interim report 中期報告 2018

九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

Stock Code 股份代號: 34

Kowloon Development Company Limited
九龍建業有限公司

Kowloon Development Company Limited (Stock Code: 34) has been pursuing a property development strategy in Hong Kong, Mainland China and Macau since 2006, with its Macau property business currently being carrying out through its 73.4%-owned listed subsidiary, Polytec Asset Holdings Limited (Stock Code: 208). This development strategy has worked well for the Group as the timing for good opportunities to replenish its landbank coming to sight varies with different markets. The Group is now well positioned in three markets with a competitive landbank amounting to approximately 3.8 million sq m of attributable gross floor area and it is determinedly committed to enhancing its competitive position.

九龍建業有限公司（股份代號：34）自二零零六年起於香港、中國大陸及澳門奉行三地發展策略，現時並通過其擁有73.4%權益之上市附屬公司保利達資產控股有限公司（股份代號：208）經營澳門地產業務。集團將充份發揮三地發展策略的互動優勢，以抓緊增加土地儲備的良機。集團目前在區內三大市場處於有利位置，其土地儲備之應佔樓面面績約3,800,000平方米，並致力提升本身之競爭優勢。

Artist's Impression of One East Coast (Hong Kong)
海傲灣（香港）之電腦構想圖

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Artist's Impression of
One East Coast (Hong Kong)

Corporate Information

BOARD OF DIRECTORS AND COMMITTEES

Board of Directors

Executive Directors
Mr Or Wai Sheun *(Chairman)*
Mr Lai Ka Fai
Mr Or Pui Kwan
Mr Lam Yung Hei

Non-executive Directors
Ms Ng Chi Man
Mr Yeung Kwok Kwong

Independent Non-executive Directors
Mr Li Kwok Sing, Aubrey
Mr Lok Kung Chin, Hardy
Mr Seto Gin Chung, John
Mr David John Shaw

Committees

Executive Committee
Mr Or Wai Sheun *(Chairman)*
Mr Lai Ka Fai
Mr Or Pui Kwan
Mr Lam Yung Hei
Mr Yeung Kwok Kwong

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

Nomination Committee
Mr Or Wai Sheun *(Chairman)*
Mr Lok Kung Chin, Hardy
Mr David John Shaw

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

Artist's Impression of One East Coast (Hong Kong)

CORPORATE AND SHAREHOLDERS' INFORMATION

Company Secretary
Mr Lee Kuen Chiu

Independent Auditor
KPMG
Certified Public Accountants

Authorised Representatives
Mr Lai Ka Fai
Mr Lee Kuen Chiu

Legal Adviser
Sidley Austin

Share Registrar
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
Telephone: (852) 2396 2112
Facsimile : (852) 2789 1370
Website : www.kdc.com.hk
E-mail : enquiry@kdc.com.hk

Stock Code
The Stock Exchange of Hong Kong Limited: 34

Principal Bankers
ANZ Bank
Bank of China
Bank of Communications
Bank of East Asia
China Construction Bank (Asia)
Chiyu Banking Corporation
Chong Hing Bank
Hang Seng Bank
Industrial and Commercial Bank of China
Nanyang Commercial Bank
Standard Chartered Bank
United Overseas Bank

Financial Calendar for Interim Results 2018

Interim results announcement	22 August 2018
Ex-dividend date for interim and special dividends	23 November 2018
Closure of register of members	27 November 2018 – 28 November 2018 (both dates inclusive)
Interim and special dividends payable	12 December 2018

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:
- Upper East
- 63 Pokfulam
- One East Coast*
- Tseung Kwan O
- Clear Water Bay Road

Development Landbank:
301,000 sq m

Property Investment

Flagship investment property:
- Pioneer Centre

Investment Landbank:
53,000 sq m

Property Management

Properties under management:
1,500,000 sq m

MAINLAND CHINA PROPERTY

Property Development

Major development projects:
- Le Cove City (Shenyang) 江灣城(瀋陽)
- The Gardenia (Shenyang) 翠堤灣(瀋陽)
- Le Cove Garden (Huizhou) 江灣南岸花園(惠州)#
- The Lake (Foshan) 山語湖(佛山)
- Le Cove City (Wuxi) 江灣城(無錫)
- City Plaza (Tianjin) 城市廣場(天津)

Development Landbank:
3,393,000 sq m

POLYTEC ASSET HOLDINGS LIMITED

Stock Code: 208
73.4%

MACAU PROPERTY

Property Development

Major development project:
- La Marina#

Development Landbank:
107,000 sq m

Property Investment

Major investment property:
- The Macau Square

Investment Landbank:
13,000 sq m

ENERGY BUSINESS

Oil

Oil production and exploration in Kazakhstan

OTHERS

Ice & Cold Storage

The Hong Kong Ice & Cold Storage Company Limited is one of the largest ice making distributors in Hong Kong

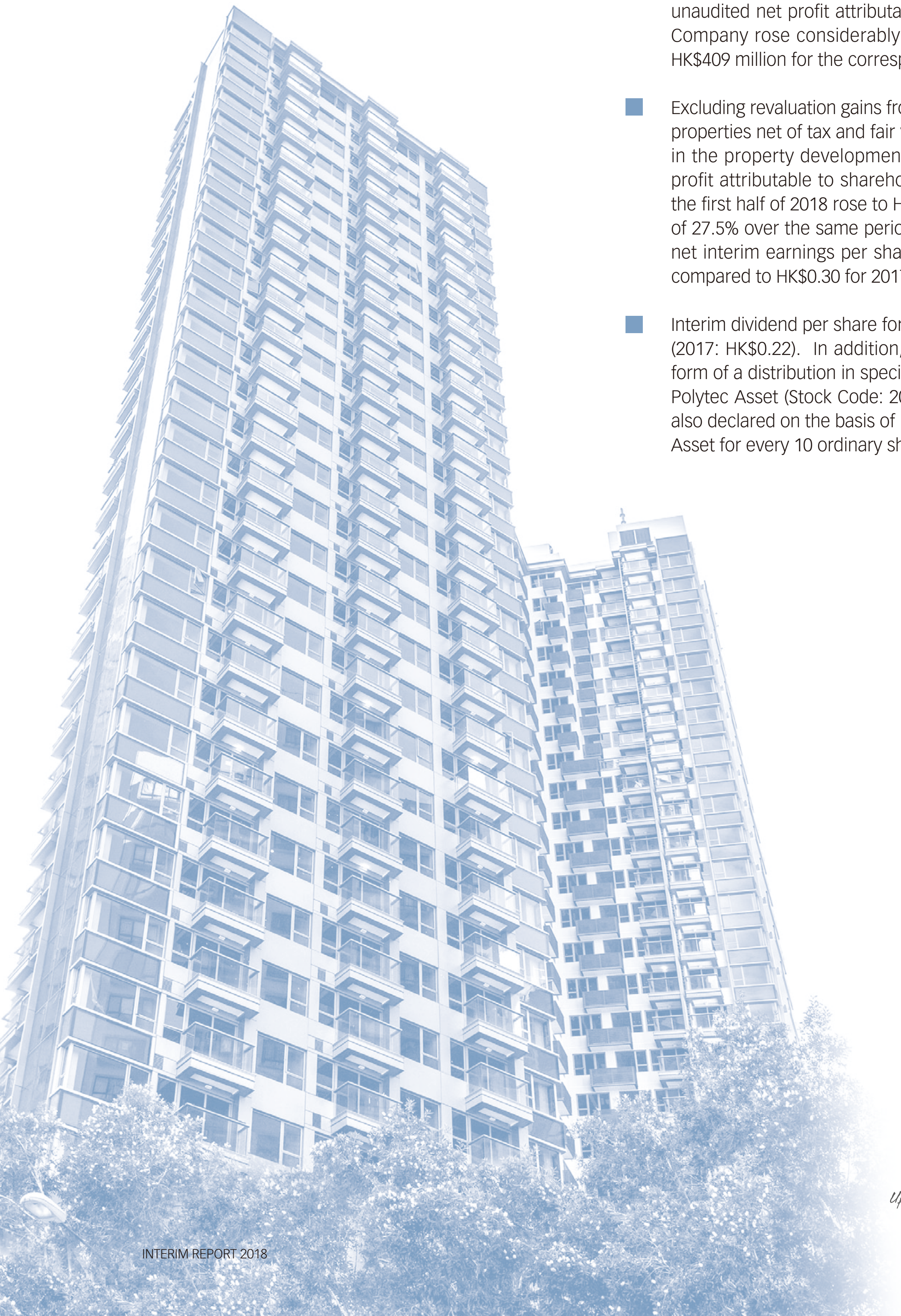
* Named this project located in Lei Yue Mun on 5 September 2018.
\# The development of these projects is under the co-investment agreements with the ultimate holding company and its wholly-owned subsidiaries.

Highlights

- For the six months ended 30 June 2018, the Group's unaudited net profit attributable to shareholders of the Company rose considerably to HK$1,059 million from HK$409 million for the corresponding period in 2017.

- Excluding revaluation gains from the Group's investment properties net of tax and fair value gains on its interests in the property development projects, underlying net profit attributable to shareholders of the Company for the first half of 2018 rose to HK$441 million, an increase of 27.5% over the same period in 2017. The underlying net interim earnings per share for 2018 were HK$0.38 compared to HK$0.30 for 2017.

- Interim dividend per share for 2018 amounts to HK$0.22 (2017: HK$0.22). In addition, a special dividend in the form of a distribution in specie of the ordinary shares of Polytec Asset (Stock Code: 208) held by the Group was also declared on the basis of 1 ordinary share of Polytec Asset for every 10 ordinary shares of the Company.



Upper East (Hong Kong)

Chairman's Statement

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 June 2018, the Group's unaudited net profit attributable to shareholders of the Company rose considerably to HK$1,059 million from HK$409 million for the corresponding period in 2017. The interim earnings per share for 2018 amounted to HK$0.90 compared to HK$0.36 for the same period in 2017.

Excluding revaluation gains from the Group's investment properties net of tax and fair value gains on its interests in the property development projects, underlying net profit attributable to shareholders of the Company for the first half of 2018 rose to HK$441 million, an increase of 27.5% over the same period in 2017. The underlying net interim earnings per share for 2018 were HK$0.38 compared to HK$0.30 for 2017.

At the meeting of the Board of Directors on 22 August 2018, the Board of Directors has resolved to declare an interim dividend of HK$0.22 per ordinary share each for the six months ended 30 June 2018 (2017: HK$0.22) (the "Interim Dividend"). In addition, the Board of Directors also resolved to declare a special dividend (the "Special Dividend") in the form of a distribution in specie (the "Distribution in Specie") of the ordinary shares of Polytec Asset Holdings Limited ("Polytec Asset") (Stock Code: 208) held by the Group, to the qualifying shareholders in proportion to their respective shareholdings in the Company on the basis of 1 ordinary share of Polytec Asset for every 10 ordinary shares of the Company held by the qualifying shareholders. Subject to overseas legal and regulatory restrictions, if any, it should be noted that it may not be possible or practicable to distribute shares in Polytec Asset to certain overseas shareholders of the Company. Further details of the arrangements for such shareholders will be given in the further announcement(s) to be made by the Company.

The Board is of a view that the declaration of the Special Dividend in the form of the Distribution in Specie gives the shareholders of the Company a bonus, allowing them to directly own the ordinary shares of Polytec Asset. The Board also believes that Polytec Asset has promising prospects and may be able to provide its investors an exceptional return in the years ahead.

The Interim Dividend, together with the Special Dividend in the form of the Distribution in Specie, will be payable to shareholders of the Company on Wednesday, 12 December 2018. Further announcement(s) in relation to the arrangement of the Interim Dividend and the Special Dividend will be made by the Company in due course.

MARKET OVERVIEW AND BUSINESS REVIEW

In Hong Kong, while the residential transaction volumes rose 5.6% year-on-year in the first half of 2018, the transacted prices reached record highs during the period. In Mainland China, despite tough restrictive measures, including restrictions on prices, purchase, loans and resale on the property markets having continued, residential prices in most cities remained stable or recorded increases in the first half of 2018 while some cities recorded declines in transaction volumes. In Macau, overall property transaction volumes and prices rose in the first half of 2018 but the residential property market started to show signs of slight slowdown in the second quarter of 2018 from the first quarter.

Development Property Sales

In Hong Kong, the Group launched the presale of the 63 Pokfulam development project in the first half of 2018 and it has been well received by the market, with approximately 75% of residential units being sold as of end-June 2018. For the period under review, all remaining residential units at MacPherson Residence and South Coast were sold. Together with the presale proceeds from 63 Pokfulam during the period under review, total presales/sales from its wholly-owned development projects in Hong Kong amounted to approximately HK$2.3 billion.

In Mainland China, total presales/sales of the Group's development projects exceeded RMB1.0 billion for the first half of 2018, with presales/sales attributable to the Group of approximately RMB710 million (approximately HK$840 million).

MARKET OVERVIEW AND BUSINESS REVIEW *(CONTINUED)*

Development Property Sales *(Continued)*

In Macau, in respect of the La Marina development project, approximately 50% of total residential units were presold or sold as of end-June 2018, with total sale proceeds attributable to the Group of over HK$4 billion. For the period under review, the second batch of net income attributable to the Group of approximately HK$132 million was received. Together with the first batch of net income, total net income attributable to the Group amounted to approximately HK$499 million.

In respect of the Pearl Horizon development project in Macau, the Court of Final Appeal rejected the application by Polytex Corporation Limited ("PCL") for invalidating the decision made by the Chief Executive of Macau to terminate the land concession of the project on 23 May 2018. However, based on the factual information, PCL has grounds to seek compensation from the Macau Government for related losses and damages. Therefore, a claim for related losses and damages against the Macau Government will be made by the legal representative of PCL. In case the above mentioned claim and all other possible approaches failed to protect the Group's interests, Polytec Holdings International Limited ("Polytec Holdings"), the ultimate controlling shareholder of the Company, is committed to indemnifying related losses incurred by the Group for the termination of the Pearl Horizon development project. Therefore, there should not have any adverse effects on the financial position of the Group due to the repossession of the development land by the Macau Government.

Property Development

On 22 June 2018, the Group announced that it intended to acquire two property development projects in Shanghai and on the same date, Polytec Asset also announced that it conditionally agreed to acquire two property development projects in Zhongshan and Zhuhai. Some brief details of each of the proposed acquisitions are set out below:

The Group entered into a sale and purchase agreement with its ultimate controlling shareholder, Polytec Holdings, to acquire a 100% interest each of two property development projects in Shanghai and their related debts for a consideration of approximately HK$2.1 billion. The sites of these two projects are adjacent to each other and therefore they would be developed as one combined site, which covers a total site area of approximately 21,427 sq m with proposed combined gross floor area of approximately 113,646 sq m being designated for residential and commercial uses.

Polytec Asset, the Group's 73.4%-owned subsidiary, entered into two sale and purchase agreements with its ultimate controlling shareholder, Polytec Holdings, pursuant to which it has conditionally agreed to acquire certain interests of the two development projects in Zhongshan and Zhuhai respectively. It intends to acquire 50% equity interest together with 50% sale loan of the company holding property development project in Zhongshan (the "Zhongshan Project"), which covers a site area of approximately 234,802 sq m, for a preliminarily agreed consideration of HK$1.2 billion, which is subject to a maximum adjustment of HK$312 million if the gross floor area ultimately increases with a higher than currently approved plot ratio. Polytec Asset also intends to acquire 60% equity interest together with 60% sale loan of the company holding the property development project in Zhuhai (the "Zhuhai Project"), which covers a total site area of approximately 43,656 sq m, for a total consideration of HK$644 million.

The completion of the above acquisitions is subject to the fulfilment or waiver of certain conditions precedent as set out in the respective sale and purchase agreements as well as the respective independent shareholders' approval at the extraordinary general meetings to be held by the Company and Polytec Asset. Please refer to the announcement made solely by the Company as well as the joint announcement made by the Company and Polytec Asset on 22 June 2018 for the details of the above acquisitions.

MARKET OVERVIEW AND BUSINESS REVIEW *(CONTINUED)*

Property Development *(Continued)*

As of 30 June 2018, the Group's landbank for development amounted to approximately 3.8 million sq m of attributable gross floor area ("GFA"). 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	Usage	Approx. Total Site Area (sq m)	Approx. Total GFA (sq m)	Approx. Total GFA Booked※ (sq m)	Group's Interest	Status	Expected Date of Completion
Hong Kong								
Upper East	Hung Hom, Kowloon	Residential & commercial	4,038	34,100	–	100%	Fitting-out works in progress	2018
63 Pokfulam	Sai Ying Pun, Hong Kong	Residential & retail	1,388	12,200	–	100%	Construction works in progress	2020
One East Coast*	Lei Yue Mun, Kowloon	Residential & retail	3,240	29,200	–	100%	Public car park portion completed and in operations; construction works for main residential blocks in progress	2019
Tseung Kwan O	Sai Kung, New Territories	Residential	9,635	48,200	–	100%	Foundation works commenced	End-2021/ early 2022
Clear Water Bay Road	Ngau Chi Wan, Kowloon	Residential & commercial	19,335	196,400	–	100%	Land premium negotiation in progress	To be determined

* Named this project located in Lei Yue Mun on 5 September 2018.

MARKET OVERVIEW AND BUSINESS REVIEW *(CONTINUED)*

Property Development *(Continued)*

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

Property Project	District/City	Usage	Approx. Total Site Area (sq m)	Approx. Total GFA (sq m)	Approx. Total GFA Booked※ (sq m)	Group's Interest	Status	Expected Date of Completion
Mainland China								
Le Cove City (Shenyang) 江灣城(瀋陽)	Hun Nan Xin District, Shenyang	Residential & commercial	165,303	712,000	289,900	100%	Construction works for Phase 4 in progress	Phase 4 2018
The Gardenia (Shenyang) 翠堤灣(瀋陽)	Shenhe District, Shenyang	Residential & commercial	1,100,000	2,000,000	389,000	100%	Construction works for Phase 3A in progress	Phase 3A 2019
Le Cove Garden (Huizhou) 江灣南岸花園(惠州)△	Huicheng District, Huizhou	Residential & commercial	146,056	519,900	82,500	60%	Construction works for Phase 1B in progress	Phase 1B 2019
The Lake (Foshan) 山語湖(佛山)	Nanhai District, Foshan	Residential & commercial	4,020,743	1,600,000	844,400	50%	Construction works for high-rise residential towers in Phase 4 of development completed	Remaining development to be determined
Le Cove City (Wuxi) 江灣城(無錫)	Chong An District, Wuxi	Residential & commercial	68,833	365,000	105,800	100%	Construction works for Phase 2 completed	Phase 3 and Phase 4 to be determined
City Plaza (Tianjin) 城市廣場(天津)	Hedong District, Tianjin	Residential & commercial	135,540	850,000#	238,900	49%	Construction works for residential flats in Phase 2 of development completed	Phase 3 to be determined

※ Approx. total GFA booked and recognised in the financial statements.
\# With additional underground GFA of approximately 35,000 sq m for the commercial portion.
△ The development of this project is under the co-investment agreement with the ultimate holding company and its wholly-owned subsidiary.

MARKET OVERVIEW AND BUSINESS REVIEW *(CONTINUED)*

Property Investment in Hong Kong

Gross rental income generated from the Group's property investment portfolio in Hong Kong for the first six months of 2018 amounted to HK$176 million, a slight decline of 1.1% over the corresponding period in 2017. While gross rental income generated from the Pioneer Centre, the Group's wholly-owned flagship and core investment property in Hong Kong, declined slightly to HK$152 million for the first half of 2018 from HK$154 million for the same period of 2017, overall occupancy rate for offices and retail spaces remained high at over 98% as of end-June 2018.

Other Businesses through Polytec Asset

The Group's exposures to the property investment in Macau, the oil business and the ice manufacturing and cold storage business are through Polytec Asset. Their respective operational results are as follows:

Property Investment in Macau

For the period under review, the Group's share of gross rental income generated from its investment properties fell to HK$30.2 million, representing a decrease of 3.5% over the corresponding period of 2017. The decline in rental income was mainly due to a decrease in income from The Macau Square, in which Polytec Asset holds a 50% interest, with total rental income of the property attributable to the Group falling by HK$1.1 million to HK$28.0 million for the first half of 2018 when compared to the corresponding period in 2017.

Oil

The oil segment recorded an operating loss of HK$8.7 million for the six months ended 30 June 2018, compared to a loss of HK$9.5 million over the same period in 2017. The reduced operating loss was mainly due to the rise in oil prices during the period under review when compared to the first half of 2017.

Ice Manufacturing and Cold Storage

For the period under review, the total operating profit for the combined ice manufacturing and cold storage segment amounted to HK$9.6 million, a decrease of 9.4% over the corresponding period in 2017. The decline in operating profit was attributable to the decrease in revenue from ice manufacturing business.

Artist's Impression of Clubhouse at Upper East (Hong Kong)

PROSPECTS

Overall sentiment in the respective property markets in Hong Kong, Mainland China and Macau in the first half of 2018 was relatively favourable. However, with growing uncertainty over seemingly intensifying international trade disputes initiated by the US and further interest rate hikes, the business environment in these markets may become increasingly challenging in the remainder of the year. While it has been well positioned in each of the markets it has exposure, the Group will closely monitor the development of trade wars and impacts from further interest rate hikes, as well as any policy changes in order to assess all factors affecting these economies and adjust its investment positioning in these markets accordingly.

In Hong Kong, the Group should gradually deliver the presold units of Upper East to the buyers from September 2018 onwards. In addition, it intends to launch the presale of its development project in Lei Yue Mun when the presale consent is obtained, possibly September or October this year at the earliest. Foundation works for the Group's development project in Tseung Kwan O was just commenced.

In Mainland China, construction works for Phase 1B of Le Cove Garden in Huizhou and Phase 1B of The Gardenia in Shenyang were recently completed and the presold units are scheduled to be delivered to the buyers in the fourth quarter of 2018 or early 2019.

In Macau, the remaining residential units of the recently completed La Marina development project, which is situated in a prime location adjacent to the Hong Kong-Zhuhai-Macau Bridge, have been put on to the market for sale recently and sales are expected to go steadily for the remainder of 2018.

In regard to the oil segment, the Group will continue to assess the sustainability of the recent recovery of oil prices to adjust the business strategy. Both the Group's property investment portfolio in Macau and ice manufacturing and cold storage business in Hong Kong are expected to generate stable income for the second half of 2018.

In June 2018, as announced, the Group intended to acquire two adjacent sites in Shanghai and its 73.4%-owned subsidiary, Polytec Asset, also intended to conditionally acquire two development projects in Zhuhai and Zhongshan respectively. The Group considers all these projects possessing great development potentials due to their respective excellent locations, with Shanghai being the top-tier city, and Zhuhai and Zhongshan being situated within the Central Government's strategic development region, that is Greater Bay Area and to be benefitted greatly from the upcoming opening of the Hong Kong-Zhuhai-Macau Bridge. Going ahead, the Group will continue to actively explore more quality development projects, aiming to increase its capacity and build a solid foundation for its growth sustainability.

Looking forward to the second half of 2018, as the Upper East development project is scheduled to be completed shortly and the presold units will then be delivered to the buyers, its total presale proceeds are expected to be recognised accordingly. Together with sales from various projects in Mainland China to be booked and a further portion of net income to be received from the Group's interests in La Marina in the second half of 2018, barring unforeseen circumstances, the Group's results for the full year of 2018 are expected to be better than that of 2017.

I would like to take this opportunity to express my gratitude to my fellow directors for their valuable advice and to thank all staff for their commitment and hard work.

Or Wai Sheun
Chairman

Hong Kong, 22 August 2018

FINANCIAL RESOURCES AND BANK BORROWINGS

Total bank borrowings of the Group amounting to HK$14,719 million as at 30 June 2018 (31 December 2017: HK$13,660 million), comprising of HK$7,969 million repayable within one year and HK$6,750 million repayable after one year. Taking into account of cash and cash equivalents with an amount of HK$1,137 million, the Group's net bank borrowings position was HK$13,582 million as at 30 June 2018. Loan from ultimate holding company amounted to HK$1,100 million as at 30 June 2018.

The Group's gearing ratio (calculated on the basis of net bank borrowings and loan from ultimate holding company over equity attributable to shareholders of the Company) was 57.8% as at 30 June 2018 (31 December 2017: 49.4%).

During the period, sales/presales for the property projects in Hong Kong contributed cash inflows of HK$511 million to the Group. Furthermore, the Group has recorded approximately of HK$357 million cash inflows mainly from sales/presales of various development projects in Mainland China.

On 22 June 2018, the Group has entered into agreements with the ultimate holding company for the acquisitions of property development projects located in Shanghai, Zhongshan and Zhuhai in Mainland China. As at 30 June 2018, deposits of totaling HK$989 million had been paid.

During the period, distribution of HK$180 million was made by a wholly owned subsidiary of the ultimate holding company to the Group in relation to the development project at Lotes T+T1.

The Group continued to actively engage in the development projects in Hong Kong and Mainland China and incurred a total of approximately HK$1,002 million for construction costs during the period.

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 in relevant hedging arrangements when considered appropriate.

With the investments in Mainland China, the Group is exposed to exchange fluctuations in Renminbi ("RMB"). Using revenue and cash generated from the development projects in Mainland China and/or external borrowings in RMB, serves as a natural hedge against the exchange rate risk of RMB.

In respect of the Group's oil business in Kazakhstan, the Group is exposed to the exchange fluctuations in the Tenge ("KZT"), the local currency of Kazakhstan, because the majority of operating expenses and capital expenditure are denominated in KZT, while a significant portion of its revenue is denominated in United States dollars. As at 30 June 2018, the Group did not have any outstanding financial instruments entered into for hedging purposes. Nevertheless, the Group is closely monitoring its overall foreign exchange exposure and interest rate exposure and will adopt a proactive but prudent approach to minimise the relevant exposures when necessary.

With the financing facilities in place, recurrent rental income from investment properties, cash inflows 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.

CAPITAL COMMITMENTS

As at 30 June 2018, the Group had commitments in connection with the Group's investment properties amounting to HK$63 million.

PLEDGE OF ASSETS

As at 30 June 2018, properties having a value of approximately HK$21,506 million and bank deposits of HK$1,082 million were pledged to banks under fixed charges mainly to secure banking facilities granted to the Group.

CONTINGENT LIABILITIES

The Group has given several guarantees in respect of banking facilities granted to a joint venture in Mainland China. Guarantees have been provided to a joint venture amounting to HK$1,121 million, representing a 50% proportional guarantee in respect of HK$2,242 million term loan facilities. The facilities were utilised to the extent of HK$1,067 million as at 30 June 2018.

Consolidated Income Statement

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2018 $'000 (unaudited)	2017 $'000 (unaudited)
Revenue	3	**705,627**	1,556,467
Cost of sales		**(229,434)**	(998,762)
Other revenue		**10,549**	19,632
Other net income		**–**	795
Depreciation and amortisation		**(7,874)**	(8,205)
Staff costs		**(96,598)**	(103,604)
Selling, marketing and distribution expenses		**(46,808)**	(84,089)
Other operating expenses		**(36,933)**	(43,158)
Fair value changes on investment properties	8	**291,582**	49,495
Fair value changes on interests in property development		**447,354**	–
Profit from operations		**1,037,465**	388,571
Finance costs	4(a)	**(89,527)**	(66,973)
Share of profits of associated companies		**68,556**	68,551
Share of profits of joint ventures		**250,999**	111,980
Profit before taxation	4	**1,267,493**	502,129
Income tax	5	**(34,532)**	(70,395)
Profit for the period		**1,232,961**	431,734
Attributable to:			
Shareholders of the Company		**1,059,462**	408,730
Non-controlling interests		**173,499**	23,004
Profit for the period		**1,232,961**	431,734
Earnings per share – Basic/Diluted	6	**$0.90**	$0.36

The notes on pages 20 to 37 form part of the interim financial report.

Consolidated Statement of Comprehensive Income

(Expressed in Hong Kong dollars)

	Six months ended 30 June 2018 $'000 (unaudited)	2017 $'000 (unaudited)
Profit for the period	**1,232,961**	431,734
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(30,173)**	90,722
Changes in fair value of interests in property development	**–**	133,727
Transfer to income statement upon recognition of distribution from interests in property development	**–**	(55,793)
Share of other comprehensive income of joint ventures and associated companies	**(38,799)**	80,362
	(68,972)	249,018
Total comprehensive income for the period	**1,163,989**	680,752
Attributable to:		
Shareholders of the Company	**991,057**	629,390
Non-controlling interests	**172,932**	51,362
Total comprehensive income for the period	**1,163,989**	680,752

The notes on pages 20 to 37 form part of the interim financial report.

Consolidated Statement of Financial Position

(Expressed in Hong Kong dollars)

	Note	**At 30 June 2018 $'000 (unaudited)**		At 31 December 2017 $'000 (audited)	
Non-current assets					
Investment properties	8		**10,724,060**		10,313,500
Property, plant and equipment	9		**529,669**		541,625
Oil exploitation assets	9		**27,902**		28,175
Interests in property development	10		**13,010,427**		12,399,437
Interest in joint ventures			**3,540,946**		3,338,920
Interest in associated companies			**1,814,613**		1,824,171
Deposit	12		**300,028**		–
Loans and advances	12		**958,492**		978,265
Deferred tax assets			**122,345**		122,010
			31,028,482		29,546,103
Current assets					
Inventories	11	**15,638,035**		14,440,005	
Interests in property development	10	**1,100,381**		1,264,017	
Trade and other receivables	12	**1,777,390**		1,072,018	
Loans and advances	12	**27,360**		26,171	
Amounts due from fellow subsidiaries		**180,000**		665,161	
Amount due from a joint venture		**96,684**		88,651	
Pledged bank deposits		**1,082,490**		15,000	
Cash and bank balances		**1,136,853**		1,969,391	
		21,039,193		19,540,414	
Current liabilities					
Trade and other payables	13	**5,591,938**		4,796,620	
Amount due to a joint venture		**737,161**		743,500	
Loan from an associated company		**46,993**		39,582	
Bank loans		**7,968,800**		7,316,136	
Current taxation		**181,543**		174,087	
		14,526,435		13,069,925	
Net current assets			**6,512,758**		6,470,489
Total assets less current liabilities			**37,541,240**		36,016,592

(Expressed in Hong Kong dollars)

	Note	At 30 June 2018 $'000 (unaudited)		At 31 December 2017 $'000 (audited)	
Non-current liabilities					
Loan from ultimate holding company	14	**1,099,593**		619,526	
Bank loans		**6,750,011**		6,344,000	
Other payables		**18,474**		18,615	
Deferred tax liabilities		**743,948**		737,483	
			8,612,026		7,719,624
NET ASSETS			**28,929,214**		28,296,968
Capital and reserves					
Share capital			**8,636,490**		8,636,490
Reserves			**16,754,299**		16,269,193
Total equity attributable to the shareholders of the Company			**25,390,789**		24,905,683
Non-controlling interests			**3,538,425**		3,391,285
TOTAL EQUITY			**28,929,214**		28,296,968

Approved and authorised for issue by the board of directors on 22 August 2018.

The notes on pages 20 to 37 form part of the interim financial report.

Consolidated Statement of Changes in Equity

(Expressed in Hong Kong dollars)

	Note	Attributable to shareholders of the Company							
		Share capital $'000	Capital reserve $'000	Fair value reserves $'000	Exchange reserves $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2017		8,417,472	416	3,118,007	(11,603)	12,055,401	23,579,693	3,511,191	27,090,884
Changes in equity for the six months ended 30 June 2017									
Profit for the period		–	–	–	–	408,730	408,730	23,004	431,734
Other comprehensive income		–	–	56,523	164,137	–	220,660	28,358	249,018
Total comprehensive income		–	–	56,523	164,137	408,730	629,390	51,362	680,752
Dividends approved in respect of the previous year	7(b)	–	–	–	–	(448,766)	(448,766)	–	(448,766)
Dividends paid/payable to non-controlling interests		–	–	–	–	–	–	(8,255)	(8,255)
At 30 June and 1 July 2017		8,417,472	416	3,174,530	152,534	12,015,365	23,760,317	3,554,298	27,314,615
Changes in equity for the six months ended 31 December 2017									
Profit for the period		–	–	–	–	1,226,296	1,226,296	60,871	1,287,167
Other comprehensive income		–	–	(373,094)	257,556	–	(115,538)	(128,059)	(243,597)
Total comprehensive income		–	–	(373,094)	257,556	1,226,296	1,110,758	(67,188)	1,043,570
Dividends approved in respect of the current year	7(a)	–	–	–	–	(258,859)	(258,859)	–	(258,859)
Dividends paid/payable to non-controlling interests		–	–	–	–	–	–	(2,358)	(2,358)
Acquisition of additional interest in a subsidiary from non-controlling shareholdings satisfied by issuance of new shares		219,018	74,449	–	–	–	293,467	(93,467)	200,000
At 31 December 2017		8,636,490	74,865	2,801,436	410,090	12,982,802	24,905,683	3,391,285	28,296,968
(unaudited) **At 31 December 2017**		**8,636,490**	**74,865**	**2,801,436**	**410,090**	**12,982,802**	**24,905,683**	**3,391,285**	**28,296,968**
Impact on initial application of HKFRS 9	2(b)	**–**	**–**	**(2,801,436)**	**–**	**2,801,436**	**–**	**–**	**–**
At 1 January 2018 (adjusted)		**8,636,490**	**74,865**	**–**	**410,090**	**15,784,238**	**24,905,683**	**3,391,285**	**28,296,968**
Changes in equity for the six months ended 30 June 2018									
Profit for the period		**–**	**–**	**–**	**–**	**1,059,462**	**1,059,462**	**173,499**	**1,232,961**
Other comprehensive income		**–**	**–**	**–**	**(68,405)**	**–**	**(68,405)**	**(567)**	**(68,972)**
Total comprehensive income		**–**	**–**	**–**	**(68,405)**	**1,059,462**	**991,057**	**172,932**	**1,163,989**
Dividends approved in respect of the previous year	7(b)	**–**	**–**	**–**	**–**	**(505,951)**	**(505,951)**	**–**	**(505,951)**
Dividends paid/payable to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**(25,792)**	**(25,792)**
At 30 June 2018		**8,636,490**	**74,865**	**–**	**341,685**	**16,337,749**	**25,390,789**	**3,538,425**	**28,929,214**

As at 30 June 2018, loans from non-controlling interests of $2,714,000 (31 December 2017: $2,690,000) are classified as equity being the capital contributions on subsidiaries by the non-controlling interests.

The notes on pages 20 to 37 form part of the interim financial report.

Condensed Consolidated Cash Flow Statement

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2018	2017
	$'000	$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	**(295,135)**	(515,739)
Investing activities		
Increase in pledged bank deposits	**(1,067,490)**	–
Other cash flows arising from investing activities	**(73,366)**	(16,139)
Net cash used in investing activities	**(1,140,856)**	(16,139)
Financing activities		
Drawdown of bank loans	**1,823,675**	2,301,000
Other cash flows arising from financing activities	**(1,210,779)**	(1,343,460)
Net cash generated from financing activities	**612,896**	957,540
Net (decrease)/increase in cash and cash equivalents	**(823,095)**	425,662
Cash and cash equivalents at 1 January	**1,969,391**	788,964
Effect of foreign exchange rate changes	**(9,443)**	3,514
Cash and cash equivalents at 30 June	**1,136,853**	1,218,140
Analysis of balances of cash and cash equivalents at 30 June		
Cash and bank balances	**1,136,853**	1,218,140

The notes on pages 20 to 37 form part of the interim financial report.

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 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. 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 financial statements 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 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2 Changes in accounting policies

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, "Financial instruments"

(ii) HKFRS 15, "Revenue from contracts with customers"

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

2 Changes in accounting policies *(Continued)*

(a) Overview *(Continued)*

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated.

(b) HKFRS 9, "Financial instruments"

The adoption of HKFRS 9 has resulted in the following changes in accounting policies for interests in property development:

In prior reporting periods, interests in property development are classified as available-for-sale financial assets and changes in fair value were recognised in other comprehensive income. Upon the adoption of HKFRS 9, interests in property development are classified as investments measured at fair value through profit or loss ("FVPL") and changes in fair value of the investments (including interest) are recognised in profit or loss.

The above changes in accounting policies have been applied retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39, "Financial instruments: recognition and measurement".

The following table summarises the impact of transition to HKFRS 9 on retained profits and fair value reserves at 1 January 2018.

	$'000
Retained profits	
Transferred from fair value reserves relating to financial assets now measured at FVPL	2,801,436
Increase in retained profits at 1 January 2018	2,801,436
Fair value reserves	
Transferred to retained profits relating to financial assets now measured at FVPL	(2,801,436)
Decrease in fair value reserves at 1 January 2018	(2,801,436)

2 Changes in accounting policies *(Continued)*

(b) HKFRS 9, "Financial instruments" *(Continued)*

The following table shows the original measurement category for available-for-sale financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 $'000	Reclassification $'000	HKFRS 9 carrying amount at 1 January 2018 $'000
Financial assets carried at FVPL under HKFRS 9			
Interests in property development (remark)	–	13,663,454	13,663,454
Financial assets classified as available-for-sale under HKAS 39			
Interests in property development (remark)	13,663,454	(13,663,454)	–

Remark: Under HKAS 39, interests in property development were classified as available-for-sale financial assets. They are classified as financial assets carried at FVPL under HKFRS 9.

The measurement categories for all financial assets and financial liabilities measured at amortised cost remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The application of the expected credit loss model will result in earlier recognition of credit losses, but with no material financial impact to the Group.

2 Changes in accounting policies *(Continued)*

(c) HKFRS 15, "Revenue from contracts with customers"

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 replaces HKAS 18, "Revenue", which covered revenue arising from sale of goods and rendering of services.

The Group has elected to use the cumulative effect transition method and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018, if any. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

No adjustments to the opening balance of equity at 1 January 2018 have been made on the initial application of HKFRS 15 as the Group did not have contracts that were not completed before 1 January 2018.

Under the requirements of HKFRS 15, revenue from sale of goods and provision of services by the Group will be recognised when the customer obtains control of the promised goods or services in the contract. The Group has assessed that the adoption of HKFRS 15 would have impact on the recognition of revenue relating to the Group's sale of properties, under which the revenue from the sale of properties during the accounting period is recognised in the Group's consolidated income statement on the basis that control over the ownership of the property has been passed to the customer during the current accounting period. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of Hong Kong, Mainland China and Macau, the property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously, the revenue from the sale of properties was recognised upon the later of the execution of a binding sale agreement and when the relevant occupation permit/completion certificate issued by the respective building authority, which was taken to be the point in time when the risks and rewards of ownership of the property have passed to the customer.

The Group currently offers different payment scheme to customers, in relation to which the transaction price and the amount of revenue from the sale of property will be adjusted when significant financing component exists in that contract.

The excess of cumulative revenue recognised in profit or loss over and above the cumulative payments by customers at the end of the reporting period is recognised as contract asset under "Trade and other receivables" in the consolidated statement of financial position. The excess of cumulative payments made by customers over and above the cumulative revenue recognised in profit or loss at the end of the reporting period is recognised as contract liability under "Trade and other payables" in the consolidated statement of financial position.

The adoption of HKFRS 15 has no impact on the Group's consolidated financial statements for the six months ended 30 June 2018, by comparing the amounts reported under HKFRS 15 with estimates of the hypothetical amounts that would have been recognised under HKAS 18 if it had continued to be applied in 2018 instead of HKFRS 15.

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/Mainland China/Macau): the development and sale of properties and interests in property development. Given the importance of the 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.

- Oil segment: oil exploration and production.

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

Revenue comprises mainly rental income from properties, gross proceeds from sale of properties and crude oil, income from interests in property development and interest income.

Reportable segment profit represents profit before taxation by excluding fair value changes on investment properties and interests in property development, 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 2018						
		Property development					
	Consolidated $'000	Hong Kong $'000	Mainland China $'000	Macau $'000	Property investment $'000	Oil $'000	Others $'000
Revenue	**705,627**	**27,692**	**185,461**	**180,000**	**175,815**	**36,584**	**100,075**
Reportable segment profit	**660,932**	**(16,165)**	**252,321**	**183,307**	**201,136**	**(8,664)**	**48,997**
Fair value changes on investment properties	**291,582**	**–**	**–**	**–**	**291,582**	**–**	**–**
Fair value changes on interests in property development	**447,354**	**–**	**201**	**447,153**	**–**	**–**	**–**
Share of fair value changes on investment properties of a joint venture	**17,600**	**–**	**–**	**–**	**17,600**	**–**	**–**
Head office and corporate expenses	**(60,448)**						
Finance costs	**(89,527)**						
Profit before taxation	**1,267,493**						
Share of profits of associated companies	**68,556**	**–**	**69,606**	**–**	**–**	**–**	**(1,050)**
Share of profits of joint ventures	**250,999**	**–**	**201,489**	**–**	**49,510**	**–**	**–**

	Six months ended 30 June 2017						
		Property development					
	Consolidated $'000	Hong Kong $'000	Mainland China $'000	Macau $'000	Property investment $'000	Oil $'000	Others $'000
Revenue	1,556,467	506,538	754,001	–	177,962	31,469	86,497
Reportable segment profit	530,547	73,735	230,620	3,122	201,188	(9,515)	31,397
Other net income	795	–	–	–	795	–	–
Fair value changes on investment properties	49,495	–	–	–	49,495	–	–
Share of fair value changes on investment properties of a joint venture	37,840	–	–	–	37,840	–	–
Head office and corporate expenses	(49,575)						
Finance costs	(66,973)						
Profit before taxation	502,129						
Share of profits of associated companies	68,551	–	67,904	–	–	–	647
Share of profits of joint ventures	111,980	–	39,926	–	72,054	–	–

3 Segment reporting *(Continued)*

	At 30 June 2018						
		Property development					
	Consolidated $'000	Hong Kong $'000	Mainland China $'000	Macau $'000	Property investment $'000	Oil $'000	Others $'000
Reportable segment assets	**49,592,707**	**9,897,876**	**13,288,562**	**12,543,630**	**12,228,444**	**363,882**	**1,270,313**
Deferred tax assets	**122,345**						
Pledged bank deposits	**1,082,490**						
Cash and bank balances	**1,136,853**						
Head office and corporate assets	**133,280**						
Consolidated total assets	**52,067,675**						
Interest in associated companies	**1,814,613**	**–**	**1,783,247**	**–**	**–**	**–**	**31,366**
Interest in and amounts due from joint ventures	**3,637,630**	**–**	**2,142,484**	**–**	**1,495,146**	**–**	**–**

	At 31 December 2017						
		Property development					
	Consolidated $'000	Hong Kong $'000	Mainland China $'000	Macau $'000	Property investment $'000	Oil $'000	Others $'000
Reportable segment assets	46,684,093	8,625,949	12,170,197	12,418,198	11,807,987	366,591	1,295,171
Deferred tax assets	122,010						
Pledged bank deposits	15,000						
Cash and bank balances	1,969,391						
Head office and corporate assets	296,023						
Consolidated total assets	49,086,517						
Interest in associated companies	1,824,171	–	1,791,755	–	–	–	32,416
Interest in and amounts due from joint ventures	3,427,571	–	1,954,226	–	1,473,345	–	–

4 Profit before taxation

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

(a) Finance costs

	Six months ended 30 June	
	2018	2017
	$'000	$'000
Interest on bank loans	**151,932**	87,860
Interest on loans from ultimate holding company and a fellow subsidiary	**10,342**	13,257
Less: Amount capitalised (Remark)	**(72,747)**	(34,144)
	89,527	66,973

Remark: Borrowing costs were capitalised at rates of 1.82% – 3.36% per annum in Hong Kong (six months ended 30 June 2017: 1.42% – 2.15% per annum in Hong Kong and 5.90% per annum in Mainland China).

(b) Other items

	Six months ended 30 June	
	2018	2017
	$'000	$'000
Rentals receivable under operating leases less outgoings	**(164,112)**	(163,532)
Rental income	**(175,815)**	(177,962)
Less: Outgoings	**11,703**	14,430
Depreciation and amortisation (Remark)	**15,524**	17,726
Interest income	**(45,520)**	(26,499)

Remark: Cost of sales includes $7,650,000 (six months ended 30 June 2017: $9,521,000) relating to depreciation and amortisation expenses.

5 Income tax

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2018	2017
	$'000	$'000
Current tax		
Provision for Profits Tax		
– Hong Kong	**21,779**	37,463
– Outside Hong Kong	**1,477**	30,011
	23,256	67,474
Land appreciation tax ("LAT")	**3,190**	2,988
Deferred tax	**8,086**	(67)
	34,532	70,395

The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2017: 16.5%) of the estimated assessable profits for the six months ended 30 June 2018. Tax levied in jurisdictions outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

Under the Provisional Regulations on LAT in Mainland China, all gains arising from the transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditure including cost of land use rights, borrowings costs and all property development expenditure.

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 $1,059,462,000 (six months ended 30 June 2017: $408,730,000) and the weighted average number of ordinary shares in issue during the period of 1,176,631,296 (six months ended 30 June 2017: 1,150,681,275).

(b) Diluted earnings per share

There were no dilutive potential shares in existence during the six months ended 30 June 2018 and 2017.

7 Dividends

(a) Dividends attributable to the interim period

(i) Interim dividend by way of cash

	Six months ended 30 June	
	2018	2017
	$'000	$'000
Interim dividend declared after the interim period of $0.22 (six months ended 30 June 2017: $0.22) per share	**258,859**	258,859

(ii) Special dividend by way of distribution in specie

A special dividend has been declared after the interim period in the form of a distribution in specie on the basis of 1 ordinary share of Polytec Asset Holdings Limited (Stock Code: 208) for every 10 ordinary shares of the Company (six months ended 30 June 2017: Nil).

The interim dividend and special 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	
	2018	2017
	$'000	$'000
Final dividend in respect of the previous financial year, approved during the interim period, of $0.43 (six months ended 30 June 2017: $0.39) per share	**505,951**	448,766

8 Investment properties

The investment properties of the Group were revalued at 30 June 2018 by Vigers Appraisal and Consulting Limited, an independent qualified professional valuer, who has appropriate qualifications and experience in the valuation of similar properties in the relevant locations. The Group's investment properties are revalued semi-annually by using the income capitalisation approach with reference to sales transactions as convertible in the market. The income capitalisation approach is the sum of the term value and the reversionary value calculated by discounting the contracted annual rent at the capitalisation rate over the existing lease period; and the sum of average unit market rent at the capitalisation rate after the existing lease period. The Group's investment properties under development are revalued semi-annually by estimating the fair value of such properties as if they were completed in accordance with relevant development plan, which makes reference to the average selling prices based on certain comparable sales transactions in the market and adjusted for differences such as location, size, timing and other factors collectively, and then deducting the estimated cost to complete the construction.

A revaluation gain of $291,582,000 (six months ended 30 June 2017: $49,495,000) and deferred tax thereon of $15,000,000 (six months ended 30 June 2017: $14,555,000) were recognised in the consolidated income statement for the six months ended 30 June 2018.

9 Oil production assets and oil exploitation assets

As at 30 June 2018, the Group had oil production assets of $303,276,000 (31 December 2017: $309,402,000) (included in property, plant and equipment) and oil exploitation assets of $27,902,000 (31 December 2017: $28,175,000). Oil production assets and oil exploitation assets are stated at cost less accumulated depreciation/amortisation and impairment losses.

Oil production and exploitation assets are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amounts may exceed the recoverable amounts, which is considered to be the higher of the fair value less costs of disposal and value in use. The fair value of oil production and exploitation assets is determined based on the present value of estimated future cash flows arising from the continued use of the assets. Cash flows are discounted to their present value using a discount rate that reflects the time value of money and the risks specific to the assets. Determination as to whether and how much an asset is impaired involves management judgements in estimating future crude oil prices, the discount rate used in discounting the projected cash flows and the production profile. The impairment reviews and calculations are based on assumptions that are consistent with the Group's business plan and on the assumptions that all relevant licences and permits are obtained. However, the business environment, including crude oil prices, is affected by a wide range of global and domestic factors, which are all beyond the control of the Group. Any adverse change in the key assumptions could increase the impairment provision.

The gas flaring permit to flare associated gas for conducting normal crude oil production in the South Alibek Oilfield of Caspi Neft TME, a wholly owned subsidiary of Polytec Asset Holdings Limited (73.4% owned by the Group), in Kazakhstan will expire on 31 December 2018. Caspi Neft TME has been taking all necessary steps to obtain a gas flaring permit valid for a longer period so as to enable it to continue to conduct normal crude oil production after 31 December 2018 and is also currently considering several alternatives to resolve the issue regarding the treatment and utilisation of associated gas permanently, including obtaining approvals from the relevant authorities of the Kazakhstan Government and engaging in active communication with other external parties in order to substantiate the other alternatives. Based on the above, the Group considers that there is no indication that gas flaring permits will not be renewed in the future.

As at 30 June 2018, management reassessed the operation and the risk exposures of the Group's oil exploration and production business as a whole and estimated that the estimated recoverable amounts of the oil production and exploitation assets exceeded their carrying values. No further impairment loss is considered necessary for the six months ended 30 June 2018. The recoverable amounts of oil production and exploitation assets were determined based on the value in use calculations applying a discount rate of 12.5% (31 December 2017: 12.5%).

Crude oil price assumptions were based on market expectations. At 30 June 2018, it is estimated that an increase/decrease of 20% (31 December 2017: 20%) in the estimated crude oil price used in the assessment, with all other variables held constant would have increased/decreased the carrying amounts of the oil production and exploitation assets by $183,290,000/$180,449,000 (31 December 2017: $147,618,000/$171,862,000). The discount rate used represents the rate to reflect the time value of money and the risks specific to the assets. It is estimated that an increase/decrease of 200 basis points (31 December 2017: 200 basis points) in the discount rate used in the assessment, with all other variables held constant would have decreased/increased the carrying amounts of the oil production and exploitation assets by $31,967,000/$35,602,000 (31 December 2017: $26,053,000/$28,655,000).

10 Interests in property development

Interests in property development represent the Group's interests in the development of two properties located at Lote P and Lotes T+T1 of Novos Aterros da Areia Preta, in Macau and one property located at Huizhou, in Mainland China under the co-investment agreements with the ultimate holding company, Polytec Holdings International Limited ("Polytec Holdings") and two of its wholly owned subsidiaries. Pursuant to the terms of the co-investment agreements, the Group will provide funding to cover any shortfall in the funding of the property development projects which is subject to an aggregate maximum amount. In return, Polytec Holdings and its two wholly owned subsidiaries will pay to the Group cash flows from the property development projects according to the formulae set out in the co-investment agreements. Details of the funding arrangement and other key terms of the co-investment agreements were disclosed in the Company's Circulars dated 23 May 2006 and 30 October 2013. Interests in property development are stated at fair value at the end of the reporting period.

In respect of the development project at Lote P, its land concession was agreed in December 1990 whereby the proposed use of land was successfully converted from industrial to residential and commercial in 2006, with a lease term of 25 years ended on 25 December 2015 (the "Expiry Date"). If the project had been completed on or before the Expiry Date, it would have become a definite land concession which is renewable every 10 years until 2049. However, in September 2013, the Macau Special Administrative Region Government (the "Macau SAR Government") promulgated the Macau New Land Law (the "MNLL") which came into effect in March 2014. The MNLL provides that the Macau SAR Government will have the right to resume the land of any property development that is not completed and/or where the conditions as stated in the land concession for which have not been fulfilled by the stipulated expiry date without any compensation to the property owner. Owing to delays caused by the Macau SAR Government in granting the requisite approvals and permits for the development of the project, the project could not commence until August 2014. As a result, the construction work could not be completed by the Expiry Date and all construction work is currently suspended. An application had been made to the Macau SAR Government for an extension of the Expiry Date but was declined by the relevant department of the Macau SAR Government.

On 23 May 2018, the Tribunal de Ultima Instancia (The Court of Final Appeal) of the Macau SAR rejected the application of final appeal by Polytex Corporation Limited ("PCL"), the registered owner of the property of the project and a wholly owned subsidiary of Polytec Holdings, for invalidating the decision made by the Chief Executive of the Macau SAR to terminate the land concession of the project. According to the legal opinion obtained by the Group, it is expected that the principal application by PCL to the Tribunal Administrativo (The Administrative Court) of the Macau SAR requesting compensation of time (by way of extension of the concession) for the project will cease to proceed, due to the aforesaid unfavourable judgement of the Tribunal de Ultima Instancia (The Court of Final Appeal) of the Macau SAR.

Based on the legal opinion obtained by the Group, management is of the view that PCL has strong legal grounds and arguments to seek compensation from the Macau SAR Government for losses and damages, including but not limited to all actual losses suffered and all loss of profit as expected to be derived upon completion of the project, as a result of the procedural delay in granting the requisite approvals and permits for the development of the project which caused the incompletion of the project before the Expiry Date. In this regard, a civil claim for losses and damages against Macau SAR Government will be made as soon as practicable by the legal representative of PCL.

10 Interests in property development *(Continued)*

In addition, pursuant to the co-investment agreement for the development of the project, in the event that PCL fails to complete the project under the co-investment agreement, Polytec Holdings will be required to indemnify the Group in respect of any loss suffered. Therefore, any loss to the Group due to the repossession of the land of the project by the Macau SAR Government will be indemnified by Polytec Holdings. Accordingly, no impairment for the interests in the project was considered necessary at 30 June 2018.

In respect of the development project at Lotes T+T1, the occupation permit had been obtained in 2017. The pre-sold residential units have been gradually delivered to the purchasers since late December of 2017, and the unsold residential units have been putting on the market for sale in phases.

During the period, pursuant to the co-investment agreement, distribution of $180,000,000 was made by a wholly owned subsidiary of Polytec Holdings, in relation to the property development project at Lotes T+T1 (six months ended 30 June 2017: distribution of $55,793,000 was made by Polytec Holdings in relation to the property development project at Huizhou which had settled through loan from ultimate holding company). Income from interests in property development recognised in income statement from the distribution during the period amounted to $180,000,000 (six months ended 30 June 2017: $55,793,000).

As at 30 June 2018, interests in property development of $1,100,381,000 (31 December 2017: $1,264,017,000) was expected to be recoverable within one year and was classified as current assets.

11 Inventories

	At 30 June 2018 $'000	At 31 December 2017 $'000
Land/Properties held for future development	**871,690**	13,064
Properties under development	**13,610,968**	13,043,852
Properties held for sale	**1,143,247**	1,369,567
Trading goods and consumables	**12,130**	13,522
	15,638,035	14,440,005

The amount of land/properties held for future development and properties under development expected to be recovered after more than one year is $871,690,000 (31 December 2017: $13,064,000) and $10,325,683,000 (31 December 2017: $10,006,197,000) respectively. All of the other inventories are expected to be recovered within one year.

12 Trade and other receivables/Deposit/Loans and advances

The following is an ageing analysis (based on the due date) of trade receivables and loans and advances:

	At 30 June 2018 $'000	At 31 December 2017 $'000
Current	**1,503,125**	1,651,015
Within 3 months	**16,636**	15,118
3 months to 6 months	**321**	770
More than 6 months	**16,034**	15,221
Trade receivables and loans and advances	**1,536,116**	1,682,124
Utility and other deposits	**1,049,275**	23,463
Prepaid tax	**108,444**	104,224
Other receivables and prepayments	**369,435**	266,643
	3,063,270	2,076,454
Representing:		
Non-current assets	**1,258,520**	978,265
Current assets	**1,804,750**	1,098,189
	3,063,270	2,076,454

As at 30 June 2018, included in utility and other deposits were deposits paid to Polytec Holdings for the proposed acquisitions of certain interests of three wholly owned subsidiaries of Polytec Holdings together with the assignment of loans from Polytec Holdings for an aggregate amount of $988,684,000 (31 December 2017: Nil), of which $300,028,000 was classified as non-current assets. During the period, the Group has paid the deposits of $988,684,000 for the proposed acquisitions through the loan from ultimate holding company. Details of the acquisitions were disclosed in the announcement of the Company and the joint announcement of the Company and its subsidiary, Polytec Asset Holdings Limited, dated 22 June 2018.

Utility and other deposits of the Group of $46,226,000 (31 December 2017: $8,110,000) are expected to be recovered after more than one year.

Receivables and prepayments of the Group of $151,078,000 (31 December 2017: $244,103,000) are expected to be recovered after more than one year.

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

13 Trade and other payables

The following is an ageing analysis (based on the due date) of trade payables:

	At 30 June 2018 $'000	At 31 December 2017 $'000
Not yet due or on demand	**1,273,051**	1,547,182
Within 3 months	**4,689**	3,061
3 months to 6 months	**5**	1
More than 6 months	**3**	3
Trade payables	**1,277,748**	1,550,247
Rental and other deposits	**75,629**	76,467
Other payables and accrued expenses	**764,993**	300,626
Contract liabilities – deposits received on sale of properties (Remark)	**3,473,568**	2,869,280
	5,591,938	4,796,620

Remark: As a result of the adoption of HKFRS 15, deposits received on sale of properties are recognised as contract liabilities (see note 2(c)).

14 Loan from ultimate holding company

Loan from ultimate holding company is unsecured, interest bearing at Hong Kong Interbank Offered Rate plus a margin per annum and are not expected to be repaid within one year.

15 Fair values measurement of financial instruments

Financial assets and liabilities measured at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 13,"Fair value measurement", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

– Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data

15 Fair values measurement of financial instruments *(Continued)*

Financial assets and liabilities measured at fair value *(Continued)*

	At 30 June 2018 $'000	At 31 December 2017 $'000
Assets		
Level 3		
Interests in property development	**14,110,808**	13,663,454

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	2018 $'000	2017 (Remark) $'000
At 1 January	**13,663,454**	13,388,882
Distributions	**(180,000)**	(555,793)
Change in fair value recognised in profit or loss/other comprehensive income (Remark)	**627,354**	130,365
Net changes in fair value	**447,354**	(425,428)
Additional funding	**–**	700,000
At 30 June/31 December	**14,110,808**	13,663,454

Remark: As a result of the adoption of HKFRS 9, fair value changes on interests in property development are recognised in profit or loss (see note 2(b)).

Interests in property development are stated at their fair value measured using a discounted cash flow model. In preparing the discounted cash flow model, management estimates the future cash flows expected to arise from the interests in property development and a suitable discount rate based on the past performance, current market conditions, development and building plans, sale and marketing plans and management's expectations for market development and terms provided under the co-investment agreements. Any adverse change in the key assumptions could decrease the fair value.

The Group has a team reporting to the top management which performs the valuation of the interests in property development required for financing reporting purposes. Discussions of valuation processes and results are held between the top management and the team at least once every six months, in line with the Group's half-yearly reporting dates. The key unobservable market data used in the models of development projects at Lotes T+T1 in Macau and Huizhou in Mainland China include estimated selling prices of the underlying properties which are derived from observable market data, including average market prices of residential properties in Macau and Mainland China, with certain adjustments to reflect the impacts of those factors on the development. The adjustments to the average market selling price range from –10% to +10%.

The fair value measurement is positively correlated to adjustments to the selling price of the underlying properties. As at 30 June 2018, it is estimated that an increase/decrease of 5% in the expected/forecasted selling price of the underlying properties in Lotes T+T1 and Huizhou (31 December 2017: all underlying properties) of the Group's interests in property development, with all other variables held constant, would have increased/decreased the Group's profit or loss by $354,217,000/$354,221,000 (31 December 2017: the Group's fair value reserve by $617,189,000/$671,191,000).

16 Capital commitments

Capital commitments outstanding at the end of the reporting period contracted for but not provided in the financial statements amounted to $62,818,000 (31 December 2017: $25,486,000).

17 Contingent liabilities

As at 30 June 2018, the Group has provided guarantees of approximately $1,120,865,000 (31 December 2017: $1,130,504,000) representing a 50% proportional guarantee in respect of an aggregate of $2,241,729,000 term loan facilities (31 December 2017: $2,261,007,000) to a joint venture in Mainland China. The facilities were utilised to the extent of $1,067,490,000 (31 December 2017: $1,076,670,000) at 30 June 2018.

18 Pledge of assets

As at 30 June 2018, properties having a value of approximately $21,506,258,000 (31 December 2017: $20,744,286,000) and bank deposits of $1,082,490,000 (31 December 2017: $15,000,000) were pledged to banks under fixed charges mainly to secure 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.

(b) As at 30 June 2018, the Group has given guarantees to an insurance company and financial institutions in respect of performance bonds entered into by an associated company to the extent of $28,212,000 (31 December 2017: $23,312,000).

(c) As at 30 June 2018, certain bank loans were secured by properties and shares of and guaranteed by subsidiaries of Polytec Holdings having a total value of $2,845,500,000 (31 December 2017: $2,845,500,000).

(d) As at 30 June 2018, loans to a joint venture of $219,500,000 (31 December 2017: $219,500,000) was unsecured, interest bearing at a fixed rate with reference to bank lending rate and was not expected to be repaid within one year. During the period, interest income of $8,033,000 (six months ended 30 June 2017: $8,033,000) was recognised in profit or loss. As at 30 June 2018, the amount due from a joint venture of $96,684,000 (31 December 2017: $88,651,000) and the amount due to a joint venture of $737,161,000 (31 December 2017: $743,500,000) were unsecured, interest free and repayable on demand.

19 Material related party transactions *(Continued)*

(e) As at 30 June 2018, loan to an associated company of $600,627,000 (31 December 2017: $663,938,000) was unsecured, interest bearing at a rate determined by the shareholders and was not expected to be repaid within one year. During the period, interest income of $2,790,000 (six months ended 30 June 2017: $13,326,000) was recognised in profit or loss which was included under the share of profits of associated companies. As at 30 June 2018, accumulated accrued interest income of approximately RMB839,600,000 (31 December 2017: RMB794,000,000) due from the associated company had not been recognised as the Group considers it is not probable that the economic benefits will flow to the Group as at the end of the reporting period. During the period, the Group has partially repaid a loan from ultimate holding company by transferring the interest income received and repayment of a loan to an associated company amounting to $60,534,000 (six months ended 30 June 2017: $824,681,000).

(f) On 22 June 2018, the Group had entered into an agreement with Polytec Holdings for the proposed acquisition of 100% equity interest of a wholly owned subsidiary of Polytec Holdings together with the assignment of loan from Polytec Holdings for an aggregate consideration of $2,110,242,000. The assets held by the subsidiary comprised of two development projects located in Shanghai, Mainland China. As at 30 June 2018, a deposit of $527,561,000 had been paid to Polytec Holdings.

(g) On 22 June 2018, a wholly owned subsidiary of Polytec Asset Holdings Limited (a 73.4% owned subsidiary of the Group) had entered into two agreements with Polytec Holdings for the proposed acquisition of 50% and 60% equity interest of two wholly owned subsidiaries of Polytec Holdings together with the assignment of loans from Polytec Holdings for an aggregate consideration of $1,200,111,000 and $644,378,000 respectively. The assets held by the two subsidiaries comprised of development projects located in Zhongshan and Zhuhai, Mainland China, respectively. As at 30 June 2018, deposits in total of $461,123,000 had been paid to Polytec Holdings.

(h) Amount due from a fellow subsidiary of $180,000,000 represented the distribution from interests in property development. The amount is unsecured, interest free and subsequently settled after the period ended 30 June 2018.

(i) During the period, subsidiaries of Polytec Holdings acquired certain properties on behalf of the Group. As at 30 June 2018, properties with an aggregate value of $858,626,000 were held on trust by the subsidiaries of Polytec Holdings.

20 Comparative figures

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of changes in accounting policies are disclosed in note 2.

Independent Review Report of the Auditor

KPMG

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 37 which comprises the consolidated statement of financial position of Kowloon Development Company Limited (the "Company") and its subsidiaries (the "Group") as of 30 June 2018 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 2018 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, "Interim financial reporting".

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

Hong Kong, 22 August 2018

Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2018, the Company has complied with all code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception of Code Provision A.2.1 as explained below:

Code Provision A.2.1

Mr Or Wai Sheun, the Chairman, has performed the combined role as the chairman and the chief executive taking charge of the overall operations of the Group. The reason for deviation from the code provision was disclosed in the Annual Report 2017.

SECURITIES TRADING POLICY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") (Appendix 10 to the Listing Rules) as a code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the period under review and all the Directors have 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 changes in information of Directors of the Company required to be disclosed are set out below:

1. Mr Seto Gin Chung, John, an Independent Non-executive Director of the Company, has been appointed as an independent non-executive director of MS Group Holdings Limited (listed on the Stock Exchange of Hong Kong on 1 June 2018) with effect from 15 May 2018 and has retired from the position as an independent non-executive director of China Everbright Limited ("China Everbright", a company listed on the Stock Exchange of Hong Kong) with effect from the conclusion of the 2018 annual general meeting of China Everbright held on 17 May 2018.

2. The monthly salary of the following Directors has been adjusted with effect from 1 July 2018 and details are set out below:

	1 January 2018 to 30 June 2018	From 1 July 2018
Mr Or Pui Kwan	HK$71,400	HK$80,000
Mr Lam Yung Hei	HK$83,100	HK$90,000
Mr Lai Ka Fai	HK$177,800	HK$183,100
Mr Yeung Kwok Kwong	HK$190,400	HK$194,200

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

During the six months ended 30 June 2018, the Company had no disclosure obligation pursuant to Rule 13.21 of the Listing Rules.

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 2018.

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30 June 2018, 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 ("SFO") (Chapter 571 of the Laws of Hong Kong), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (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 ordinary shares**	**Percentage of shareholding** (Note 1)	Note(s)
Mr Or Wai Sheun	Founder and beneficiary of a trust	830,770,124		2
	Corporate	277,500		3
		831,047,624	70.63%	
Ms Ng Chi Man	Beneficiary of a trust	830,770,124	70.61%	2
Mr Or Pui Kwan	Beneficiary of a trust	830,770,124		2
	Personal	43,500		
		830,813,624	70.61%	
Mr Lam Yung Hei	Family	830,770,124	70.61%	2 & 4
Mr Lok Kung Chin, Hardy	Founder and beneficiary of trusts	1,425,000	0.12%	5
Mr Lai Ka Fai	Personal	751,000	0.06%	
Mr David John Shaw	Personal	133,500		
	Family	67,000		6
		200,500	0.02%	
Mr Yeung Kwok Kwong	Personal	180,000	0.02%	

DIRECTORS' INTERESTS AND SHORT POSITIONS *(CONTINUED)*

2. Long positions in the shares of Polytec Asset

Name	Nature of interests	Number of ordinary shares	Percentage of shareholding (Note 7)	Note(s)
Mr Or Wai Sheun	Founder and beneficiary of a trust	3,260,004,812	73.44%	8
Ms Ng Chi Man	Beneficiary of a trust	3,260,004,812	73.44%	8
Mr Or Pui Kwan	Beneficiary of a trust	3,260,004,812		8
	Personal	7,000,000		
		3,267,004,812	73.60%	
Mr Lam Yung Hei	Family	3,260,004,812		8 & 9
	Family	7,000,000		10
		3,267,004,812	73.60%	
Mr Yeung Kwok Kwong	Personal	2,000,000	0.05%	
Mr Lai Ka Fai	Personal	430,000	0.01%	

Notes:

(1) The percentage of shareholding is calculated based on 1,176,631,296 shares, being the total number of issued ordinary shares of the Company as at 30 June 2018.

(2) Such interest in shares is held by Intellinsight Holdings Limited ("Intellinsight"), a wholly-owned subsidiary of Polytec Holdings International Limited which is wholly-owned by Ors Holdings Limited ("OHL"). OHL is in turn wholly-owned by a 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 spouse), Mr Or Pui Kwan (his son) and Ms Or Pui Ying, Peranza (his daughter and the spouse of Mr Lam Yung Hei), 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) Mr Lam Yung Hei is deemed to be interested in such shares by virtue of his spouse is one of the discretionary objects of the trust.

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

(6) Such interest in shares is held by the deceased spouse of Mr David John Shaw and the shares form part of her estate.

(7) 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 2018. Polytec Asset is an associated corporation of the Company.

DIRECTORS' INTERESTS AND SHORT POSITIONS *(CONTINUED)*

2. Long positions in the shares of Polytec Asset *(Continued)*

Notes: *(Continued)*

(8) The four references to 3,260,004,812 shares in Polytec Asset relate to the same block of shares 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, Mr Or Pui Kwan and Ms Or Pui Ying, Peranza are taken to be interested in the shares of Polytec Asset.

(9) Mr Lam Yung Hei is deemed to be interested in such shares in Polytec Asset through the interest of his spouse in the Company.

(10) Such interest in shares of Polytec Asset is held by the spouse of Mr Lam Yung Hei.

Save as disclosed above, as at 30 June 2018, 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 2018, 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 ordinary shares	Percentage of shareholding (Note 1)	Note
HSBC International Trustee Limited	Trustee	831,617,074	70.68%	
Ors Holdings Limited	Corporate	830,770,124	70.61%	2

Notes:

(1) The percentage of shareholding is calculated based on 1,176,631,296 shares, being the total number of issued ordinary shares of the Company as at 30 June 2018.

(2) Such interest in shares is held by Intellinsight as described in note (2) under the 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 2018, the Company had not been notified by any persons (other than the Directors or the chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange 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 2018, the Group had a total of 860 employees (31 December 2017: 864 employees), of which 588 were Hong Kong staff, 144 were Mainland China staff and 128 were staff in other regions. During the period, total staff costs decreased to HK$123 million (30 June 2017: HK$128 million). Salary levels of employees are competitive. Discretionary bonuses are granted based on the performance of the Group as well as the performance of individuals to attract, motivate and retain talented people.

The Group believes that the quality of its human resources is critical for it to maintain a strong competitive edge. The Group has conducted a range of training programmes through various institutions to strengthen employees' all-round skills and knowledge, aiming to well equip them to cope with its development in the ever-changing economy.

In addition, the Group established a recreation club and held an annual dinner with lucky draw conducted for employees during the period to promote team spirit and loyalty and encourage communication between departments.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 27 November 2018 to Wednesday, 28 November 2018, both dates inclusive. During which period, no transfer of shares will be registered. In order to qualify for the interim and special dividends, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, for registration not later than 4:30 pm (Hong Kong time) on Monday, 26 November 2018.

CORPORATE CITIZENSHIP

The Company is committed to enhancing corporate citizenship and has become a corporate member of WWF-Hong Kong since 2007. We continue to support their conservation and education work.

Besides making charitable donations, we have also taken part in "Earth Hour 2018" held by WWF-Hong Kong. A bag of "Charity Cookies" has also been presented to each shareholder who had attended the 2018 Annual General Meeting.

In addition, the Company was awarded "5 Years Plus Caring Company" Logo by The Hong Kong Council of Social Service in recognition of our commitment and achievement in corporate social responsibility.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2018. The Group's independent auditor, KPMG, Certified Public Accountants, has conducted a review of the interim financial report 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 38 of this interim report.

la Marina (Macau)