gross floor area of approximately 116,000 sq m, is in progress and it is targeted to be completed by 2011. Pre-sale of the first phase will likely be commenced in the fourth quarter of 2010. The development plan for the second phase, with a gross floor area of approximately 100,000 sq m, is in progress and the construction work will be commenced in due course.

Nanhai District, Foshan

The site is located in the Nanhai District of Foshan (Guangdong Province), with a sizable site area of approximately 4,000,000 sq m. This is a 50:50 joint venture residential and commercial development project with CITIC Property Group. This site is endowed with unique geographical advantages, surrounded by lakes, wetland nature reserve zone and woods. It will be developed into one of the most emblematic residential communities in Foshan, with an aggregate gross floor area of approximately 1,600,000 sq m. The first phase of development comprises mainly luxury low-rise residential houses.

Hedong District, Tianjin

The site is located in a new commercial and business area of the Hedong District, Tianjin. This residential and commercial development project is 49%-owned by the Group, with a gross floor area of approximately 930,000 sq m. It will be developed into a residential and commercial complex with luxury residential towers, office buildings, a five-star hotel and a first-class shopping arcade. The master layout plan has been submitted to the local authority and construction work will be commenced once we have obtained necessary approvals.

Shiqi District, Zhongshan

The site is located in the Shiqi District, one of the most prestigious residential areas in Zhongshan (Guangdong Province). This residential and commercial project is 70% owned by the Group, with gross floor area of approximately 129,000 sq m. It will comprise 7 high-end towers with 1,150 residential units, a club house and retail shops. Foundation work has just been completed and superstructure work will be commenced shortly.

Macau

The Group's property interest in Macau is held through Polytec Asset Holdings Limited ("Polytec Asset"), a 73.44% owned subsidiary of the Company. Current development projects are set out as follows:

Lote P, The Orient Pearl District

Lote P is located in the Orient Pearl District, adjacent to the future Hong Kong-Zhuhai-Macau Bridge, with an aggregate site area of approximately 68,000 sq m. Polytec Asset has an 80% interest in this project. It will be developed by phases into various luxury residential towers, together with a large shopping arcade, a five-star club house and numerous car parking spaces, with an aggregate gross floor area of approximately 699,700 sq m. The master plan of the development has been approved and the building plan has been submitted to the relevant government authorities for approval.

Lotes T & T1, The Orient Pearl District

Lotes T & T1 are located in the Orient Pearl District, adjacent to the future Hong Kong-Zhuhai-Macau Bridge, with combined aggregate site area of approximately 17,900 sq m. Polytec Asset has an 80% interest in this project. This project will be developed into a number of high-end residential blocks with retail shops and car parking spaces, with an aggregate gross floor area of approximately 191,600 sq m. The master plan has been approved and the building plan has been submitted to relevant government authorities for approval.

Property Investment

For the first six months of 2010, the Group's gross rental income generated from its property investment portfolio amounted to HK$135 million, a slight decrease of approximately HK$0.2 million over the same period last year. The small decrease in gross rental income was mainly due to the start of the revamp project for the second floor of the Group's flagship investment property, Pioneer Center, since March this year. In the short term, the revamp work may restrain the Group's rental income growth. However, the repositioning of the second floor of the mall into a hub of high-tech and digital products in the area is only the Group's first move towards to a broader and longer-term strategy of enhancing the value of the whole mall. The overall occupancy rate of Pioneer Centre was 98.9% as of end-June 2010.

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 2010, the area under management was maintained at approximately 1,092,000 sq m.

Finance and Investments

As mentioned in its 2009 Annual Report in March, the Group intended to cease all non-strategic financial investment activities, with no new investment commitments in this segment for the period under review. As of 30 June 2010, total remaining value of the Group's investment portfolio only amounted to HK$114 million, representing an insignificant portion of 0.4% of the Group's total gross asset value. The existing portfolio includes largely long-term investment funds and bonds, which have been owned for years and they will be either held to maturities or sold at appropriate prices. For the first six months of 2010, the finance and investments segment contributed HK$19 million to the Group's operating profit.

Post Balance Sheet Event

As announced on 7 April 2010, Polytec Asset had exercised an option to acquire Caspi Neft TME, a company principally engaged in the business of the production and exploration of oil from hydrocarbon deposits in Kazakhstan, from Ufex Advisors Corp. and had entered into a sale and purchase agreement and loan assignment agreement on 1 April 2010 in relation to the acquisition of (i) the entire issued share capital of Caspi Neft TME and (ii) all the outstanding debts owed by Caspi Neft TME to Ufex Advisors Corp. at total cash consideration of US$100 million and US$39.6 million respectively. The acquisition was completed in July 2010.

Prospects

It appears that the global economy is, on balance, recovering from the 2008 financial crisis, with many countries reporting growth in GDP in the past two to three quarters. This is particularly true in emerging market economies including China, which have largely avoided the crisis. Indeed China's recent dynamic economic performance has caused the Chinese authorities to introduce a number of measures to slow the pace of rising residential property prices.

The Group's property development business in Mainland China has benefited substantially from China's economic success. At the same time, its strong economic growth also supports the economies of Hong Kong and Macau. Moreover, Hong Kong and Macau currently have the additional advantage of lower interest rates than pertain in Mainland China resulting from the HKD's link to the USD and therefore to USD interest rates. Because of this additional factor, Hong Kong and Macau property prices remained robust during the first half of 2010. We believe this trend will sustain as long as there is no change in the above mentioned economic fundamentals.

The Chinese government's recent measures to cool its property market have naturally resulted in a fall in land prices in Mainland China thus allowing the Group to search actively for additional land bank for the first time since the end of 2008. New land bank to be acquired will add to the Group's existing high quality land holdings in Mainland China, Hong Kong and Macau which already provides a good supply of land for the next 4-5 years of development and which should provide additional profit for the Group over the next few years.

All in all, we believe that present economic circumstances are favorable to the Group's prudent yet positive business strategies. Over the past few years, with wise advice of the Board, as well as the dedication and hard-work of all staff, the Group has laid a solid foundation for its property development business. Barring unforeseen circumstances, we expect to report good results for the full year of 2010 and to be able to produce satisfactory profits in the years following.

Or Wai Sheun
Chairman

Hong Kong, 30 August 2010

Financial Review

Financial Resources and Bank Borrowings

As at 30 June 2010, the Group's total bank borrowings amounted to HK$5,241 million, with HK$3,912 million repayable within one year and HK$1,329 million repayable beyond one year. The net borrowings position of the Group as at 30 June 2010 was HK$4,611 million after taking into account cash and cash equivalents of HK$630 million. This was an increase of HK$1,918 million as compared with the net borrowings of HK$2,693 million as at 31 December 2009. At the same time, total loan from/amount payable to the ultimate holding company was HK$1,003 million as at 30 June 2010, a reduction of HK$1,530 million compared to end-2009.

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 34.2% as at 30 June 2010 as compared with 32.4% at end-2009.

During the period under review, total cash inflows from the Group's investment in Mainland China and Macau were approximately HK$400 million and HK$194 million respectively. The cash inflows were mainly related to the return of funds from the Group's investment in Foshan project and sales proceeds received from a property development project in Macau.

Approximately HK$168 million was further invested by the Group in the Tianjin project for the first six months of 2010. Construction cost paid for the Group's development projects amounted to approximately HK$263 million.

The total consideration in relation to the acquisition of Capsi Neft TME was US$139.6 million. The Group had paid a deposit of US$4 million upon signing of the agreements. The transactions have been completed subsequently after 30 June 2010. Upon completion, part of the outstanding consideration amounting to US$133.6 million was settled, being the total outstanding consideration of US$135.6 million less retention money of US$2 million.

As at 30 June 2010, in connection to the Group's investment properties, the Group had commitments for construction work which amounted to HK$129 million.

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

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 by entering into interest rate swap arrangements to hedge part of the Group's interest rate risk if necessary.

The Group is exposed to exchange 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. The exchange rate risks of other currencies are insignificant to the Group.

Pledge of Assets

As at 30 June 2010, properties having a value of HK$10,290 million and time deposit 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 indemnify the other on a 50:50 basis for any loss arising from the guarantee. The banking facility was utilised to the extent of RMB80 million as at 30 June 2010. The other remaining guarantees amounted to RMB525 million, representing a 50% proportional guarantee in respect of an aggregate of RMB1,050 million term loan facilities. The facilities were utilised to the extent of RMB790 million as at 30 June 2010.

Consolidated Income Statement

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2010	2009
		(unaudited)	(unaudited)
	Note	**$'000**	$'000
Turnover	3	**950,938**	1,673,406
Cost of sales		**(682,067)**	(476,428)
Other revenue	4(a)	**19,393**	52,298
Other net income	4(b)	**7,056**	73,764
Depreciation and amortisation		**(5,494)**	(5,617)
Staff costs		**(45,460)**	(68,061)
Other operating expenses		**(40,969)**	(55,988)
Impairment loss on properties written back		**154,770**	–
Fair value changes on investment properties	8	**396,506**	12,530
Gain on disposal of investment properties		**9,826**	–
Profit from operations		**764,499**	1,205,904
Finance costs	4(c)	**(5,884)**	(12,119)
Share of profits of associated companies	4(e)	**1,308**	520
Share of profits less losses of jointly controlled entities	4(f)	**11,329**	(14,427)
Profit before taxation	4	**771,252**	1,179,878
Income tax	5	**(110,511)**	(56,954)
Profit for the period		**660,741**	1,122,924
Attributable to:			
Shareholders of the Company		**609,575**	887,141
Non-controlling interests		**51,166**	235,783
Profit for the period		**660,741**	1,122,924
Earnings per share – Basic/Diluted	6	**$0.53**	$0.77

The notes on pages 18 to 33 form part of the interim financial report.

Consolidated Statement of Comprehensive Income

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
	$'000	$'000
Profit for the period	**660,741**	1,122,924
Other comprehensive income for the period		
Exchange differences on translation of accounts of overseas subsidiaries	**20,620**	1,074
Changes in fair value of available-for-sale investments	**(312)**	(3,914)
Changes in fair value of interests in property development	**–**	(163,068)
Transfer to income statement upon recognition from interests in property development	**–**	(751,098)
Share of other comprehensive income of jointly controlled entities and associated companies	**19,978**	268
	40,286	(916,738)
Total comprehensive income for the period	**701,027**	206,186
Attributable to:		
Shareholders of the Company	**648,608**	244,604
Non-controlling interests	**52,419**	(38,418)
Total comprehensive income for the period	**701,027**	206,186

The notes on pages 18 to 33 form part of the interim financial report.

Consolidated Balance Sheet

(Expressed in Hong Kong dollars)

	Note	At 30 June 2010 (unaudited) $'000	At 30 June 2010 (unaudited) $'000	At 31 December 2009 (audited) $'000	At 31 December 2009 (audited) $'000
Non-current assets					
Fixed assets					
– Investment properties			**6,493,110**		6,108,010
– Leasehold land held for own use			**236,166**		239,431
– Other property, plant and equipment			**37,023**		38,616
	8		**6,766,299**		6,386,057
Interests in property development	9		**10,116,880**		10,116,880
Interest in jointly controlled entities			**1,298,965**		1,280,826
Interest in associated companies			**1,467,651**		1,286,726
Financial investments			**26,834**		27,096
Loans and advances			**6,984**		9,338
Deferred tax assets			**2,892**		30,266
			19,686,505		19,137,189
Current assets					
Inventories	10	**6,904,483**		7,067,026	
Trade and other receivables	11	**626,885**		169,622	
Loans and advances		**25,478**		31,322	
Amounts due from jointly controlled entities		**161,838**		210,822	
Derivative financial instrument		**–**		7,800	
Financial investments		**87,072**		80,016	
Time deposit (pledged)		**15,000**		15,000	
Cash and cash equivalents		**629,576**		575,237	
		8,450,332		8,156,845	
Current liabilities					
Trade and other payables	12	**717,128**		1,061,330	
Amount payable to ultimate holding company	13	**766,506**		766,506	
Amounts due to jointly controlled entities		**364,625**		–	
Bank loans		**3,912,500**		3,117,500	
Current taxation		**318,086**		274,121	
		6,078,845		5,219,457	
Net current assets			**2,371,487**		2,937,388
Total assets less current liabilities			**22,057,992**		22,074,577

	Note	At 30 June 2010 (unaudited) $'000	At 30 June 2010 (unaudited) $'000	At 31 December 2009 (audited) $'000	At 31 December 2009 (audited) $'000
Non-current liabilities					
Loan from ultimate holding company	14	**236,272**		1,200,559	
Amount payable to ultimate holding company	13	**–**		566,374	
Bank loans		**1,328,823**		150,000	
Deferred tax liabilities		**1,091,392**		1,071,264	
			2,656,487		2,988,197
Net assets			**19,401,505**		19,086,380
Capital and reserves					
Share capital	15		**115,068**		115,068
Reserves			**16,299,516**		16,019,126
Total equity attributable to shareholders of the Company			**16,414,584**		16,134,194
Non-controlling interests			**2,986,921**		2,952,186
Total equity			**19,401,505**		19,086,380

Approved and authorised for issue by the board of directors on 30 August 2010.

The notes on pages 18 to 33 form part of the interim financial report.

Consolidated Statement of Changes in Equity

(Expressed in Hong Kong dollars)

(unaudited)	Share capital $'000	Share premium $'000	Capital reserve $'000	Fair value reserves $'000	Exchange reserves $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
	Attributable to shareholders of the Company								
At 1 January 2010	**115,068**	**8,302,404**	**2,154**	**1,642,573**	**313,356**	**5,758,639**	**16,134,194**	**2,952,186**	**19,086,380**
Changes in equity for the six months ended 30 June 2010									
Dividends approved in respect of the previous year	**–**	**–**	**–**	**–**	**–**	**(368,218)**	**(368,218)**	**–**	**(368,218)**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(17,684)**	**(17,684)**
Total comprehensive income for the period	**–**	**–**	**–**	**(312)**	**39,345**	**609,575**	**648,608**	**52,419**	**701,027**
At 30 June 2010	**115,068**	**8,302,404**	**2,154**	**1,642,261**	**352,701**	**5,999,996**	**16,414,584**	**2,986,921**	**19,401,505**
At 1 January 2009	115,068	8,302,404	2,154	2,257,976	331,702	5,005,370	16,014,674	3,089,767	19,104,441
Changes in equity for the six months ended 30 June 2009									
Dividends approved in respect of the previous year	–	–	–	–	–	(230,136)	(230,136)	–	(230,136)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	(15,623)	(15,623)
Loans from non-controlling interests	–	–	–	–	–	–	–	1,251	1,251
Reclassified to amounts due to non-controlling interests	–	–	–	–	–	–	–	(20,165)	(20,165)
Total comprehensive income for the period	–	–	–	(643,024)	487	887,141	244,604	(38,418)	206,186
At 30 June and 1 July 2009	115,068	8,302,404	2,154	1,614,952	332,189	5,662,375	16,029,142	3,016,812	19,045,954
Changes in equity for the six months ended 31 December 2009									
Dividends approved in respect of the current year	–	–	–	–	–	(230,136)	(230,136)	–	(230,136)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	(10,316)	(10,316)
Decrease in loans from non-controlling interests	–	–	–	–	–	–	–	(14,509)	(14,509)
Decrease in non-controlling interests upon disposal of a subsidiary	–	–	–	–	–	–	–	(52,026)	(52,026)
Total comprehensive income for the period	–	–	–	27,621	(18,833)	326,400	335,188	12,225	347,413
At 31 December 2009	115,068	8,302,404	2,154	1,642,573	313,356	5,758,639	16,134,194	2,952,186	19,086,380

As at 30 June 2010, loans from non-controlling interests of $169,393,000 (at 31 December 2009: $168,432,000) are classified as equity being the capital contributions on subsidiaries by the non-controlling interests.

The notes on pages 18 to 33 form part of the interim financial report.

Condensed Consolidated Cash Flow Statement

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
	$'000	$'000
Net cash from operating activities	**168,311**	915,121
Net cash used in investing activities	**(173,865)**	(14,475)
Net cash from/(used in) financing activities	**58,538**	(1,268,475)
Net increase/(decrease) in cash and cash equivalents	**52,984**	(367,829)
Cash and cash equivalents at 1 January	**575,237**	967,499
Effect of foreign exchange rate changes	**1,355**	57
Cash and cash equivalents at 30 June	**629,576**	599,727

The notes on pages 18 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 2009 annual accounts, except for the accounting policy changes that are expected to be reflected in the 2010 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.

This 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 2009 annual accounts.

The financial information relating to the financial year ended 31 December 2009 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 1 March 2010.

2 Changes in accounting policies

The HKICPA has issued two revised Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes Hong Kong Financial Reporting Standards, HKASs and Interpretations), a number of amendments to HKFRSs 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:

– HKFRS 3 (revised 2008), "Business combinations"

– Amendments to HKAS 27, "Consolidated and separate financial statements"

– Improvements to HKFRSs (2009)

The developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, further details of these changes in accounting policy are as follows:

– As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following major changes in accounting policies:

  – Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the costs of the business combination and therefore impacted the amount of goodwill recognised.

  – If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  In accordance with the transitional provision in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods.

2 Changes in accounting policies *(Continued)*

– As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

  – If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

  – If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if re-acquired.

  – Any losses incurred by a non-wholly owned subsidiary will be allocated between the equity shareholders and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses.

  In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

– In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, similar amendments have been made to HKAS 28, “Investments in associates”, and HKAS 31, “Interests in joint ventures”.

2 Changes in accounting policies *(Continued)*

– As a result of the amendment to HKAS 17, "Leases", arising from the "Improvements to IFRSs (2009)", the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers significantly all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate, with the exception of those interests which are registered and transferable ownership interests in land located in Hong Kong. These leasehold interests will no longer be classified by the Group as operating leases as the Group considers that it is in a position economically similar to that of a purchaser. This change in accounting policy has no material impact on the current or previous periods.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 six 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.

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

3 Segment reporting *(Continued)*

Turnover comprises mainly rental income from properties, gross proceeds from sales of properties 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.

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 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
Fair value changes on investment properties	396,506	–	–	–	396,506	–	–
Gain on disposal of investment properties	9,826	–	–	–	9,826	–	–
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 less losses of jointly controlled entities	11,329	–	–	196	11,133	–	–
Impairment loss on properties written back	154,770	154,770	–	–	–	–	–

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)*

	Six months ended 30 June 2009						
		Property development					
	Consolidated $'000	Hong Kong $'000	Macau $'000	Mainland China $'000	Property investment $'000	Finance and investments $'000	Others $'000
Turnover	1,673,406	463,700	751,648	–	135,493	300,416	22,149
Reportable segment profit	1,207,353	222,858	744,489	(10,330)	139,221	109,304	1,811
Other revenue	46,859						
Fair value changes on investment properties	12,530	–	–	–	12,530	–	–
Share of fair value changes on investment properties of jointly controlled entity	(12,480)	–	–	–	(12,480)	–	–
Head office and corporate expenses	(62,265)						
Finance costs	(12,119)						
Profit before taxation	1,179,878						
Share of profits of associated companies	520	–	–	–	–	–	520
Share of profits less losses of jointly controlled entities	(14,427)	–	–	(8,959)	(5,468)	–	–

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 2010						
		Property development					
	Consolidated $'000	Hong Kong $'000	Macau $'000	Mainland China $'000	Property investment $'000	Finance and investments $'000	Others $'000
Reportable segment assets	**27,297,983**	**4,103,337**	**10,301,749**	**5,379,190**	**7,074,509**	**154,822**	**284,376**
Deferred tax assets	**2,892**						
Time deposit (pledged)	**15,000**						
Cash and cash equivalents	**629,576**						
Head office and corporate assets	**191,386**						
Consolidated total assets	**28,136,837**						
Interest in associated companies	**1,467,651**	**–**	**–**	**1,457,566**	**–**	**–**	**10,085**
Interest in and amounts due from jointly controlled entities	**1,460,803**	**–**	**–**	**917,606**	**543,197**	**–**	**–**

	At 31 Decembr 2009						
		Property development					
	Consolidated $'000	Hong Kong $'000	Macau $'000	Mainland China $'000	Property investment $'000	Finance and investments $'000	Others $'000
Reportable segment assets	26,651,857	3,717,032	10,932,417	4,889,639	6,660,526	156,309	295,934
Deferred tax assets	30,266						
Time deposit (pledged)	15,000						
Cash and cash equivalents	575,237						
Head office and corporate assets	21,674						
Consolidated total assets	27,294,034						
Interest in associated companies	1,286,726	–	–	1,276,773	–	–	9,953
Interest in and amounts due from jointly controlled entities	1,491,648	–	–	946,729	544,919	–	–

4 Profit before taxation

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

(a) In 2009, other revenue included an aggregate amount of $46,859,000 being the compensation and interest received/receivable upon the termination of the proposed acquisition of Shenzhen Properties & Resources Development (Group) Limited by the Group.

(b) Other net income represents fair value changes on held for trading listed investments of gain of $7,056,000 (six months ended 30 June 2009: $25,523,000) and derivative financial instruments of gain of $Nil (six months ended 30 June 2009: $48,241,000).

(c) Finance costs

	Six months ended 30 June	
	2010	2009
	$'000	$'000
Interest on bank loans and overdrafts	**26,585**	10,085
Interest on loan from/amount payable to ultimate holding company	**3,187**	11,040
Less: Amount capitalised (Note)	**(23,888)**	(9,006)
	5,884	12,119

Note: Borrowing costs were capitalised at the rates of 0.55% – 4.86% (2009: 0.59% – 2.05%) per annum.

4 Profit before taxation *(Continued)*

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

(d) Other items

	Six months ended 30 June	
	2010	2009
	$'000	$'000
Rentals receivable under operating leases		
less outgoings	**(127,213)**	(132,567)
Rental income	**(135,279)**	(135,493)
Less: Outgoings	**8,066**	2,926
Interest income	**(9,366)**	(11,380)

(e) 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 $1,308,000 (six months ended 30 June 2009: $520,000).

(f) 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 $8,372,000 (six months ended 30 June 2009: share of losses of $12,974,000).

5 Income tax

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2010	2009
	$'000	$'000
Current tax		
Provision for profits tax		
– Hong Kong	**15,778**	48,454
– Outside Hong Kong	**47,232**	5,652
	63,010	54,106
Deferred tax	**47,501**	2,848
	110,511	56,954

The provision for Hong Kong profits tax is calculated by applying the estimated effective tax rate of 16.5% (six months ended 30 June 2009: 16.5%) to the six months ended 30 June 2010. Tax levied in jurisdictions outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in relevant jurisdictions.

6 Earnings per share

(a) The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of $609,575,000 (six months ended 30 June 2009: $887,141,000) and weighted average number of ordinary shares in issue during the period of 1,150,681,275 (six months ended 30 June 2009: 1,150,681,275).

(b) There are no diluted potential shares in existence during the six months ended 30 June 2010 and 2009.

7 Dividends

(a) Dividends attributable to the interim period

	Six months ended 30 June	
	2010	2009
	$'000	$'000
Interim dividend declared after the interim period of $0.20 (six months ended 30 June 2009: $0.20) per share	**230,136**	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, approved and paid during the interim period

	Six months ended 30 June	
	2010	2009
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of $0.32 (six months ended 30 June 2009: $0.20) per share	**368,218**	230,136

8 Fixed assets

The investment properties of the Group were revalued at 30 June 2010 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 rental income allowing for reversionary income potential. A revaluation gain of $396,506,000 (six months ended 30 June 2009: $12,530,000) and deferred tax thereon of $65,423,000 (six months ended 30 June 2009: $2,025,000) have been included in the consolidated income statement.

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 a suitable discount rate in order to calculate the present value. 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.

During the six months ended 30 June 2009, pursuant to one of the co-investment agreements, distributions of $1,601,399,000 were made by a wholly owned subsidiary of Polytec Holdings in relation to the property project at Lote V, The Orient Pearl District, Novos Aterros da Areia Preta, Macau. No distribution was made during the current period.

10 Inventories

	At 30 June 2010 $'000	At 31 December 2009 $'000
Land held for future development	**478,070**	387,461
Properties under development	**6,239,095**	6,528,618
Properties held for sale	**187,218**	150,793
Trading goods	**100**	154
	6,904,483	7,067,026

The amount of properties held for future development and under development expected to be recovered after more than one year is $478,070,000 (at 31 December 2009: $387,461,000) and $4,916,379,000 (at 31 December 2009: $5,765,400,000) 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 2010 $'000	At 31 December 2009 $'000
Current	**112,793**	59,614
Less than 3 months past due	**58,961**	6,032
3 months to 6 months past due	**290**	351
More than 6 months past due	**6,957**	7,399
Amounts past due	**66,208**	13,782
Trade receivables	**179,001**	73,396
Utility and other deposits	**6,528**	6,691
Other receivables and prepayments	**441,356**	89,535
	626,885	169,622

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.

12 Trade and other payables

The following is an ageing analysis of trade payables:

	At 30 June 2010 $'000	At 31 December 2009 $'000
Not yet due or on demand	**126,755**	152,783
Within 3 months	**34,494**	10,789
More than 6 months	**56,581**	69,086
Trade payables	**217,830**	232,658
Rental and other deposits	**63,638**	65,039
Other payables and accrued expenses	**293,557**	174,160
Deposits received on sale of properties	**142,103**	589,473
	717,128	1,061,330

13 Amount payable to ultimate holding company

As at 30 June 2010, an amount payable to ultimate holding company of $766,506,000 (at 31 December 2009: $766,506,000) represents the amount payable for the partial settlement of the consideration for the acquisition of the entire share capital together with assignment of related shareholder's loans of two wholly owned subsidiaries of Polytec Holdings. The amount payable is unsecured, interest free, repayable within one year and is recorded under current liabilities.

As at 31 December 2009, an amount payable to ultimate holding company of $566,374,000 represented balance payable to Polytec Holdings for the acquisition of a subsidiary from Polytec Holdings in relation to the Group's certain interests in property development in Macau. The balance payable was unsecured, interest bearing with interest charged at Hong Kong Interbank Offer Rate ("HIBOR") plus a margin per annum. The amount has been fully settled during the current period.

14 Loan from ultimate holding company

Loan from ultimate holding company is unsecured, interest bearing at HIBOR plus a margin per annum and has no fixed terms of repayment.

15 Share capital

	At 30 June 2010		At 31 December 2009	
	No. of shares of $0.1 each	Amount $'000	No. of shares of $0.1 each	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 2010 $'000	At 31 December 2009 $'000
Contracted for		
– Acquisition of a subsidiary	1,057,680	–
– Investment properties	6,426	3,983
	1,064,106	3,983
Authorised but not contracted for		
– Investment properties	123,000	123,764

17 Contingent liabilities

As at 30 June 2010, 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 2009: RMB80,000,000). The joint venture partner and the Group have signed a mutual indemnification agreement by which each will indemnify the other 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 30 June 2010 (at 31 December 2009: RMB80,000,000). The other remaining guarantees amounted to RMB525,000,000 (at 31 December 2009: RMB365,000,000) representing a 50% proportional guarantee in respect of an aggregate of RMB1,050,000,000 term loan facilities (at 31 December 2009: RMB730,000,000). The facilities were utilised to the extent of RMB790,000,000 at 30 June 2010 (at 31 December 2009: RMB600,000,000).

18 Pledge of assets

As at 30 June 2010, properties of the Group with an aggregate carrying value of approximately $10,289,716,000 (at 31 December 2009: $7,520,923,000) and time deposit of $15,000,000 (at 31 December 2009: $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 above, 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 through an associated company.

(b) As at 30 June 2010, 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 2009: $195,000,000).

(c) As at 30 June 2010, the Group has given guarantees to insurance companies in respect of performance bonds entered into by an associated company to the extent of $12,060,000 (at 31 December 2009: $8,949,000).

(d) During six months ended 30 June 2009, an amount of $1,601,399,000 was distributed from a subsidiary of Polytec Holdings for the Group's interests in property development in Macau as stated in note 9. Profit attributable to the Group of $519,353,000 was recognised during the period ended 30 June 2009.

20 Post balance sheet event

On 1 April 2010, the Group had entered into an agreement with an independent third party (the "Seller") pursuant to which the Group had conditionally agreed to acquire the sale shares of Caspi Neft TME, a company principally engaged in the business of the production and exploration of oil from hydrocarbon deposits in Kazakhstan, from the Seller at a cash consideration of US$100,000,000. In addition, a loan assignment agreement was entered into to assign to the Group all of the outstanding debt owed by Caspi Neft TME to the Seller at a cash consideration of US$39,600,000. As at 30 June 2010, deposit of US$4,000,000 was paid. The transactions have been completed subsequent after the balance sheet date. Details of the transactions are set out in the announcement of the Company dated 27 July 2010.

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 12 to 33 which comprises the consolidated balance sheet of Kowloon Development Company Limited as of 30 June 2010 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 2010 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, "Interim financial reporting".

KPMG

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

Hong Kong, 30 August 2010

Other Information

Compliance with the Code on Corporate Governance Practices

During the six months ended 30 June 2010, 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 separated) as disclosed in the 2009 Annual Report.

Codes for Dealing in the Company's Securities

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. 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.

Disclosure of Information on Directors

Pursuant to rule 13.51B(1) of the Listing Rules, the updated information on Directors up to 30 June 2010 is as follows:

Mr Keith Alan Holman, the Deputy Chairman of the Company, was appointed as senior independent non-executive director of Warner Estate Holdings PLC, a company listed on the London Stock Exchange, on 24 May 2010.

Mr Li Kwok Sing, Aubrey, an Independent Non-executive Director of the Company, holds directorship in CNPC (Hong Kong) Limited which has changed its name to Kunlun Energy Company Limited.

Mr David John Shaw, an Independent Non-executive Director of the Company, was appointed as non-executive director of HSBC Private Bank (Suisse) SA on 2 June 2010. The company name of The Bank of Bermuda Limited, in which he holds directorship, has been changed to HSBC Bank Bermuda Limited.

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 loans 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"), the Company's controlling shareholder as defined in the Listing Rules, 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.

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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

Director's Interests and Short Positions

As at 30 June 2010, 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 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	812,230,124		2
	Corporate	277,500		3
		812,507,624	70.61%	
Ng Chi Man	Beneficiary of a trust	812,230,124	70.59%	2
Or Pui Kwan	Beneficiary of a trust	812,230,124		2
	Personal	43,500		
		812,273,624	70.59%	
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%	

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 2010.

(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 2010. 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 2010, 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.

Substantial Shareholders' Interests

As at 30 June 2010, 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	805,826,974	70.03%	2
Or Family Trustee Limited Inc.	Trustee	805,880,124	70.04%	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 2010.

(2) Based on information available to the Company, as at 30 June 2010, HSBC International Trustee Limited was taken to be interested in 814,544,474 shares of the Company for the purposes of the SFO. Such interest included the shares owned by a family trust as explained in note (2) under the section headed "Directors' Interests and Short Positions".

(3) Based on information available to the Company, as at 30 June 2010, Or Family Trustee Limited Inc. was taken to be interested in 812,230,124 shares of the Company by virtue of being the trustee of a family trust as stated above.

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

Save as disclosed above, as at 30 June 2010, 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.

Human Resources and Remuneration Policy

As at 30 June 2010, the Group has a total number of 399 employees (31 December 2009: 398 employees). The Group's remuneration policy is based on the principle of pay for performance with the aim to attract, motivate and retain talented people.

The Group conducts a range of on-going training programme both in-house and through external institutions, on an on-going basis 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.

Closure of Register of Members

The register of members of the Company will be closed on Tuesday, 5 October 2010 and Wednesday, 6 October 2010. During which period, no transfer of shares will be registered. In order to qualify for the proposed interim dividend, all transfer forms 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 Monday, 4 October 2010.

Corporate Citizenship

The Group is committed to enhance corporate citizenship. Besides making charitable donations, we have also taken part in different programmes held by Community Chest and WWF such as "Dress Special Day" and "Earth Hour" 2010 respectively. Meanwhile, the Group has become a corporate member of WWF-Hong Kong since 2007. In 2010, the Group further upgraded its membership to Gold Member and continues to support their conservation and education work.

WWF Gold Member 黃金會員 2010 HONG KONG

商界展關懷 caringcompany 2009/10
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

Besides, the Company was also awarded "Caring Company" 2009/10 by The Hong Kong Council of Social Service in recognition of our good corporate citizenship.

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 2010. 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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