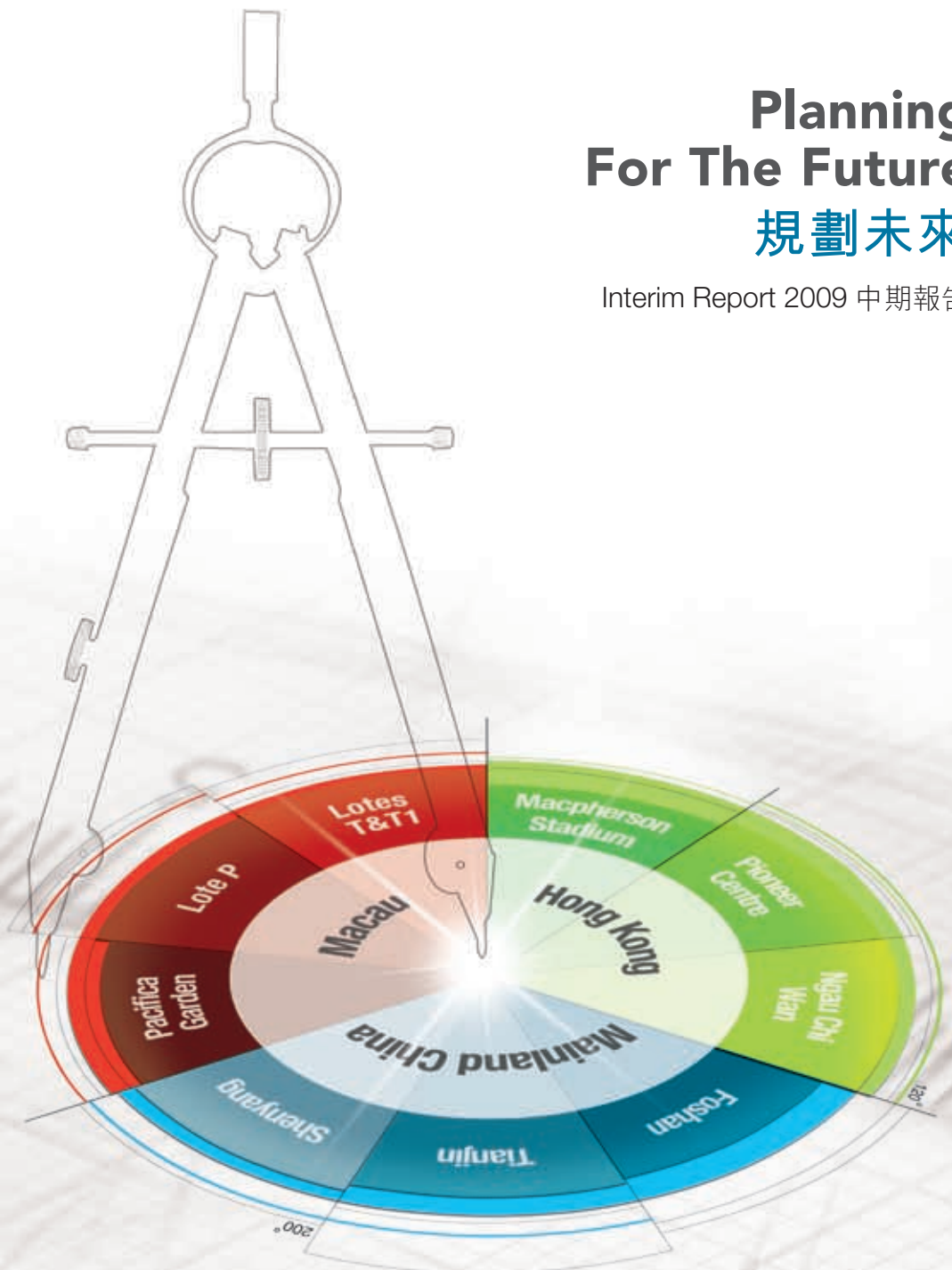


Planning For The Future 規劃未來

Interim Report 2009 中期報告



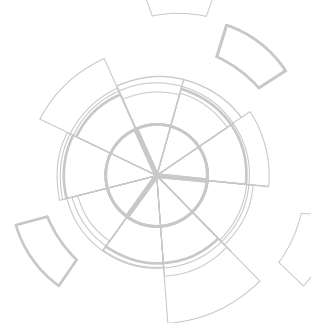
九龍建業有限公司

Kowloon Development Company Limited

(Stock Code 股份代號: 34)

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Corporate Information

Kowloon Development Company Limited

A member of the Polytec Group

Board

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

Committees

Executive Committee

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

Audit Committee

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

Remuneration Committee

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

Company Secretary

Look Pui Fan

Authorized Representatives

Lai Ka Fai
Look Pui Fan

Independent Auditors

KPMG
Certified Public Accountants

Share Registrars

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

Registered Office

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

Principal Bankers

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited

Stock Code

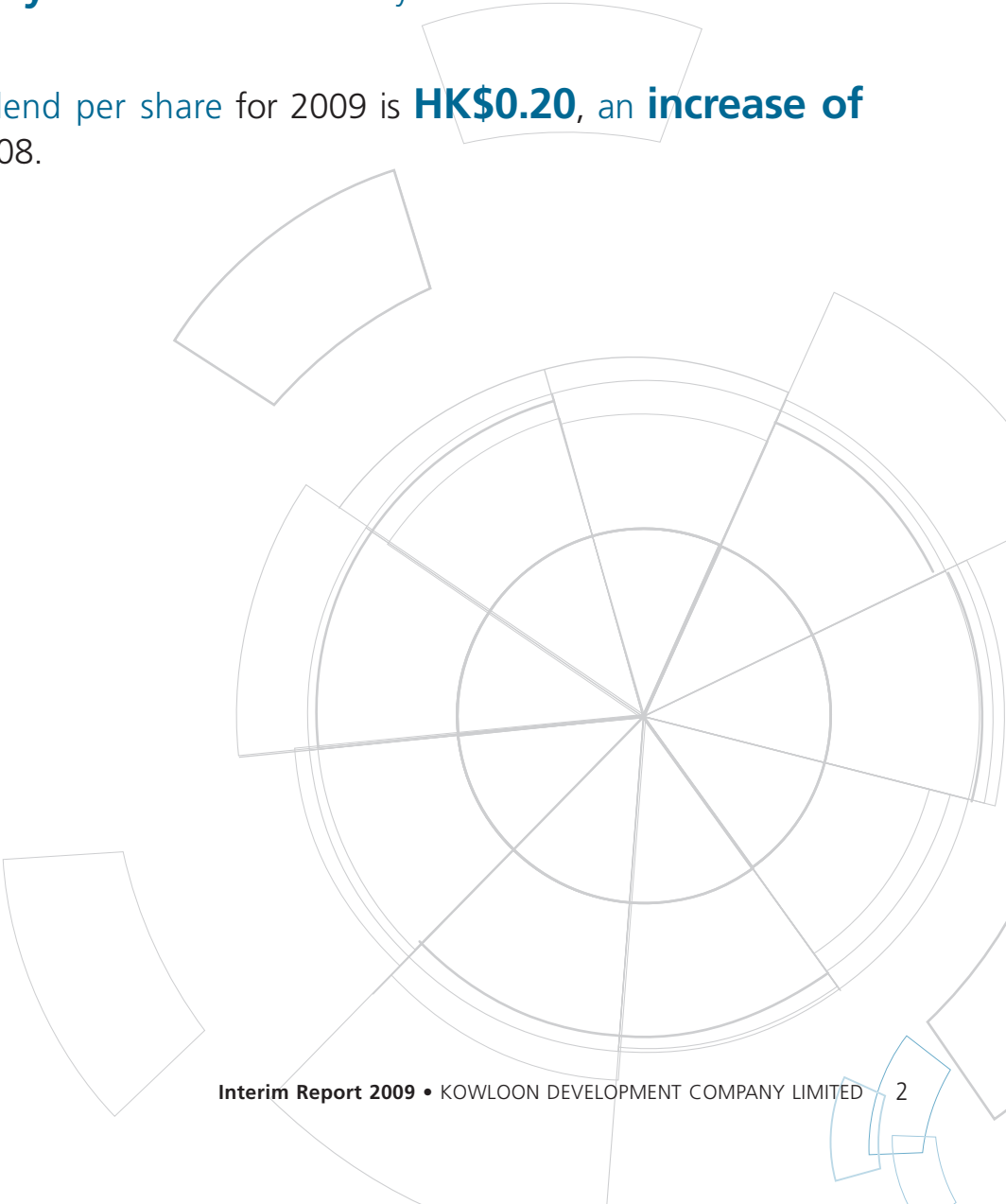
Hong Kong Stock Exchange : 34

Website

www.kdc.com.hk

Highlights



- Group's 2009 interim net profit **increases to HK\$887 million** from HK\$854 million for the corresponding period of 2008.
 - Excluding property revaluation adjustments net of deferred tax, underlying net profit for the first half of 2009 amounts to **HK\$883 million**, an **increase of 84%** over the same period last year. Underlying earnings per share for the six months ended 30 June 2009 **rises to HK\$0.77**.
 - Barring unforeseen circumstances, the Group is expected to **deliver satisfactory results** for the full year of 2009.
 - Interim dividend per share for 2009 is **HK\$0.20**, an **increase of 5%** over 2008.
- 



Chairman's Statement

Interim Results and Dividend

The Group's unaudited net profit attributable to shareholders for the six months ended 30 June 2009 amounted to HK\$887 million compared to HK\$854 million for the corresponding period of 2008.

Excluding revaluation adjustments on the Group's investment property portfolio net of deferred tax, the underlying interim net profit for 2009 rose to HK\$883 million, an increase of 84.2% over the corresponding period of 2008. Underlying interim earnings per share for 2009 amounted to HK\$0.77 compared to HK\$0.42 over the corresponding period of last year.

The Board of Directors has declared an interim dividend for 2009 of HK\$0.20 per share (2008: HK\$0.19). The interim dividend will be payable on 16 October 2009 to shareholders whose names appear on the Register of Members of the Company on 9 October 2009.

Business Review

The overall economic activity in the Greater China region during the first quarter of the year has been inevitably affected by the worst worldwide economic downturn since the Great Depression, with the China economy slowing significantly and the Hong Kong and Macau economies contracting considerably. The transaction volume and housing prices in the Hong Kong, Macau and Mainland China property markets fell substantially in the first three months of the year. However, the overall market sentiment has started to improve since the second quarter of the year as major leading economies around the globe appear to be gradually stabilizing following a series of unprecedented efforts by their respective governments to stimulate the economies through both monetary policy and fiscal policy since the start of the crisis in October last year.

Property Sales

In Hong Kong, we have almost sold all of our luxury residential units at 31 Robinson Road, Mid-levels. For the first half of 2009, total property sales from this residential project rose to HK\$463 million, an increase of 18.9% over the first half of 2008. Together with the final income distribution from the Group's co-investment in one of the Macau property development projects in the Orient Pearl District, Villa de Mer, a total operating profit of HK\$957 million was recorded for the first half of 2009, an increase of 95.1% over the corresponding period last year.

As stated above, the Group has received the final income distribution from the Villa de Mer project in the first half of 2009. Including the distribution received in 2008, this project has contributed a total of HK\$821 million to the Group's net profit.



Property Development

The Group's land bank for development amounted to approximately 4.4 million sq m of attributable gross floor area as of end-June 2009 and details of its major development projects are set out as follows.

Hong Kong

Ngau Chi Wan, Kowloon

The site is located at 35 Clear Water Bay Road in Ngau Chi Wan, covering a site area of 19,335 sq m. This development project is wholly owned by the Group. It will be developed into a luxury residential and commercial complex, together with a modern shopping arcade, a first-class club house and community facilities, covering a gross floor area of approximately 196,400 sq m. The Group has accepted the provisional basic terms of the land exchange and the land premium negotiation is in process.

Belcher's Street, Hong Kong

This site is located in the neighborhood of a high-end residential zone and it is wholly owned by the Group. It will be developed into a multi-storey luxury residential tower, together with a club house and car parking spaces and retail shops on the ground floor, covering a gross floor area of approximately 5,600 sq m. Foundation work will be commenced soon.

Macpherson Stadium Project, Kowloon

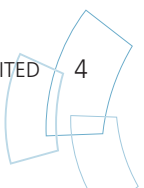
This is a joint venture redevelopment project with Urban Renewal Authority and Hong Kong Playground Association. The site is located in a prime location of Mongkok and it will be developed into a luxury residential and commercial complex, together with a multi-purpose sports stadium, a youth centre and car parking spaces with a gross floor area of approximately 24,800 sq m. Foundation work has recently been commenced.

Others

The Group also possesses two wholly-owned residential redevelopment sites located at Sai Yeung Choi Street North and Pok Fu Lam Road. Currently, they are at the planning stage.

Macau

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



Pacifica Garden, Taipa

Pacifica Garden is located in Taipa, Macau and the development comprises two residential building towers of a total of 295 units together with a five-star club house and 6 retail shops on the ground floor, covering a gross floor area of 35,900 sq m. Polytec Asset owns a 58% interest in the project. Construction work is scheduled to be completed in September this year and the Occupation Permit is expected to be granted by the end of the year.

Lote P, The Orient Pearl District

Lote P is located in the Orient Pearl District, Macau, covering an aggregate site area of approximately 68,000 sq m. It will be developed by phases into various luxury residential towers, together with a large shopping arcade, a five-star club house and car parking spaces, covering an aggregate gross floor area of approximately 699,800 sq m. Polytec Asset owns an 80% interest in this project under a co-investment agreement. The master plan of the development has been approved and the building plan was submitted to the relevant government authorities for approval.

Lotes T & T1, The Orient Pearl District

Lotes T & T1 are located in the Orient Pearl District, Macau, covering an aggregate site area of approximately 17,900 sq m. This project will be developed into a number of luxury residential blocks with retail shops and car parking spaces, covering an aggregate gross floor area of approximately 187,000 sq m. Polytec Asset owns an 80% interest in this project under a co-investment agreement. The architectural plan has been approved by the government. Construction work will be commenced in the first half of next year if other regulatory approvals are successfully obtained.

Mainland China

Dongling District, Shenyang

This site is located in the Dongling District, Shenyang and the development covers a tentative gross floor area of approximately 2,200,000 sq m. It should be noted that we are in the process of negotiating with the local government and the total final gross floor area figure is still subject to further adjustments. This project is wholly owned by the Group. The building plan for a portion of the first phase of the development, which comprises low-rise and medium-rise residential blocks, will be submitted to the local authorities for approval shortly. Foundation work is expected to be commenced immediately after we obtain all approvals from the relevant government authorities.

Nanhai District, Foshan

This site is located in the Nanhai District of Foshan (Guangdong Province). This large-scale joint-venture residential and commercial project with CITIC Property Group covers a total site area of approximately 4,000,000 sq m. The project will be developed into mainly a cluster of luxury low-rise residential units, together with a deluxe five-star hotel, a world-class golf course, a shopping arcade, a school and a wetland nature reserve zone, with a gross floor area of approximately 1,600,000 sq m. The Group owns a 50% interest in the development project. The initial pre-sale of residential units under the first phase of development started in the second quarter of 2009 has been well received by the market, with total pre-sales proceeds already over RMB1 billion.



Hedong District, Tianjin

The site is located in a prime area of the central business district of Hedong, Tianjin. The project comprises a residential and commercial complex with luxury residential and office towers, a five-star hotel and a first-class shopping arcade, with a gross floor area of approximately 930,000 sq m. The Group's effective interest in this project was 61% as of end-June 2009. In late July 2009, the Group entered into an equity transfer agreement to sell its 12% interest to Tianjin CITIC Real Estate Investment Co., Ltd. ("Tianjin CITIC") following which the Group will own an effective 49% interest in the project upon completion of the disposal. The project is under the planning stage and construction work will be commenced in mid-2010.

Shiqi District, Zhongshan

This site is located in the Shiqi District, the central business area of Zhongshan. It will be developed into 7 high-end towers of over 1,200 residential units, together with a club house, retail shops and car parking spaces, covering an aggregate gross floor area of approximately 126,600 sq m. The Group owns a 70% interest in the project. Demolition work has been almost completed and foundation work is expected to start shortly.

Property Investment

For the first six months of 2009, gross rental income generated from the Group's property investment portfolio amounted to HK\$135 million, an increase of 5.9% over the corresponding period of last year. The total rental income from Pioneer Centre, the Group's flagship investment property, amounted to HK\$108 million for the first half of the year, with gross rental income from the retail portion rising 6.7% year-on-year due to a nearly 100% occupancy rate and rising rental of the retail spaces.

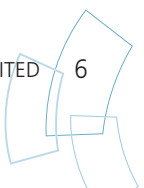
Property Management

The Group offers a full range of property management services to both private and public sectors, from luxury residential to public housing estates, and from serviced apartments to commercial buildings. The property management team is committed to develop strong specialist capabilities in meeting the clients' needs. Property management portfolio covers a gross floor area of approximately 1,075,000 sq m as of end-June 2009.

Finance and Investments

We have substantially reduced our investment portfolio position since the end of last year. As of end-June 2009, the total value of the Group's financial investments was reduced to HK\$110 million from HK\$236 million at end-2008, and the maximum commitments of the Group under remaining two forward agreements, which will expire on 23 September 2009, were at an insignificant level of HK\$69 million.

Total operating profit generated from the Group's finance and investments activities amounted to HK\$109 million for the first half of this year compared to an operating loss of HK\$19 million in the corresponding period of 2008.



Polytec Asset Holdings Limited

Polytec Asset, a 73.44%-owned listed subsidiary of the Company, is the Group's development and investment arm in Macau. The net profit of Polytec Asset attributable to the Group for the period under review amounted to HK\$514 million, representing an increase of 282% over the corresponding period of last year. The considerable increase in its profit contribution was mainly driven by the final income distribution from the co-investment in Villa de Mer in the first half of 2009.

Shenzhen Properties

The Group terminated the 2005 proposed acquisition of Shenzhen Properties & Resources Development (Group) Limited ("Shenzhen Properties"). The settlement was completed and the Group received refunds of deposits and earnest money together with interest and compensation for the foreign exchange loss arising thereof. The Group recognized an attributable gain of approximately HK\$38 million.

Post-30 June 2009 Events

On 29 July 2009, the Company entered into an equity transfer agreement in relation to the disposal of 12% interest in Polytec CITIC Property (Tianjin) Co., Ltd., an effectively 61%-owned subsidiary of the Company, to Tianjin CITIC. As detailed in the Company's circular dated 20 August 2009, completion of the disposal is subject to conditions which have yet to be fulfilled. Upon completion, total proceeds of approximately RMB271 million will be received, consisting of RMB49 million as consideration and a further receipt of RMB222 million in relation to a reduction of the Company's contribution to the Tianjin project.

On 13 August 2009, as detailed in the circular dated 3 September 2009, the Company entered into a sale and purchase agreement in relation to the acquisition of two property development companies, which are holding development projects located in North Point of Hong Kong and Hun Nan Xin District of Shenyang City, China covering a gross floor area of approximately 5,700 sq m and 579,000 sq m respectively, from Polytec Holdings International Limited, the controlling shareholder of the Company, for an aggregate consideration of HK\$857 million. The completion of the acquisition is subject to approval by independent shareholders of the Company at an extraordinary general meeting to be held on 28 September 2009 and the fulfilment of certain other conditions. Upon completion, it will add approximately 584,700 sq m gross floor area to the Group's land bank.

Prospects

Since the beginning of the financial turmoil in October last year, major leading countries around the globe have concurrently launched a series of unprecedented efforts to revitalize their economies through both monetary policy and fiscal policy. Consequently, market sentiment as well as investor confidence has gradually been recovering since the second quarter of this year.

As a result of unprecedented monetary easing and aggressive fiscal expansion, interest rates in the Greater China region have remained exceptionally low since the start of the crisis. In such an abnormally low interest rate environment, together with relatively cheap bank credit, there are growing prospective home buyers looking for affordable housing in the region. Moreover, some investors have started



to worry about inflation, which could erode the purchasing power of money, and with inflation fears, they gradually adjust their investment portfolio by purchasing properties as a hedge. Therefore demand for properties in Hong Kong, Macau and Mainland China has risen substantially, with both transaction volume and average selling prices in the region rebounding considerably since the second quarter of the year.

We remain cautiously optimistic about the outlook for the property markets in the Greater China region given that we do not expect the policy makers from major leading countries around the world to tighten their monetary policies too dramatically in the coming year.

Since the start of the year, the Group has entered into two transactions, which consequently would further enhance its cash position. In April 2009, the Company terminated the acquisition of equity interests in Shenzhen Properties and generated an aggregate cash inflow of approximately HK\$276 million. In July 2009, the Group entered into an agreement to sell a 12% equity interest of the Tianjin project to Tianjin CITIC. Upon completion, the total cash to be received from this transaction amounts to approximately HK\$308 million.

In August 2009, the Group entered into a conditional sale and purchase agreement to acquire two development sites, in Hong Kong and Shenyang, from its controlling shareholder for a total cost of HK\$857 million. Thus, these acquisitions, if completed, will initially draw a relatively insignificant amount of cash from the Group as only HK\$90 million will be paid in cash upon completion, with the balance being payable in a year without any interest cost. The two development projects are currently under construction and they are expected to start generating solid income for the Group in 2010-2011. The Group's land bank will be increased by 584,700 sq m upon completion of the acquisition. The Group will continue to explore investment opportunities to maximise return for its shareholders.

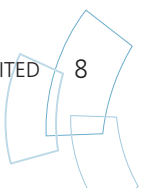
Barring unforeseen circumstances, the Group is expected to deliver satisfactory results for the full year of 2009.

Appreciation

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

Or Wai Sheun
Chairman

Hong Kong, 8 September 2009





Financial Review

Financial Resources and Bank Borrowings

As at 30 June 2009, the Group had total bank borrowings of HK\$2,128 million repayable within one year, of which a substantial portion related to a 5-year term loan with maturity in 2010. The Group is currently negotiating with banks for the re-financing arrangement. The net borrowings position of the Group as at the interim period end date was HK\$1,528 million after taking into account cash and cash equivalents of HK\$600 million. There was a decrease of HK\$533 million as compared with the net borrowings of HK\$2,061 million as at 31 December 2008. Loan from/amount payable to the ultimate holding company amounted to HK\$3,011 million as at period end of 30 June 2009 (year-end 2008: HK\$3,160 million).

The Group's gearing ratio (calculated on the basis of net bank borrowings and payables to the ultimate holding company over equity attributable to shareholders of the Company) was 28.3% as at 30 June 2009 as compared with 32.6% at 2008 year end. The decrease in the Group's gearing is attributable mainly to the sale of 31 Robinson Road and inflow of fund from the Group's activity in Mainland China.

During the period under review, the sale of 31 Robinson Road generated a cash inflow of approximately HK\$459 million. Deposits and earnest money refunded together with compensation money and interest received in connection with the termination of the proposed acquisition of Shenzhen Properties amounted to approximately HK\$250 million.

All the Group's borrowings are arranged on a floating rate basis. The Group is continuously monitoring and managing its exposure to interest rate fluctuations. When necessary, the Group will consider engaging in relevant hedging arrangements to control its exposure to interest rate risk.

With the Group's investments in projects of Mainland China, the Group is exposed to exchange fluctuations on Renminbi ("RMB"). The Group is currently seeking appropriate RMB borrowings to finance the development of these projects. Moreover, the Group's RMB denominated revenue generated from the development projects serves as a hedge against the exchange rate risk of RMB in respect of the Group's commitments to the projects in Mainland China.

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



Capital Commitments

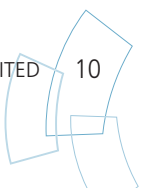
As at 30 June 2009, in connection to the Group's investment properties, the Group had commitments for construction work which amounted to HK\$128 million.

Pledge of Assets

As at the balance sheet date, properties and financial investments amounting to HK\$4,739 million and time deposits of HK\$1 million were pledged to financial institutions mainly to secure credit facilities extended to the Group.

Contingent Liabilities

The Group has given two guarantees in respect of banking facilities granted to a jointly controlled entity in Mainland China. One guarantee is provided in a joint and several basis in the amount of RMB200 million. The joint venture partner and the Group have signed a mutual indemnification agreement by which each will indemnify the other on a 50:50 basis for any loss in connection from the provision of the guarantee. The banking facility was utilized to the extent of RMB80 million as at 30 June 2009. The other guarantee amounts to RMB190 million, representing a 50% proportional guarantee in respect of a RMB380 million term loan facility which was fully utilized as at 30 June 2009.



Consolidated Income Statement

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2009 (unaudited) \$'000	2008 (unaudited) \$'000
Turnover	3	1,673,406	4,829,354
Cost of sales		(476,428)	(3,917,656)
Other revenue	4(a)	52,298	12,041
Other net income/(expenses)	4(b)	73,764	(267,114)
Depreciation and amortization		(5,617)	(5,020)
Staff costs		(68,061)	(32,719)
Other operating expenses		(55,988)	(30,509)
Fair value changes on investment properties	8	12,530	408,400
Profit from operations		1,205,904	996,777
Finance costs	4(c)	(12,119)	(18,700)
Share of profits of associated companies	4(e)	520	16
Share of profits less losses of jointly controlled entities	4(f)	(14,427)	8,273
Profit before taxation	4	1,179,878	986,366
Income tax	5	(56,954)	(79,706)
Profit for the period		1,122,924	906,660
Attributable to:			
Shareholders of the Company		887,141	854,076
Minority interests		235,783	52,584
Profit for the period		1,122,924	906,660
Earnings per share – Basic/Diluted	7	\$0.77	\$0.74
Dividend per share	6	\$0.20	\$0.19

The notes on pages 18 to 34 form part of the interim financial report.

Consolidated Statement of Comprehensive Income

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2009 (unaudited) \$'000	2008 (unaudited) \$'000
Profit for the period	1,122,924	906,660
Other comprehensive income for the period		
Exchange differences on translation of accounts of overseas subsidiaries	1,074	77,016
Changes in fair value of available-for-sale investments	(3,914)	(667,473)
Changes in fair value of interests in property development	(163,068)	870,849
Transfer to income statement upon recognition from interests in property development	(751,098)	(218,350)
Share of other comprehensive income of jointly controlled entities	268	40,576
	(916,738)	102,618
Total comprehensive income for the period	206,186	1,009,278
Attributable to:		
Shareholders of the Company	244,604	791,132
Minority interests	(38,418)	218,146
Total comprehensive income for the period	206,186	1,009,278

The notes on pages 18 to 34 form part of the interim financial report.

Consolidated Balance Sheet

(Expressed in Hong Kong dollars)

		At 30 June 2009		At 31 December 2008	
	Note	(unaudited) \$'000	(unaudited) \$'000	(audited) \$'000	(audited) \$'000
Non-current assets					
Fixed assets					
– Investment properties			6,046,190		6,027,990
– Leasehold land held for own use			242,696		245,961
– Other property, plant and equipment			40,087		41,725
			6,328,973		6,315,676
Interests in property development	8		10,087,994		10,251,062
Interest in jointly controlled entities	9		1,226,884		1,241,043
Interest in associated companies			8,103		7,584
Financial investments	10		29,767		33,681
Loans and advances			11,898		14,085
Deferred tax assets			35,715		31,711
			17,729,334		17,894,842
Current assets					
Inventories	11		5,731,561		5,854,969
Interest in property development	9		–		1,601,329
Trade and other receivables	12		2,001,519		2,196,512
Loans and advances			41,631		42,407
Amounts due from jointly controlled entities			674,367		997,314
Derivative financial instruments	13		2,715		–
Financial investments	10		80,459		202,176
Time deposits (pledged)			816		18,810
Cash and cash equivalents			599,727		967,499
			9,132,795		11,881,016
Current liabilities					
Trade and other payables	14		1,005,614		2,676,052
Amount due to ultimate holding company			1,380		1,380
Amounts due to minority shareholders			486,352		461,158
Derivative financial instruments	13		–		45,526
Bank loans			2,127,500		1,166,000
Current taxation			276,895		398,870
			3,897,741		4,748,986
Net current assets			5,235,054		7,132,030
Total assets less current liabilities			22,964,388		25,026,872

Consolidated Balance Sheet

	Note	At 30 June 2009		At 31 December 2008	
		(unaudited) \$'000	(unaudited) \$'000	(audited) \$'000	(audited) \$'000
Non-current liabilities					
Loan from ultimate holding company	15	2,446,735		2,473,789	
Amount payable to ultimate holding company	16	564,702		686,497	
Bank loans		–		1,862,000	
Deferred tax liabilities		906,997		900,145	
			3,918,434		5,922,431
Net assets			19,045,954		19,104,441
Capital and reserves					
Share capital	17		115,068		115,068
Reserves			15,914,074		15,899,606
Total equity attributable to shareholders of the Company			16,029,142		16,014,674
Minority interests			3,016,812		3,089,767
Total equity			19,045,954		19,104,441

Approved and authorized for issue by the board of directors on 8 September 2009.

The notes on pages 18 to 34 form part of the interim financial report.

Consolidated Statement of Changes in Equity

(Expressed in Hong Kong dollars)

(unaudited)	Attributable to shareholders of the Company								
	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Fair value reserves \$'000	Exchange reserves \$'000	Retained profits \$'000	Total \$'000	Minority interests \$'000	Total equity \$'000
At 1 January 2009	115,068	8,302,404	2,154	2,257,976	331,702	5,005,370	16,014,674	3,089,767	19,104,441
Changes in equity for the six months ended 30 June 2009									
Dividends approved in respect of the previous year	-	-	-	-	-	(230,136)	(230,136)	-	(230,136)
Dividend paid to minority interests	-	-	-	-	-	-	-	(15,623)	(15,623)
Loans from minority shareholders	-	-	-	-	-	-	-	1,251	1,251
Reclassified to amounts due to minority shareholders	-	-	-	-	-	-	-	(20,165)	(20,165)
Total comprehensive income for the period	-	-	-	(643,024)	487	887,141	244,604	(38,418)	206,186
At 30 June 2009	115,068	8,302,404	2,154	1,614,952	332,189	5,662,375	16,029,142	3,016,812	19,045,954

As at 30 June 2009, loans from minority shareholders \$182,941,000 (at 31 December 2008: \$201,855,000) is classified as equity being the capital contributions on subsidiaries by the minority shareholders.

Consolidated Statement of Changes in Equity

(unaudited)	Attributable to shareholders of the Company								
	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Fair value reserves \$'000	Exchange reserves \$'000	Retained profits \$'000	Total \$'000	Minority interests \$'000	Total equity \$'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
Changes in equity for the six months ended 30 June 2008									
Dividends approved in respect of the previous year	-	-	-	-	-	(552,327)	(552,327)	-	(552,327)
Dividend paid to minority interests	-	-	-	-	-	-	-	(33,503)	(33,503)
Total comprehensive income for the period	-	-	-	(181,061)	118,117	854,076	791,132	218,146	1,009,278
At 30 June and 1 July 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
Changes in equity for the six months ended 31 December 2008									
Dividends approved in respect of the current year	-	-	-	-	-	(218,629)	(218,629)	-	(218,629)
Dividend paid to minority interests	-	-	-	-	-	-	-	(13,394)	(13,394)
Loans from minority shareholders	-	-	-	-	-	-	-	165,090	165,090
Minority interests of a subsidiary acquired	-	-	-	-	-	-	-	60,014	60,014
Decrease in minority interests attributable to an increase in shareholding of a subsidiary	-	-	-	-	-	-	-	(1,477,122)	(1,477,122)
Total comprehensive income for the period	-	-	-	300,308	70,269	(1,483,342)	(1,112,765)	(541,485)	(1,654,250)
At 31 December 2008	115,068	8,302,404	2,154	2,257,976	331,702	5,005,370	16,014,674	3,089,767	19,104,441

The notes on pages 18 to 34 form part of the interim financial report.

Condensed Consolidated Cash Flow Statement

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2009 (unaudited) \$'000	2008 (unaudited) \$'000
Net cash from operating activities	915,121	62,591
Net cash used in investing activities	(14,475)	(1,598,623)
Net cash (used in)/from financing activities	(1,268,475)	1,087,102
Net decrease in cash and cash equivalents	(367,829)	(448,930)
Cash and cash equivalents at 1 January	967,499	907,961
Effect of foreign exchange rate changes	57	8,086
Cash and cash equivalents at 30 June	599,727	467,117

The notes on pages 18 to 34 form part of the interim financial report.

Notes on the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)



1 Basis of preparation

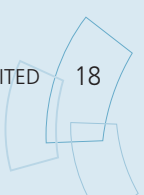
The unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”,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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 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 2008 annual financial statements.

The financial information relating to the financial year ended 31 December 2008 that is included in the interim financial report as being previously reported information 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 7 April 2009.



2 Changes in accounting policies

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which term collectively includes Hong Kong Financial Reporting Standards, HKASs and Interpretations) that are effective for the current accounting period of the Group. The adoption of these new and revised HKFRSs has no material impact on the results and financial position of the Group. Except as described below, the interim financial report has been prepared on a basis consistent with the accounting policies adopted in the 2008 annual financial statements.

As a result of the adoption of HKAS 1 (revised 2007), “Presentation of financial statements”, details of changes in equity during the period arising from transactions with shareholders of the Company in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expenses are presented in the consolidated income statement, if they are recognized as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation.

HKFRS 8, “Operating segments”, requires segment disclosure to be based on the way that the Group’s top management regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group’s top management for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group’s financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group’s top management, and has resulted in amended disclosure being presented. Corresponding amounts have been provided on a basis consistent with the revised segment information.

As a result of amendments to HKAS 40, “Investment property”, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognized in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognized in profit or loss. This change in policy has no impact on net assets or profit or loss for any of the periods presented.



3 Segment reporting

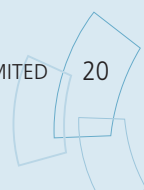
The Group manages its business by a mixture of both business lines and geography. On adoption of HKFRS 8, "Operating segments", and in a manner consistent with the way in which information is reported internally to the Group's top management for the purposes of assessing segment performance and allocating resources between segments, the Group has identified the following six reportable segments.

- Property development segment (Hong Kong/Macau/Mainland China): the development and sales of properties. Given the importance of property development division to the Group, the Group's property development business is segregated further into three reportable segments on a geographical basis.
- Property investment segment: the leasing of properties to generate rental income and to gain from the appreciation in the properties' values in the long term.
- Finance and investments segment: the financial investments and the provision of finance services.
- Other businesses segment: mainly includes income from the sale of ice and the provision of cold storage services and treasury operations.

Turnover comprises mainly rental income from properties, gross proceeds from sales of properties and held for trading investments, dividend and interest income.

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

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



Notes on the Unaudited Interim Financial Report

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:

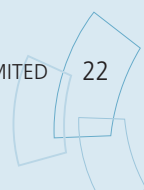
	Six months ended 30 June 2009						
	Consolidated	Property development			Property investment	Finance and investments	Others
		Hong Kong	Macau	Mainland China			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Turnover	1,673,406	463,700	751,648	-	135,493	300,416	22,149
Reportable segment profit	1,207,353	222,858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



3 Segment reporting (Continued)

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

	Six months ended 30 June 2008						
	Consolidated	Property development			Property investment	Finance and investments	Others
		Hong Kong	Macau	Mainland China			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover	4,829,354	389,528	240,068	-	127,986	4,047,274	24,498
Reportable segment profit	613,180	273,977	222,498	(6,053)	138,405	(18,617)	2,970
Fair value changes on investment properties	408,400	-	-	-	408,400	-	-
Head office and corporate expenses	(16,514)						
Finance costs	(18,700)						
Profit before taxation	<u>986,366</u>						
Share of profits of associated companies	16	-	-	-	-	-	16
Share of profits less losses of jointly controlled entities	8,273	-	-	(1,814)	10,087	-	-



Notes on the Unaudited Interim Financial Report

3 Segment reporting (Continued)

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

	At 30 June 2009						
	Consolidated	Property development			Property investment	Finance and investments	Others
		Hong Kong	Macau	Mainland China			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	26,193,754	3,383,143	10,895,451	4,842,844	6,599,773	182,900	289,643
Deferred tax assets	35,715						
Time deposit (pledged)	816						
Cash and cash equivalents	599,727						
Head office and corporate assets	32,117						
Consolidated total assets	26,862,129						
Interest in associated companies	8,103	-	-	-	-	-	8,103
Interest in jointly controlled entities	1,901,251	-	-	1,356,559	544,692	-	-

	At 31 December 2008						
	Consolidated	Property development			Property investment	Finance and investments	Others
		Hong Kong	Macau	Mainland China			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	28,559,441	3,577,944	12,615,890	5,156,141	6,596,184	321,765	291,517
Deferred tax assets	31,711						
Time deposit (pledged)	18,810						
Cash and cash equivalents	967,499						
Head office and corporate assets	198,397						
Consolidated total assets	29,775,858						
Interest in associated companies	7,584	-	-	-	-	-	7,584
Interest in jointly controlled entities	2,238,357	-	-	1,676,828	561,529	-	-



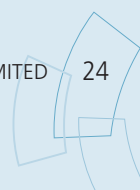
4 Profit before taxation

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

- (a) In 2009, other revenue included an aggregate amount of \$46,859,000 being the compensation and interest received/receivable upon the termination of the proposed acquisition of Shenzhen Properties & Resources Development (Group) Limited ("Shenzhen Properties") by the Company.
- (b) Other net income/(expenses) represents fair value changes on held for trading listed investments of gain \$25,523,000 (2008: loss \$417,761,000) and derivative financial instruments of gain \$48,241,000 (2008: gain \$150,647,000).
- (c) Finance costs

	Six months ended 30 June	
	2009 \$'000	2008 \$'000
Interest on bank loans and overdrafts	10,085	27,294
Interest on loan from/amount payable to ultimate holding company	11,040	18,912
Less: Amount capitalized (Note)	(9,006)	(27,506)
	12,119	18,700

Note: Borrowing costs were capitalized at the rates of 0.59% – 2.05% (2008: 1.87% – 4.18%) per annum.



4 Profit before taxation (Continued)

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

(d) Other items

	Six months ended 30 June	
	2009 \$'000	2008 \$'000
Rentals receivable under operating leases		
less outgoings	(132,567)	(121,283)
Rental income	(135,493)	(127,986)
Less: Outgoings	2,926	6,703
Interest income	(11,380)	(19,674)
Dividend income from available-for-sale investments	–	(8,298)
Dividend income from held for trading listed equity investments	(190)	(39,013)
Income from bonds held for trading	(3,536)	(2,666)
Realized gain on held for trading listed equity investments	(25,310)	(181,777)

(e) The Group's share of profits of associated companies for the period, after minority interests and taxation, attributable to shareholders of the Company was \$520,000 (six months ended 30 June 2008: \$16,000).

(f) The Group's share of losses of the jointly controlled entities for the period, after minority interests and taxation, attributable to shareholders of the Company was \$12,974,000 (six months ended 30 June 2008: profits of \$4,190,000).



5 Income tax

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2009 \$'000	2008 \$'000
Current tax		
Provision for profits tax		
– Hong Kong	48,454	103,314
– Outside Hong Kong	5,652	3,812
	54,106	107,126
Deferred tax	2,848	(27,420)
	56,954	79,706

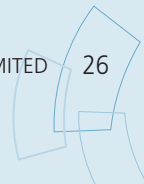
The provision for Hong Kong profits tax is calculated by applying the estimated effective tax rate of 16.5% (2008: 16.5%) to the six months ended 30 June 2009. Tax levied in jurisdictions outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in relevant jurisdictions.

6 Dividends

(a) Dividends attributable to the interim period

	Six months ended 30 June	
	2009 \$'000	2008 \$'000
Interim dividend declared after the interim period of \$0.20 (2008: \$0.19) per share	230,136	218,629

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



6 Dividends *(Continued)*

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

	Six months ended 30 June	
	2009 \$'000	2008 \$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of \$0.20 (2008: \$0.48) per share	230,136	552,327

7 Earnings per share

- (a) The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of \$887,141,000 (six months ended 30 June 2008: \$854,076,000) and weighted average number of ordinary shares in issue during the period of 1,150,681,275 (six months ended 30 June 2008: 1,150,681,275).
- (b) There are no diluted potential shares in existence during the six months ended 30 June 2009 and 2008.

8 Fixed assets

The investment properties of the Group were revalued at 30 June 2009 by Vigers Appraisal and Consulting Limited and DTZ Debenham Tie Leung Limited, independent qualified professional valuers, who have appropriate qualifications and experiences in the valuation of similar properties in the relevant locations, on a market value basis in their existing states by reference to comparable market transactions and where appropriate on the basis of capitalization of the net rental income allowing for reversionary income potential. A revaluation gain of \$12,530,000 (six months ended 30 June 2008: \$408,400,000) and deferred tax thereon of \$2,025,000 (six months ended 30 June 2008: \$67,386,000) have been included in the consolidated income statement.



9 Interests in property development

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

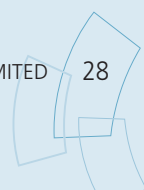
During the period, pursuant to one of the co-investment agreements, a distribution of \$1,601,399,000 (six months ended 30 June 2008: \$463,000,000) was made by a wholly owned subsidiary of Polytec Holdings in relation to the property project at Lote V, The Orient Pearl District, Novos Aterros da Areia Preta, Macau.

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

10 Financial investments

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
Non-current assets		
Available-for-sale investments		
– Investment fund, unlisted	29,767	33,681
Current assets		
Held for trading listed investments		
– Equity shares, listed in Hong Kong	27,855	168,656
– Bonds, listed outside Hong Kong	52,604	33,520
	80,459	202,176
	110,226	235,857
Market value of financial investments		
– Listed in Hong Kong	27,855	168,656
– Listed outside Hong Kong	52,604	33,520

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



11 Inventories

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
Land held for future development	253,161	460,070
Properties under development	5,308,628	5,021,713
Properties held for sale	169,609	373,010
Trading goods	163	176
	5,731,561	5,854,969

12 Trade and other receivables

The following is an ageing analysis of trade receivables:

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
Current	188,955	188,449
Less than 3 months past due	6,618	3,414
3 months to 6 months past due	268	624
More than 6 months past due	7,659	8,597
Amounts past due	14,545	12,635
Trade receivables	203,500	201,084
Utility and other deposits	6,486	4,185
Other receivables and prepayments	1,791,533	1,991,243
	2,001,519	2,196,512

Utility and other deposits of the Group of \$3,209,000 (at 31 December 2008: \$4,016,000) are expected to be recovered after more than one year.



12 Trade and other receivables *(Continued)*

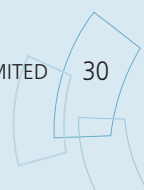
As at 31 December 2008, prepayments of the Group of an amount of \$225,743,000 represented the deposit paid for the proposed acquisition of approximately 70.3% of the issued shares of Shenzhen Properties. During the period, an agreement was signed between the Group and the relevant parties to discontinue the acquisition of Shenzhen Properties. Accordingly, the aforesaid deposit was returned from the vendor.

Prepayments of the Group of an amount of approximately \$1,701,587,000 (at 31 December 2008: \$1,700,892,000) represents payments made for the acquisition of a composite property development site located in Tianjin of the Mainland China.

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 Derivative financial instruments

As at 30 June 2009, the Group has two (at 31 December 2008: four) forward agreements to purchase certain Hong Kong listed equity investments at fixed price over 52-week period from the dates of the agreements which will be expired in September 2009. 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, assuming the market prices of the equity investments remain below the fixed purchase price were \$69 million (at 31 December 2008: \$236 million). During the six months ended 30 June 2009, the Group has not entered into any new forward agreement to purchase or sell any listed equity investments.



14 Trade and other payables

The following is an ageing analysis of trade payables:

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
Not yet due or on demand	45,145	85,372
Within 3 months	18,537	57,700
3 months to 6 months	134	27,624
More than 6 months	59,567	17,300
Trade payables	123,383	187,996
Rental and other deposits	64,056	63,994
Other payables and accrued expenses	316,198	1,937,367
Deposits received on sale of properties	501,977	486,695
	1,005,614	2,676,052

Rental and other deposits of the Group of \$60,840,000 (at 31 December 2008: \$60,335,000) are expected to be refunded after more than one year.

Other payables and accrued expenses of the Group of \$123,614,000 (at 31 December 2008: \$123,893,000) are expected to be refunded/settled after more than one year.

Deposits received on sale of properties of the Group of \$501,977,000 (at 31 December 2008: \$486,695,000) are expected to be recognized as income within one year.

As at 31 December 2008, other payables and accrued expenses of the Group included an amount of \$1,613,516,000 received from a subsidiary of Polytec Holdings in respect of the Group's interests in property development in Macau which was settled in the period.

15 Loan from ultimate holding company

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



16 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 at HIBOR plus a margin per annum and is not expected to settle within one year.

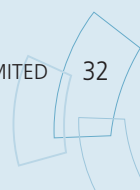
17 Share capital

	At 30 June 2009		At 31 December 2008	
	No. of shares of \$0.1 each	Amount \$'000	No. of shares of \$0.1 each	Amount \$'000
Authorized	5,000,000,000	500,000	5,000,000,000	500,000
Issued and fully paid	1,150,681,275	115,068	1,150,681,275	115,068

18 Capital commitments

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

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
Contracted for		
– Formation of subsidiaries	–	83,144
– Investment properties	5,232	8,242
	5,232	91,386
Authorized but not contracted for		
– Investment properties	123,000	123,000



19 Contingent liabilities

As at 30 June 2009, the Group has given two guarantees in respect of banking facilities and other obligations of a jointly controlled entity in Mainland China. One guarantee is provided on a joint and several basis with the other joint venture partner in respect of RMB200,000,000 (at 31 December 2008: RMB200,000,000). The joint venture partner and the Group had signed a mutual indemnification agreement by which each other will be indemnified on a 50:50 basis for any loss in connection from the provision of the guarantee. The facility was utilized to the extent of RMB80,000,000 (at 31 December 2008: RMB120,000,000), as at 30 June 2009. The other guarantee amounts to RMB190,000,000 (at 31 December 2008: RMB Nil) representing a 50% proportional guarantee in respect of a RMB380,000,000 term loan facility (at 31 December 2008: RMB Nil). The facility was utilized to the extent of RMB380,000,000 (at 31 December 2008: RMB Nil) as at 30 June 2009.

20 Pledge of assets

As at 30 June 2009, properties and financial investments of the Group with an aggregate carrying value of approximately \$4,739,289,000 (at 31 December 2008: \$6,740,495,000) and time deposits of \$816,000 (at 31 December 2008: \$18,810,000) were pledged to banks under fixed charges mainly to secure general banking facilities granted to the Group.

21 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 obligations of the Company in respect of its obligations in the property development project in Tianjin, Mainland China.
- (b) During the period, an amount of \$1,601,399,000 (six months ended 30 June 2008: \$463,000,000) was received/receivable from a subsidiary of Polytec Holdings being distribution of one of the Group's interests in property development in Macau as stated in note 9. Profit attributable to the Group of \$519,353,000 (six months ended 30 June 2008: \$129,962,000) was recognized during the period.
- (c) As at 30 June 2009, the Group has given guarantees to insurance companies in respect of performance bonds entered into by certain associated companies to the extent of \$8,476,000 (at 31 December 2008: \$6,532,000).



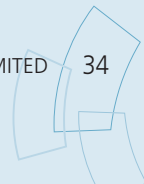
22 Post balance sheet event

- (a) On 29 July 2009, the Company entered into an equity transfer agreement which the Company agreed to sell its 12% interest in the registered capital of an effectively 61% owned subsidiary in Tianjin, Mainland China (the "Project Company") for a consideration of RMB49,500,000 to a wholly owned subsidiary of a joint venture partner. In connection therewith, the Company would further receive an amount of approximately RMB221,877,000 in relation to a reduction of the Company's contribution to the Tianjin project. Upon completion of the transfer, the Company's effective interest in the Project Company will be reduced from 61% to 49% and therefore the Project Company will no longer be a subsidiary of the Company and will be accounted for as an associated company of the Company thereafter.

- (b) On 13 August 2009, the Company entered into an agreement with Polytec Holdings for the acquisition of the entire share capital of two wholly owned subsidiaries of Polytec Holdings together with the assignment of related shareholder's loans at an aggregate consideration of \$856,506,000. The assets held by the two subsidiaries are substantially two development projects located in Hong Kong and Shenyang, Mainland China, respectively.

23 Comparative figures

As a result of the application of HKAS 1 (revised 2007), "Presentation of financial statements", and HKFRS 8, "Operating segments", certain comparative figures have been adjusted to conform with the presentation of the interim period under review and to provide comparative amounts in respect of items disclosed for the first time in 2009.



Other Information

Code on Corporate Governance Practices

During the six months ended 30 June 2009, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save for the deviation under code provision A.2.1 as disclosed in the 2008 Annual Report of the Company.

Code 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.

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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2009.

Directors' Interests and Short Positions

As at 30 June 2009, the interests 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 (the "SFO")) as recorded in the register required to be kept 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, were as follows:

1 Long Positions in the Shares of the Company

Name	Nature of interests	Number of shares	Approximate percentage of shareholding (Note 1)	Notes
Or Wai Sheun	Founder and beneficiary of a trust	802,830,124		2
	Corporate	277,500		3
		<u>803,107,624</u>	69.79%	
Ng Chi Man	Beneficiary of a trust	802,830,124	69.77%	2
Or Pui Kwan	Beneficiary of a trust	802,830,124		2
	Personal	43,500		
		<u>802,873,624</u>	69.77%	

Name	Nature of interests	Number of shares	Approximate percentage of shareholding (Note 1)	Notes
Lok Kung Chin, Hardy	Founder and beneficiary of a trust	1,425,000	0.12%	4
Lai Ka Fai	Personal	701,000	0.06%	
Keith Alan Holman	Personal	567,000	0.05%	
Tam Hee Chung	Personal	300,000	0.03%	
David John Shaw	Personal Family	133,500 67,000		5
		<u>200,500</u>	0.02%	
Yeung Kwok Kwong	Personal	165,000	0.01%	

2 Long Positions in the Shares of Polytec Asset Holdings Limited ("Polytec Asset")

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



Other Information

Notes:

- (1) The percentage of shareholding is calculated based on 1,150,681,275 shares, being the total number of issued shares of the Company as at 30 June 2009.
- (2) Such interest in shares is owned by Intellinsight Holdings Limited, a wholly-owned subsidiary of Polytec Holdings International Limited which is ultimately wholly-owned by a discretionary trust the trustee of which is Or Family Trustee Limited Inc. The said trust is in turn wholly-owned by another discretionary trust, the trustee of which is HSBC International Trustee Limited.

As Mr Or Wai Sheun is the founder of the trust and the discretionary objects of the trust include Mr Or Wai Sheun, Ms Ng Chi Man (his wife) and Mr Or Pui Kwan (his son), they are taken to be interested in the same block of shares held by the trust.
- (3) Such interest in shares is held by China Dragon Limited which is wholly-owned by Mr Or Wai Sheun.
- (4) Such interest in shares is owned by discretionary trusts of which Mr Lok Kung Chin, Hardy is the founder and a beneficiary respectively.
- (5) Such interest in shares is held by the spouse of Mr David John Shaw.
- (6) The percentage of shareholding is calculated based on 4,438,967,838 shares, being the total number of issued ordinary shares of Polytec Asset as at 30 June 2009. Polytec Asset is an associated corporation of the Company.
- (7) The three references to 3,260,004,812 shares in Polytec Asset relate to the same block of shares beneficially held by Marble King International Limited, a wholly-owned subsidiary of the Company. By virtue of the deemed interest in the shares of the Company as described in note (2) above, Mr Or Wai Sheun, Ms Ng Chi Man and Mr Or Pui Kwan are taken to be interested in the shares of Polytec Asset.

Save as disclosed above, none of the Directors or the chief executive of the Company had, as at 30 June 2009, 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

So far as is known to any Director, as at 30 June 2009, shareholders (other than Directors) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions in the Shares of the Company

Name	Nature of interests	Number of shares	Approximate percentage of shareholding (Note 1)	Notes
HSBC International Trustee Limited	Trustee	805,176,974	69.97%	2
Or Family Trustee Limited Inc.	Trustee	802,830,124	69.77%	2 & 3

Notes:

- (1) The percentage of shareholding is calculated based on 1,150,681,275 shares, being the total number of issued shares of the Company as at 30 June 2009.
- (2) Out of 805,176,974 shares held by HSBC International Trustee Limited, 802,830,124 shares are held in its capacity as trustee of a discretionary trust as described in note (2) under the section headed "Directors' Interests and Short Positions".
- (3) Such interest in the shares relates to the same block of shares as described in note (2) under the section headed "Directors' Interests and Short Positions".

Save as disclosed above, as at 30 June 2009, the Company has not been notified by any persons (other than Directors) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Human Resources and Remuneration Policy

At 30 June 2009, the Group had a total of 354 employees (31 December 2008: 362 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.

The Group conducts 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 on Thursday, 8 October 2009 and Friday, 9 October 2009. During which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 7 October 2009.

Corporate Citizenship

The Group is committed to enhance corporate citizenship and has become a corporate member of WWF Hong Kong since 2007. In 2008, the Group upgraded its membership to Pearl Member and continues to support their conservation and education work.



Review of Interim Results

The audit committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2009.



Mixed Sources

Product group from well-managed forests and other controlled sources

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