



九龍建業有限公司

**Kowloon Development Company Limited**

(Stock Code 股票代號: 34)

結合 **建設**  
Make a perfect construction  
完美





# Corporate Information

## Kowloon Development Company Limited

*A member of the Polytec Group*

### Board of Directors

#### Executive Directors

Or Wai Sheun (*Chairman*)

Ng Chi Man

Lai Ka Fai

Or Pui Kwan

#### Non-executive Directors

Keith Alan Holman (*Deputy Chairman*)

Tam Hee Chung

Yeung Kwok Kwong

#### Independent Non-executive Directors

Li Kwok Sing, Aubrey

Lok Kung Chin, Hardy

Seto Gin Chung, John

David John Shaw

### Executive Committee

Or Wai Sheun (*Chairman*)

Ng Chi Man

Lai Ka Fai

Or Pui Kwan

Yeung Kwok Kwong

### Audit Committee

Li Kwok Sing, Aubrey (*Chairman*)

Lok Kung Chin, Hardy

Seto Gin Chung, John

Yeung Kwok Kwong

### Remuneration Committee

Seto Gin Chung, John (*Chairman*)

Lai Ka Fai

Li Kwok Sing, Aubrey

Lok Kung Chin, Hardy

### Company Secretary

Wai Yuk Hing, Monica

### Authorised Representatives

Lai Ka Fai

Wai Yuk Hing, Monica

### Principal Bankers

Bank of China (Hong Kong) Limited

China Construction Bank Corporation

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Wing Lung Bank Limited

### Auditors

KPMG

### Share Registrars

Computershare Hong Kong Investor Services Limited

### Registered Office

23rd Floor, Pioneer Centre

750 Nathan Road, Kowloon, Hong Kong

Tel: (852) 2396 2112

Fax: (852) 2789 1370

### Stock Code

The Hong Kong Stock Exchange : 34

### Website

[www.kdc.com.hk](http://www.kdc.com.hk)

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# Highlights

- ❖ Group's 2008 interim net profit increases by 20% to HK\$854 million; earnings per share for the six months ended 30 June 2008 rises by 10% to HK\$0.74.
- ❖ Excluding property revaluations net of deferred tax, underlying net profit for the first half of 2008 amounts to HK\$479 million, a decrease of 21% over the same period last year.
- ❖ Gross rental income for the first six months this year increases by 11% to HK\$128 million.
- ❖ Total operating profit generated from the property development projects amounts to HK\$492 million, an increase of 275% over the same period last year.
- ❖ Group's net gearing ratio is 25.2% at end-June 2008.
- ❖ Total presales generated from the two Macau property development projects amounts to approximately HK\$5 billion, supporting the Group's earnings over the next two years.
- ❖ Interim dividend per share for 2008 rises to HK\$0.19, an increase of 12% over 2007.

# Chairman's Statement

## Interim Results and Dividends

The Group's unaudited net profit attributable to shareholders for the six months ended 30 June 2008 rose by 20% to HK\$854 million. Excluding property revaluation net of deferred tax and tax rate change, the underlying net profit for the first half of 2008 amounted to HK\$479 million compared to HK\$606 million in the same period last year. The interim results have been reviewed by the Company's Audit Committee.

The Board of Directors has declared an interim dividend of HK\$0.19 per share, representing an increase of 12% over the corresponding period. The interim dividend will be payable on 27 November 2008 to shareholders registered as at 20 November 2008.

## Business Review

The corrections in the global financial markets since the start of the year, triggered by the extended sub-prime problem in the US, had adversely impacted the Group's finance and investments activities, which recorded an operating loss of HK\$18.6 million for the first half of 2008. However, the Group's core property investment and development business has performed well in the first six months of the year, with gross rental income from our investment property portfolio rising 11% and total operating profit generated from the Group's development projects rising 275% over the same period last year.

### Property Sales

The Group's total operating profit generated from the property development projects amounted to HK\$492 million, an increase of 275% over the same period last year. The main contributor to the Group's development profit for the first half of 2008 generated from the Group's luxury residential project at 31 Robinson Road, which recorded an operating profit of approximately HK\$277 million. In addition, a partial recognition of profit from the Group's investment in the development project Villa de Mer in Macau also contributed HK\$218 million to this segment's operating profit.

### Property Development

To ensure sustainable growth, we have been continuously looking for good investment opportunities to replenish our land bank. During the period under review, the Group was awarded a tender by Urban Renewal Authority ("URA") to redevelop the Macpherson Indoor Stadium Site in Mongkok. This is a joint venture development project with URA and the site will be developed into a complex of two luxury residential towers and retail shops, with an attributable gross floor area of approximately 18,000 sq m. In addition, the Group is in the course of acquiring two redevelopment projects in the urban area of Hong Kong.



# Chairman's Statement

In July 2008, we have also acquired a 70% interest in a piece of land in Zhongshan, China, with a gross floor area of approximately 120,000 sq m for HK\$140 million. The Group possesses a number of quality development projects in the Greater China region, with the Group's current land bank for development totaling over 5 million sq m in Hong Kong, Macau and China.

In Hong Kong, we will soon open two show flats at 31 Robinson Road to the public and will start selling the remaining residential units. With very limited supply in the primary market in the Mid-Levels area in the next few years, we are confident that the remaining units will generate significant income for the Group in the second half of 2008 and the first half of next year.

In China, our property development projects are progressing smoothly. The first phase of the Foshan project is under construction and the presale of the low-rise residential units is expected to start in the first half of next year. Construction of the first phase of the Shenyang project is expected to begin next spring and the presale of residential units will start in the second half of 2009. The master layout plan for the Tianjin project will be revised in accordance to the comments made by the local authorities and all approval procedures are expected to be completed before the commencement of work in the first half of next year.

In Macau, we have sold over 90% of the residential units at Villa de Mer, the Group's development project in the Orient Pearl District, Macau. Both the master layout plan of the development project at Lote P and the architectural plan of the project at Lotes T & T1 were submitted to the relevant government authorities for approval and we will start the construction work once we obtain the approvals.

## **Details of Group's major projects under development are as follows :**

### **Hong Kong**

#### ***Ngau Chi Wan, Kowloon***

This is one of the Group's major development projects in Hong Kong with 100% interest. The site is located at 35 Clear Water Bay Road in Ngau Chi Wan with a gross floor area of approximately 196,400 sq m. It will be developed into a residential and commercial complex with retail and community facilities.

#### ***Belcher's Street, Hong Kong***

The project, which the Group owns a 100% interest, covers a site area of 564 sq m and will be developed into gross floor area of approximately 5,600 sq m consisting of multi-storey high-end residential block with retail, recreational and car parking spaces. The master layout plan of the development project at Belcher's Street has been revised and will be submitted to local authorities for approval shortly.



## **Mainland China**

### ***Dong Ning District, Shenyang***

Most of the relocation and resettlement work of this development project, which is 100% owned by the Group, was completed in December 2007. The master layout plan for the first phase of the development project is in progress. The first phase of development includes villas, low-rise and medium-rise residential blocks and covers a gross floor area of approximately 150,000 sq m.

### ***Nanhai District, Foshan***

The first phase of development project, which the Group owns a 50% stake, consists of low-rise residential blocks and a five-star hotel equipped with golf course. The approval for commencing construction work was obtained for the first phase development. The hotel is scheduled to complete and operate in early 2010 while the residential units of the first phase are expected to be completed in the second half of 2009.

### ***Hedong District, Tianjin***

The Tianjin development project, which the Group owns a 61% interest, is located in a prime area of the central business district of Hedong, with an aggregate gross floor area of approximately 930,000 sq m. The demolition and removing work was basically completed.

## **Macau**

The Group's property interest in Macau is held through its listed subsidiary, Polytec Asset Holdings Limited ("Polytec Asset"), 59.52% owned by the Group and details of the projects are as follows.

### ***Villa de Mer, The Orient Pearl District***

Villa de Mer, the Group's development project held by Polytec Asset with an 80% interest under a co-investment agreement, covers a gross floor area of approximately 128,100 sq m and comprises five high-end residential towers with a total of about 1,300 units erected on top of a podium with retail, recreational and carpark spaces. Foundation work was completed, while construction work is expected to be completed in 2010.

### ***Lote P, The Orient Pearl District***

Lote P, a development project with an 80% interest by Polytec Asset, covers an aggregate site area of approximately 68,000 sq m and will be developed by phases into various multi-storey luxury residential towers, together with retail, recreational and car parking spaces, with an aggregate gross floor area of approximately 699,800 sq m.

### ***Lotes T & T1, The Orient Pearl District***

Lotes T & T1 combined covers an aggregate site area of approximately 17,900 sq m. This project, which Polytec Asset owns an 80% interest, will be developed into a number of high-end residential blocks, with an aggregate gross floor area of approximately 183,000 sq m.



# Chairman's Statement

## ***Pacifica Garden, Taipa***

Pacifica Garden is Polytec Asset's 58% owned residential and commercial project in Taipa, Macau, with a gross floor area of approximately 35,900 sq m, comprising two buildings with a total of 295 residential units and a number of retail shops on the ground floor. All residential units were sold last year. Construction work is expected to be completed by end-2008 or early 2009.

## **Property Investment**

The Group's gross rental income generated from its investment property portfolio rose by 11% to HK\$128 million in the first six months this year. The improvement in rental income for the first half of this year mainly came from a decent increase in overall rental rate of the offices at Pioneer Centre due to either lease renewals or new leases. The Group's overall occupancy rate remained high for the first six months this year, with our flagship retail properties at Pioneer Centre improving to 99.4% from 98.7% in the same period last year.

## **Property Management**

The Group's property management team offers a full range of management services to both public and private housing, including our self-developed residential buildings, serviced apartments and commercial buildings. The management portfolio covered a gross floor area of approximately 566,000 sq m as of end-June 2008.

## **Finance and Investments**

With the slowdown in the global economy and on-going housing and credit crises in the US, investment sentiment and the performance of the world financial markets have been drastically affected. Stock markets around the world have plummeted, with the Hang Seng Index, the benchmark stock market index in Hong Kong, falling over 20% in the first six months of the year. The Group's finance and investments segment has inevitably been affected, with an operating loss of HK\$18.6 million recorded for the period under review.

The acquisition of a non-performing loans portfolio from China Orient Asset Management Corporation ("China Orient") and the formation of a joint venture company with China Orient was approved by the relevant government authorities during the period under review.

The joint venture company is owned as to 75.1% by the Group and 24.9% by China Orient. The total consideration for the acquisition of the non-performing loans portfolio was satisfied by the issue of zero coupon convertible bonds with principal amount of HK\$2,413,773,720 on 7 July 2008. These convertible bonds are convertible any time at a conversion price of HK\$15.078 per share of the Company with the maturity date on 6 January 2009. This segment is expected to start contributing to the Group's earnings in the second half of 2008.





### **Polytec Asset Holdings Limited**

Polytec Asset, a 59.52% owned listed subsidiary of the Company, contributed HK\$134 million to the Group's earnings in the first half of 2008, an increase of 131% over the same period last year.

### **Shenzhen Properties**

In relation to the acquisition of Shenzhen Properties & Resources Development (Group) Limited ("Shenzhen Properties"), as two shareholders of Shenzhen Properties (the sellers) have failed to perform their obligations under the arbitral award issued by the China International Economic and Trade Arbitration Commission on 25 October 2007, the Group applied to the Intermediate People's Court of Shenzhen on 19 June 2008 for specific performance of the arbitral award. We are awaiting a ruling from the Intermediate People's Court of Shenzhen.

Note that the arbitral award states that the sale and purchase agreement between the Company's subsidiary (the buyer) and the two shareholders of Shenzhen Properties (the sellers) was legally binding and the sellers are required to comply with their obligations of selling their total 70.3% interest in Shenzhen Properties to the Group.

## **Prospects**

As the US sub-prime crisis has intensified and extended to the general economic strata, triggering the instability in global financial markets and the continuing slowdown of the global economy, the Group has adopted more prudent development strategies for its various spheres of operation. Over the past two years, the Group has taken steps to reduce its gearing ratio and to strengthen the Group's financial position which should enable the Group to take up good investment opportunities during the economic downturn.

During the course of 2007, robust economic growth witnessed in the Greater China region has caused both land and housing prices to soar. However, the Group continued to maintain its prudent approach and we made no new land acquisitions during the period.

In the first half of 2008, the Group has secured a number of good potential development projects in Hong Kong and Zhongshan, China in order to well prepare itself for future business expansion and earnings growth in the years ahead. The presale results of our development projects in Macau have been successful over the past two years. Together with the expected proceeds from the sale of the remaining units at 31 Robinson Road, Hong Kong, they will provide solid support to the Group's earnings in the coming two years.



# Chairman's Statement

While the overall business environment will likely remain challenging in the remainder of the year, the Group will abide by its prudent approach to the investment opportunities that may arise under such environment.

## Appreciation

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



**Or Wai Sheun**  
*Chairman*

Hong Kong, 24 September 2008

# Financial Review

## Financial Resources and Bank Borrowings

As at 30 June 2008, the Group had total bank borrowings of HK\$2,364 million with HK\$721 million repayable within one year and HK\$1,643 million repayable more than one year. The net borrowings position of the Group as at the period end date was HK\$1,897 million after taking account of cash and cash equivalents of HK\$467 million. There was an increase of 121% or HK\$1,040 million as compared with net borrowings of HK\$857 million as at 31 December 2007.

The Group's gearing ratio (calculated on the basis of net bank borrowings to equity attributable to shareholders of the Company) rose to 10.9% as of 30 June 2008 from 5% at year-end 2007. The ultimate holding company continued to be the major supporter to the Group financially, with outstanding loans and payable to the ultimate holding company in respect of the acquisition of interests in property developments in Macau totalling HK\$2,471 million (31 December 2007 : HK\$1,398 million). Having taken account of the outstanding loans and payable due to the ultimate holding company, the adjusted gearing ratio increased to 25.2% as of 30 June 2008 from 13.2% at year-end 2007.

During the period under review, additional capital investment in property projects in the PRC amounted to HK\$393 million. Payments of HK\$338 million were made for the Macpherson project with the URA and HK\$149 million for acquisition of certain redevelopment properties. The Group had added a net of HK\$1,627 million to its securities investment portfolio during the first half of 2008.

A total of HK\$623 million was received in respect of the sales proceeds from the Robinson Road project for the period under review. An inflow of HK\$655 million during the first six months from a fellow subsidiary in Macau was in relation to the pre-sale proceeds of Villa de Mer under a co-investment agreement.

The Group's borrowings are arranged on a floating rate basis. When appropriate, the Group will engage in relevant hedging arrangements in order to monitor and manage the Group's exposure to interest rate fluctuations.

The majority of the Group's borrowings was in Hong Kong dollars and the revenue of the Group is denominated in Hong Kong dollars. As the Group has some significant investments in the PRC development projects, it is exposed to exchange fluctuations on Renminbi. Nevertheless, the Group's Renminbi-denominated revenue generated from the development projects will offset an expected increase in the cost of capital investment in these projects due to the appreciation of Renminbi. The Group will look at different ways of Renminbi borrowings to finance the development projects in the PRC.

With the financing facilities in place, recurrent income from investment properties, property sales from the Group's development projects and the marketable securities and cash on hand, the Group has sufficient financial resources to satisfy its capital commitments and working capital requirements.



# Financial Review

## Capital Commitments

As at 30 June 2008, the Group had contracted commitments of HK\$774 million in respect of the acquisition of Shenzhen Properties, and a total of HK\$3,551 million in respect of the acquisition of the non-performing loans portfolio from China Orient and the capital requirement for the setting up of the joint venture company with China Orient. Further, outstanding commitments for the acquisition of subsidiaries engaged in PRC property development amounted to HK\$210 million. In connection to the Group's investment properties, the Group had commitments for construction work to enhance the property value amounting to HK\$103 million.

The Group satisfied the consideration for the acquisition of the non-performing loans portfolio from China Orient by way of issue of zero coupon convertible bonds with principal amount of HK\$2,413,773,720 in July 2008.

## Pledge of Assets

As at the interim balance sheet date, properties and securities amounting to HK\$7,549 million and time deposits of HK\$667 million were pledged to financial institutions to secure credit facilities and as margin for securities investments.

## Contingent Liabilities

The Group had no contingent liability as at 30 June 2008.

# Consolidated Income Statement

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2008	2007
		(unaudited) \$'000	(unaudited) \$'000
<b>Turnover</b>	2	<b>4,829,354</b>	3,180,113
Cost of sales		<b>(3,917,656)</b>	(2,540,740)
Other revenue		<b>12,041</b>	6,407
Other net (expenses)/income	3(a)	<b>(267,114)</b>	235,209
Depreciation and amortization		<b>(5,020)</b>	(5,102)
Staff costs		<b>(32,719)</b>	(29,187)
Fair value changes on investment properties	7	<b>408,400</b>	128,438
Other operating expenses		<b>(30,509)</b>	(23,825)
<b>Profit from operations</b>	2	<b>996,777</b>	951,313
Finance costs	3(b)	<b>(18,700)</b>	(57,200)
Share of profits of associated companies	3(d)	<b>16</b>	1,161
Share of profits less losses of jointly controlled entities	3(e)	<b>8,273</b>	6,208
<b>Profit before taxation</b>	3	<b>986,366</b>	901,482
Income tax	4	<b>(79,706)</b>	(130,893)
<b>Profit for the period</b>		<b>906,660</b>	770,589
Attributable to:			
Shareholders of the Company	16(a)	<b>854,076</b>	711,746
Minority interests	16(a)	<b>52,584</b>	58,843
<b>Profit for the period</b>	16(a)	<b>906,660</b>	770,589
<b>Earnings per share – Basic</b>	6(a)	<b>\$0.74</b>	\$0.67
<b>Dividend per share</b>	5(a)	<b>\$0.19</b>	\$0.17

The notes on pages 16 to 29 form part of the interim financial report.

# Consolidated Balance Sheet

(Expressed in Hong Kong dollars)

	Note	At 30 June 2008		At 31 December 2007	
		(unaudited) \$'000	(unaudited) \$'000	(audited) \$'000	(audited) \$'000
<b>Non-current assets</b>					
Fixed assets					
– Investment properties			5,400,990		4,991,830
– Leasehold land held for own use			249,227		252,492
– Other property, plant and equipment			38,970		39,710
			5,689,187		5,284,032
Interests in property development	7		5,689,187		5,284,032
Interests in property development		8	12,421,803		12,013,954
Interest in jointly controlled entities			1,217,318		1,072,470
Interest in associated companies			7,394		7,378
Financial investments	9		1,300,704		148,329
Loans and advances			19,198		27,654
Deferred tax assets			69,687		9,028
			20,725,291		18,562,845
<b>Current assets</b>					
Inventories	11		4,602,810		4,331,389
Trade and other receivables	12		3,244,952		2,935,869
Loans and advances			47,391		47,708
Amounts due from jointly controlled entities			687,745		608,480
Derivative financial instruments	10		284,436		40,335
Financial investments	9		2,078,003		1,603,789
Time deposit (pledged)			667,480		582,473
Cash and cash equivalents			467,117		907,961
			12,079,934		11,058,004
<b>Current liabilities</b>					
Trade and other payables	13		1,562,650		1,413,068
Amount due to ultimate holding company			705		2,662
Amounts due to minority shareholders			456,755		333,305
Derivative financial instruments	10		711,069		216,978
Bank loans			721,000		623,000
Current taxation			470,816		368,927
			3,922,995		2,957,940
<b>Net current assets</b>			8,156,939		8,100,064
<b>Total assets less current liabilities</b>			28,882,230		26,662,909

	Note	At 30 June 2008		At 31 December 2007	
		(unaudited) \$'000	(unaudited) \$'000	(audited) \$'000	(audited) \$'000
<b>Non-current liabilities</b>					
Other payables	19(c)	1,700,161		1,508,000	
Loan from ultimate holding company	14	1,586,268		495,964	
Amount payable to ultimate holding company	15	884,308		902,020	
Bank loans		1,643,200		1,141,700	
Deferred tax liabilities		825,561		795,941	
			6,639,498		4,843,625
<b>Net assets</b>			<b>22,242,732</b>		<b>21,819,284</b>
<b>Capital and reserves</b>					
Share capital	16(b)	115,068		115,068	
Reserves		17,231,000		16,992,195	
<b>Total equity attributable to shareholders of the Company</b>	16(a)	<b>17,346,068</b>		<b>17,107,263</b>	
Minority interests	16(a)	4,896,664		4,712,021	
<b>Total equity</b>	16(a)	<b>22,242,732</b>		<b>21,819,284</b>	

Approved and authorized for issue by the board of directors on 24 September 2008.

The notes on pages 16 to 29 form part of the interim financial report.

# Consolidated Statement of Changes in Equity

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2008		Six months ended 30 June 2007	
		(unaudited) \$'000	(unaudited) \$'000	(unaudited) \$'000	(unaudited) \$'000
<b>Total equity at 1 January</b>			<b>21,819,284</b>		<b>12,572,531</b>
<b>Net income for the period recognized directly in equity</b>					
Exchange differences on translation of accounts of overseas subsidiaries of jointly controlled entities	16(a)	117,592		29,862	
Changes in fair value of available-for-sale investments	16(a)	(667,473)		(9,982)	
Changes in fair value of interests in property development	16(a)	870,849		1,103,479	
Transfer to income statement upon recognition from interests in property development	16(a)	(218,350)		(136,972)	
<b>Net income for the period recognized directly in equity</b>		<b>102,618</b>		<b>986,387</b>	
Net profit for the period	16(a)	906,660		770,589	
<b>Total net income recognized for the period</b>			<b>1,009,278</b>		<b>1,756,976</b>
Attributable to:					
Shareholders of the Company		791,132		1,287,012	
Minority interests		218,146		469,964	
		<u>1,009,278</u>		<u>1,756,976</u>	
Final dividend declared and paid	5(b)		(552,327)		(483,286)
Dividend paid to minority interests	16(a)		(33,503)		(26,623)
Loan from a minority shareholder			–		1,945
Increase in minority interests upon the subscription of shares under warrants of a subsidiary			–		104,938
Issue of shares			–		38,356
Net share premium on issue of shares			–		5,253,132
<b>Total equity at 30 June</b>			<b>22,242,732</b>		<b>19,217,969</b>

The notes on pages 16 to 29 form part of the interim financial report.



# Condensed Consolidated Cash Flow Statement

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2008	2007
	(unaudited)	(unaudited)
	\$'000	\$'000
Net cash from/(used in) operating activities	62,591	(126,835)
Net cash used in investing activities	(1,598,623)	(204,841)
Net cash from financing activities	1,087,102	1,488,718
Net (decrease)/increase in cash and cash equivalents	(448,930)	1,157,042
Cash and cash equivalents at 1 January	907,961	401,830
Effect of foreign exchange rate changes	8,086	3,959
Cash and cash equivalents at 30 June	467,117	1,562,831

The notes on pages 16 to 29 form part of the interim financial report.

# Notes on the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

## 1 Basis of preparation

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

The interim financial report has been prepared on a basis consistent with the accounting policies adopted in the 2007 annual financial statements except for the adoption of certain new standards, amendments and interpretations issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2008. The adoption of the new standards, amendments and interpretations had no material effect on the Group's results of operation and financial position.

The Group has not early adopted new and revised standards or interpretations that have been issued but are not yet effective. The Group is in the process of assessing the potential impact of these standards or interpretations on the Group's results of operations and financial position.

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 2007 annual financial statements.

The financial information relating to the financial year ended 31 December 2007 included in the condensed interim financial statements does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 17 March 2008.

## 2 Segment information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Turnover comprises income from property and financial investments, net proceeds from sale of properties and interest income.

## 2 Segment information *(Continued)*

(a) Business segments

	Six months ended 30 June 2008				
	Consolidated \$'000	Property development \$'000	Property investment \$'000	Finance and investments \$'000	Others \$'000
Turnover	4,829,354	629,596	127,986	4,047,274	24,498
Contribution from operations	604,891	492,236	128,318	(18,617)	2,954
Fair value changes on investment properties	408,400	–	408,400	–	–
Unallocated group expenses	(16,514)				
Profit from operations	996,777				
Finance costs	(18,700)				
Share of profits of associated companies	16	–	–	–	16
Share of profits less losses of jointly controlled entities	8,273	(1,814)	10,087	–	–
Profit before taxation	986,366				
Income tax	(79,706)				
Profit for the period	906,660				
	Six months ended 30 June 2007				
	Consolidated \$'000	Property development \$'000	Property investment \$'000	Finance and investments \$'000	Others \$'000
Turnover	3,180,113	167,398	114,853	2,857,052	40,810
Contribution from operations	844,907	131,290	109,052	595,785	8,780
Fair value changes on investment properties	128,438	–	128,438	–	–
Unallocated group expenses	(22,032)				
Profit from operations	951,313				
Finance costs	(57,200)				
Share of profits of associated companies	1,161	–	–	–	1,161
Share of profits less losses of jointly controlled entities	6,208	(1,221)	7,429	–	–
Profit before taxation	901,482				
Income tax	(130,893)				
Profit for the period	770,589				

# Notes on the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

## 2 Segment information *(Continued)*

(b) Geographical segments

	Group turnover		Group profit from operations	
	Six months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Hong Kong	4,401,114	2,965,190	761,002	805,412
People's Republic of China	2,211	750	(3,777)	(6,947)
Macau	240,176	164,447	221,966	137,926
North America	179,570	42,309	13,596	7,553
Others	6,283	7,417	3,990	7,369
	<b>4,829,354</b>	<b>3,180,113</b>	<b>996,777</b>	<b>951,313</b>

## 3 Profit before taxation

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

(a) Other net (expenses)/income represents fair value changes on financial investments and derivative financial instruments.

(b) Finance costs

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
Interest on bank loans and overdrafts	27,294	49,711
Interest on loan from/amount payable to ultimate holding company	18,912	53,061
Less: Amount capitalized <i>(Note)</i>	(27,506)	(45,572)
	<b>18,700</b>	<b>57,200</b>

Note: Borrowing costs were capitalized at the prevailing market interest rates.

### 3 Profit before taxation *(Continued)*

(c) Other items

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
Rentals receivable under operating leases less outgoings	(121,283)	(108,647)
Rental income	(127,986)	(114,853)
Less: Outgoings	6,703	6,206
Interest income	(19,674)	(38,137)
Dividend income from available-for-sale investments	(8,298)	(163)
Dividend income from other listed investments	(39,013)	(6,707)
Income from other unlisted investments	–	(9,099)
Income from other listed investments	(2,666)	(3,788)
Realized gain on other listed investments	(181,777)	(306,096)

(d) The Group's share of profits of the associated companies for the period, after minority interests and taxation, attributable to shareholders of the Company was \$16,000 (six months ended 30 June 2007: \$1,161,000).

(e) The Group's share of profits less losses of the jointly controlled entities for the period, after minority interests and taxation, attributable to shareholders of the Company was \$4,190,000 (six months ended 30 June 2007: \$3,201,000).

# Notes on the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

## 4 Income tax

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
<b>Current tax</b>		
Provision for profits tax		
– Hong Kong	103,314	98,226
– Overseas	3,812	3,067
	<u>107,126</u>	<u>101,293</u>
<b>Deferred tax</b>	(27,420)	29,600
	<u>79,706</u>	<u>130,893</u>

The provision for Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2007: 17.5%) on the estimated assessable profits of the period. In February 2008, the Hong Kong SAR Government enacted a reduction in the profits tax rate from 17.5% to 16.5% for the fiscal year 2008/09.

Overseas tax is calculated at the applicable tax rates ruling in the respective jurisdictions.

## 5 Dividends

(a) Dividends attributable to the interim period

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
Interim dividend declared after the interim period of \$0.19 (2007: \$0.17) per share	<u>218,629</u>	<u>195,616</u>

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

## 5 Dividends *(Continued)*

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

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of \$0.48 (2007: \$0.42) per share	552,327	483,286

## 6 Earnings per share

- (a) The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of \$854,076,000 (six months ended 30 June 2007: \$711,746,000) and weighted average number of ordinary shares in issue during the period of 1,150,681,275 (six months ended 30 June 2007: 1,065,307,711).
- (b) No diluted earnings per share for the six months ended 30 June 2007 and 2008 has been presented as the Company had no dilutive potential ordinary shares for both periods.

## 7 Fixed assets

The investment properties of the Group were revalued at 30 June 2008 by Vigers Appraisal and Consulting Limited and DTZ Debenham Tie Leung Ltd, independent qualified professional valuers, who have appropriate qualifications and experiences in the valuation of similar properties in the relevant locations, on an open market value basis calculated by reference to net rental income allowing for reversionary income potential. A revaluation gain of \$408,400,000 (six months ended 30 June 2007: \$128,438,000) and deferred tax thereon of \$67,386,000 (six months ended 30 June 2007: \$22,477,000) have been included in the consolidated income statement.

# Notes on the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

## 8 Interests in property development

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

In determining the fair value of interests in property development, the Group estimates the future cash flows expected to arise from the interests in property development and utilizes a suitable discount rate to calculate the present value. Cash flow projections for the interests in property development are based on the past performance, current market conditions, valuation information by independent professional valuer, management's expectations for the market development and terms provided under the co-investment agreements.

## 9 Financial investments

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
<b>Non-current assets</b>		
Available-for-sale investments		
– Equity shares, listed in Hong Kong	1,264,433	108,920
– Investment fund, unlisted	36,271	39,409
	<u>1,300,704</u>	<u>148,329</u>
<b>Current assets</b>		
Other listed investments		
– Equity shares, listed in Hong Kong	2,024,107	1,437,662
– Bonds, listed outside Hong Kong	53,896	166,127
	<u>2,078,003</u>	<u>1,603,789</u>
	<u>3,378,707</u>	<u>1,752,118</u>
<b>Market value of financial investments</b>		
– Listed in Hong Kong	3,288,540	1,546,582
– Listed outside Hong Kong	53,896	166,127

The fair value of investments traded in active markets is based on quoted market prices at the balance sheet date.



## 10 Derivative financial instruments

	At 30 June 2008		At 31 December 2007	
	Assets	Liabilities	Assets	Liabilities
	\$'000	\$'000	\$'000	\$'000
Over-the-counter contingent forward transactions	284,436	711,069	40,335	216,978

### Over-the-counter contingent forward transactions

The Group has entered into several forward agreements to purchase certain listed equity investments at a fixed price over a 52-week period from the date of the agreements. According to the agreements, the purchase commitments of the Group will be terminated when the market price of the equity investments rises to a pre-determined price level. As at the balance sheet date, the aggregated maximum purchase commitments of the Group under the agreements were \$8.7 billion (at 31 December 2007: \$10.1 billion) of which \$0.7 billion (at 31 December 2007: \$2.6 billion) will not be crystallized up to the date of issue of the accounts.

In 2008, the Group has also entered into several forward agreements to sell certain listed equity investments at a fixed price over a 52-week period from the date of the agreements for the hedging of the Group's exposures to equity price risk through its investments in equity investment and derivative financial instruments. According to the agreements, the sale commitments of the Group will be terminated when the market price of the equity investments drops to a pre-determined price level. As at the balance sheet date, the aggregated maximum sale commitments of the Group under the agreements were \$2.3 billion of which \$1.2 billion will not be crystallized up to the date of issue of the accounts.

### Risk management

The Group is exposed to equity price risk associated with its financial investments and derivative financial instruments. Appropriate measures are implemented under the Group's risk management policies on a timely and effective manner. These measures covered macroeconomic analysis, securities analysis, trade execution control and portfolio evaluation. The Group controls its market exposure by maintaining an investment portfolio of securities with high market liquidity and different risk profiles and engaging in relevant hedging arrangements in appropriate time.

# Notes on the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

## 11 Inventories

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Land held for future development	163,087	16,475
Properties under development	3,992,719	3,747,354
Properties held for sale	446,077	565,312
Trading goods	927	2,248
	<b>4,602,810</b>	<b>4,331,389</b>

## 12 Trade and other receivables

The following is an ageing analysis of trade receivables:

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Current	863,936	1,331,699
Less than 3 months past due	5,468	20,979
3 months to 6 months past due	497	637
More than 6 months past due	10,076	9,181
Amounts past due	16,041	30,797
Trade receivables	879,977	1,362,496
Utility and other deposits	4,377	4,721
Other receivables and prepayments	2,360,598	1,568,652
	<b>3,244,952</b>	<b>2,935,869</b>

Prepayments of the Group of an amount of \$345,743,000 (at 31 December 2007: \$345,743,000) represents the deposit paid for the acquisition of approximately 70.3% of the issued shares and the general offer for the acquisition of the remaining shares of Shenzhen Properties & Resources Development (Group) Limited.

## 12 Trade and other receivables *(Continued)*

Prepayments of the Group of an amount of approximately \$1,548,885,000 (at 31 December 2007: \$1,152,406,000) represents the payments made for the acquisition of a composite property development site located in Tianjin of the People's Republic of China ("PRC").

Utility and other deposits of the Group of \$687,000 (at 31 December 2007: \$4,277,000) are expected to be recovered after more than one year.

At 31 December 2007, an amount of \$300,527,000 represented the receivable from a subsidiary of Polytec Holdings being entitlement of one of the Group's interest in property development in Macau.

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

## 13 Trade and other payables

The following is an ageing analysis of trade payables:

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Not yet due or on demand	606,996	487,083
Within 3 months	24,469	35,197
3 months to 6 months	658	658
More than 6 months	–	272
Trade payables	632,123	523,210
Rental and other deposits	59,372	53,926
Deposits received on sale of properties	453,870	416,298
Other payables and accrued expenses	417,285	419,634
	<b>1,562,650</b>	<b>1,413,068</b>

Trade and other payables of the Group of \$121,204,000 (at 31 December 2007: \$50,129,000) are expected to be refunded/settled after more than one year.

Trade payables of the Group of an amount of \$226,681,000 (at 31 December 2007: \$212,831,000) represents outstanding consideration for the acquisition of a piece of land in Shenyang of the PRC, the payment of which is not yet due and is payable within one year.

# Notes on the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

## 14 Loan from ultimate holding company

Loan from ultimate holding company is unsecured, interest bearing and has no fixed terms of repayment. Interest is charged with reference to bank lending rates.

## 15 Amount payable to ultimate holding company

This represents balance payable to Polytec Holdings for the acquisition of a subsidiary from Polytec Holdings in relation to the Group's certain interests in property development in Macau. The balance payable is unsecured, interest bearing with interest charged with reference to bank lending rates and is not expected to settle within one year.

## 16 Total equity

(a) Total equity

	Attributable to shareholders of the Company								
	Share capital	Share premium	Capital reserve	Fair value reserves	Exchange reserves	Retained profits	Total	Minority interests	Total equity
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2008	115,068	8,302,404	2,154	2,138,729	143,316	6,405,592	17,107,263	4,712,021	21,819,284
Exchange difference on translation of accounts of overseas subsidiaries and jointly controlled entities	-	-	-	-	118,117	-	118,117	(525)	117,592
Changes in fair value of available-for-sale investments	-	-	-	(569,428)	-	-	(569,428)	(98,045)	(667,473)
Changes in fair value of interests in property development	-	-	-	518,329	-	-	518,329	352,520	870,849
Transfer to income statement upon recognition from interests in property development	-	-	-	(129,962)	-	-	(129,962)	(88,388)	(218,350)
Final dividend declared and paid	5(b)	-	-	-	-	(552,327)	(552,327)	-	(552,327)
Dividend paid to minority interests	-	-	-	-	-	-	-	(33,503)	(33,503)
Profit for the period	-	-	-	-	-	854,076	854,076	52,584	906,660
At 30 June 2008	115,068	8,302,404	2,154	1,957,668	261,433	6,707,341	17,346,068	4,896,664	22,242,732

## 16 Total equity (Continued)

### (a) Total equity (Continued)

	Note	Attributable to shareholders of the Company							Minority interests	Total equity
		Share capital	Share premium	Capital reserve	Fair value reserves	Exchange reserves	Retained profits	Total		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
At 1 January 2007		76,712	3,049,409	2,154	731,265	15,148	5,178,096	9,052,784	3,519,747	12,572,531
Issue of shares		38,356	-	-	-	-	-	38,356	-	38,356
Premium on issue of shares		-	5,254,778	-	-	-	-	5,254,778	-	5,254,778
Expenses on issue of shares		-	(1,783)	-	-	-	-	(1,783)	-	(1,783)
Issue of share of subsidiaries attributable to minority interests		-	-	-	-	-	-	-	55,373	55,373
Exchange difference on translation of accounts of overseas subsidiaries and jointly controlled entities		-	-	-	-	128,168	-	128,168	-	128,168
Changes in fair value of available-for-sale investments		-	-	-	1,927	-	-	1,927	-	1,927
Changes in fair value of interests in property development		-	-	-	1,639,647	-	-	1,639,647	1,022,400	2,662,047
Transfer to income statement upon recognition from interest in property development		-	-	-	(234,110)	-	-	(234,110)	-	(234,110)
Final dividend declared and paid	5(b)	-	-	-	-	-	(483,286)	(483,286)	-	(483,286)
Interim dividend declared and paid	5(a)	-	-	-	-	-	(195,616)	(195,616)	-	(195,616)
Dividend paid to minority interests		-	-	-	-	-	-	-	(59,824)	(59,824)
Loan from a minority shareholder		-	-	-	-	-	-	-	3,624	3,624
Increase in minority interest attributable to a subscription in shareholding of a subsidiary		-	-	-	-	-	-	-	104,195	104,195
Profit for the year		-	-	-	-	-	1,906,398	1,906,398	66,506	1,972,904
At 31 December 2007		115,068	8,302,404	2,154	2,138,729	143,316	6,405,592	17,107,263	4,712,021	21,819,284

Loan from a minority shareholder is classified as equity being the capital contribution on a subsidiary by the minority shareholder.

# Notes on the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

## 16 Total equity (Continued)

(b) Share capital

	At 30 June 2008		At 31 December 2007	
	No. of shares of \$0.1 each	Amount \$'000	No. of shares of \$0.1 each	Amount \$'000
<b>Authorized</b>	<b>5,000,000,000</b>	<b>500,000</b>	5,000,000,000	500,000
<b>Issued and fully paid</b>				
At 1 January	1,150,681,275	115,068	767,120,850	76,712
Issue of shares	–	–	383,560,425	38,356
At 30 June (2007: At 31 December)	<b>1,150,681,275</b>	<b>115,068</b>	1,150,681,275	115,068

On 12 February 2007, 383,560,425 fully paid rights shares were issued at a price of \$13.80 per rights share on the basis of one rights share for every two shares held on 18 January 2007.

## 17 Capital commitments

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

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
<b>Contracted for</b>		
– Acquisition/Formation of subsidiaries/joint venture companies	2,121,046	813,969
– Acquisition of non-performing loans portfolio	2,413,774	–
– Investment properties	8,435	6,537
	<b>4,543,255</b>	<b>820,506</b>
<b>Authorized but not contracted for</b>		
– Investment properties	94,302	94,302

## 18 Pledge of assets

At 30 June 2008, properties and financial investments of the Group with an aggregate carrying value of approximately \$7,549,498,000 (at 31 December 2007: \$6,464,446,000) and time deposits of \$667,480,000 (at 31 December 2007: \$582,473,000) were pledged to financial institutions to secure banking facilities granted to the Group or as margin deposits for the Group's financial investments.

## 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 a subsidiary of the Group in respect of its obligations under the development agreement for the property development in Ngau Chi Wan.
- (b) Polytec Holdings has guaranteed the due performance of the obligations of the Company in respect of its obligations in the property development project in Tianjin, PRC.
- (c) At 30 June 2008, \$1,700,161,000 was received from a subsidiary of Polytec Holdings in respect of the Group's interests in property development in Macau and was recorded under "Other payables" of non-current liabilities. The amount is unsecured, interest-free with no fixed repayment terms.
- (d) During the period ended 30 June 2008, an amount of \$463,000,000 was received from a subsidiary of Polytec Holdings being distribution of one of the Group's interest in property development in Macau.
- (e) At 30 June 2008, the Group has given guarantees to insurance companies in respect of performance bonds entered into by an associated company to the extent of \$6,702,000.

## 20 Post balance sheet event

At 7 July 2008, the Group issued zero coupon convertible bonds in the principal amount of \$2,413,773,720 as consideration settlement for the acquisition of non-performing loans portfolio. Pursuant to the terms of the convertible bonds, holders of the convertible bonds may exercise the conversion rights attaching to the convertible bonds into an aggregate of 160,085,801 ordinary shares of the Company at a conversion price of \$15.078 at any time until six months after the issue date of the convertible bonds.



# Other Information

## Share Option Scheme

The Company operates a share option scheme (the “Share Option Scheme”) for the purpose of providing incentives and rewards to eligible persons who contribute to the success of the Group’s operations. Eligible persons include any employee, director, supplier, customer, business partner or business associate, trading agent, consultant or adviser, holder of any securities issued by any member of the Group or any entity in which the Group holds an equity interest (“Invested Entity”) of any member of the Group or any Invested Entity who, in the discretion of the Board of Directors, has contributed or will contribute to the growth and development of the Group or any Invested Entity.

The Share Option Scheme was adopted by the Company on 21 May 2003 and complies with the requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). Unless otherwise terminated or amended, the Share Option Scheme will remain in force for a period of 10 years.

The total number of shares which may be issued pursuant to the Share Option Scheme is 48,376,785 shares, being 10% of the total number of shares of the Company in issue as at the date of approval of the Share Option Scheme. No option has been granted under the Share Option Scheme to any person since its adoption and the total number of shares available for issue remains at 48,376,785 representing 4.2% of the issued share capital of the Company at the date of this report.

## Corporate Governance

### Compliance with the Code on Corporate Governance Practices

The Company has complied with all code provisions set out in Appendix 14 Code on Corporate Governance Practices of the Listing Rules throughout the accounting period for the six months ended 30 June 2008, save for code provision A.2.1.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Under the existing corporate structure, both the positions of the Chairman and chief executive officer are held by Mr Or Wai Sheun. On viewing this structure, the Board considers that it is beneficial to the Company as it enables the Company to make prompt and efficient decisions. Moreover, all major decisions are made in consultation with members of the Board and appropriate board committees comprising experienced and high caliber individuals. Hence, the operations of the board committees ensure the balance of power and authority. The corporate governance principles of the Company emphasize the importance of a quality Board and accountability to all shareholders.



## Codes for Dealing in the Company's Securities

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the period under review and they have all confirmed that they had fully complied with the required standard set out in the Model Code. Specific employees who are likely to be in possession of unpublished price sensitive information have also been requested to comply with the provisions of the Model Code. No incident of non-compliance was noted by the Company.

## Purchase, Sale or Redemption of Shares

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the six months ended 30 June 2008.

## Directors' Interests and Short Positions

As at 30 June 2008, the following Directors of the Company were interested, or deemed to be interested in, the following long and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Part XV (s.352) of the SFO:

### 1. Interests in Shares, Underlying Shares and Debentures of the Company

Name of directors	Nature of interest	Number of shares		Approx. percentage of total issued shares (Note 1)	Note(s)
		Long position	Short position		
Or Wai Sheun	Beneficiary	719,540,124	–	62.53%	2
	Corporate	277,500	–	0.02%	3
Ng Chi Man	Beneficiary	719,540,124	–	62.53%	4
Or Pui Kwan	Beneficiary	719,540,124	–	62.53%	5
	Personal	43,500	–	0.00%	5
Lok Kung Chin, Hardy	Under trust	1,425,000	–	0.12%	6

# Other Information

## 1. Interests in Shares, Underlying Shares and Debentures of the Company (Continued)

Name of directors	Nature of interest	Number of shares		Approx. percentage of total issued shares (Note 1)	Note(s)
		Long position	Short position		
Keith Alan Holman	Personal	567,000	–	0.05%	7
Lai Ka Fai	Personal	501,000	–	0.04%	7
Tam Hee Chung	Corporate	300,000	–	0.03%	8
David John Shaw	Personal	133,500	–	0.01%	7
	Family	67,000	–	0.01%	9
Yeung Kwok Kwong	Personal	165,000	–	0.01%	7

### Notes:

- (1) The percentage holding is calculated based on the total number of 1,150,681,275 ordinary shares in issue of the Company as at 30 June 2008.
- (2) Mr Or Wai Sheun was interested in 719,540,124 shares ultimately and wholly-owned by a discretionary family trust of which Mr Or Wai Sheun is the founder and a beneficiary. These shares were the shares disclosed under Ms Ng Chi Man and Mr Or Pui Kwan in the above table and in the section on "Interests of Substantial Shareholders and Other Persons" below.
- (3) Mr Or Wai Sheun was also interested in 277,500 shares owned by China Dragon Limited due to his corporate interest therein.
- (4) Ms Ng Chi Man is the spouse of Mr Or Wai Sheun. Ms Ng was deemed to be interested in 719,540,124 shares as a beneficiary of the discretionary family trust referred to in Note (2) above.
- (5) Mr Or Pui Kwan is the son of Mr Or Wai Sheun and Ms Ng Chi Man. Mr Or Pui Kwan was the beneficial owner of 43,500 shares and was also deemed to be interested in 719,540,124 shares as a beneficiary of the discretionary family trust referred to in Note (2) above.
- (6) Mr Lok Kung Chin, Hardy was taken to be interested in 1,425,000 shares owned by discretionary trusts of which Mr Lok is the founder and a beneficiary respectively.
- (7) Shares were held by the respective Directors in their capacity as beneficial owners.
- (8) Mr Tam Hee Chung was deemed to be interested in 300,000 shares owned by Larry H.C. Tam & Associates Limited by virtue of his 48% interest therein.
- (9) Shares were held through the family interest of Mr David John Shaw.

## 2. Interests in Shares, Underlying Shares and Debentures of Associated Corporations - Polytec Asset Holdings Limited ("Polytec Asset")

Name of directors	Nature of interest	Number of shares		Approx. percentage of total issued shares (Note 1)	Note(s)
		Long position	Short position		
Or Wai Sheun	Beneficiary	2,642,064,812	–	59.52%	2
Ng Chi Man	Beneficiary	2,642,064,812	–	59.52%	2
Or Pui Kwan	Beneficiary	2,642,064,812	–	59.52%	2
Yeung Kwok Kwong	Personal	2,000,000	–	0.05%	–
Tam Hee Chung	Corporate	1,100,000	–	0.02%	3
Keith Alan Holman	Personal	722,000	–	0.02%	–
Lai Ka Fai	Personal	430,000	–	0.01%	–

*Notes:*

- (1) The percentage holding is calculated based on the total number of 4,438,967,838 ordinary shares in issue of Polytec Asset as at 30 June 2008.
- (2) Through their respective interests in the Company disclosed under the subsection on "Interests in Shares, Underlying Shares and Debentures of the Company", and by virtue of 100% interest in Marble King International Limited, an immediate holding company of Polytec Asset, held by the Company, Mr Or Wai Sheun, Ms Ng Chi Man and Mr Or Pui Kwan were deemed to be interested in 2,642,064,812 ordinary shares of Ploytec Asset.
- (3) By virtue of a 48% interest in Larry H.C. Tam & Associates Limited which owns such 1,100,000 ordinary shares of Polytec Asset.

# Other Information

Other than the holdings disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Save as disclosed above, none of the Directors (including their spouses and children under the age of 18) had, as at 30 June 2008, any interest in, or had been granted any right to subscribe for the shares and options of the Company and its associated corporations within the meaning of the SFO, or had exercised any such rights.

## Interests of Substantial Shareholders and Other Persons

As at 30 June 2008, the interests and short positions of persons, other than Directors, in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under Part XV (s.336) of the SFO, or otherwise known to the Directors, were as follows:

Name of shareholders	Nature of interest	Number of shares		Approx. percentage of total issued shares (Note 1)	Note(s)
		Long position	Short position		
HSBC International Trustee Limited	Trustee	720,222,624	–	62.59%	2
Or Family Trustee Limited Inc.	Trustee	719,540,124	–	62.53%	2

Notes:

- (1) The percentage holding is calculated based on the total number of 1,150,681,275 ordinary shares in issue of the Company as at 30 June 2008.
- (2) Out of the 720,222,624 shares in which HSBC International Trustee Limited was interested as trustee of certain discretionary trusts that it manages, 719,540,124 shares were the shares held by the Or Family Trustee Limited Inc. as trustee disclosed in the above table and referred in the section "Directors' Interests and Short Positions". Mr Or Wai Sheun and Mr Keith Alan Holman are directors of Or Family Trustee Limited Inc.



## Human Resources and Remuneration Policy

As at 30 June 2008, the Group has around 380 staff members in total (31 December 2007: 367 employees) in its various offices in Hong Kong, Macau and Mainland China. The Group's remuneration policy is based on the principle of pay for performance with the aim to attract, motivate and retain talented people. In addition, share option scheme is also in place to provide incentives and rewards to eligible persons including Directors and employees.

The Group conducted a range of on-going training programmes both in-house and through external institutions, on an on-going basis to strengthen employees' all round skills and knowledge, aiming to well equip them to cope with the Group's development in the ever-changing economy.

## Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 19 November 2008 to Thursday, 20 November 2008, both days inclusive. To qualify for interim dividend payable on 27 November 2008, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 18 November 2008.

## Corporate Citizenship

The Group is committed to enhance corporate citizenship and was awarded 2008 pearl member by the World Wide Fund For Nature Hong Kong, to further recognize its contribution in supporting environmental protection.





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