



九龍建業有限公司  
KOWLOON DEVELOPMENT COMPANY LIMITED

Stock Code 股份代號: 34

Interim Report 2014  
中期報告



Artist's Impression of  
Jiang Wan Nan An Hua Yuan (Huizhou)  
江灣南岸花園(惠州)之電腦構想圖



Artist's Impression of  
Hedong Project (Tianjin)  
河東項目(天津)之電腦構想圖



# Kowloon Development Company Limited

Kowloon Development Company Limited (Stock Code: 34) has been pursuing a three-tier development strategy in the Greater China region, with its core property business in the Hong Kong and Mainland China markets, and carrying out its Macau property business through its 73.4%-owned listed subsidiary, Polytec Asset Holdings Limited (Stock Code: 208). The Group is now well positioned in all three markets, with its attributable landbank exceeding 5 million sq m. It is committed to enhance its competitive advantages and to become one of the few listed companies in Hong Kong to have the capacity to grow significantly in all three markets.

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# Corporate Information

## Board of Directors and Committees

### Board of Directors

#### Executive Directors

Or Wai Sheun (*Chairman*)

Lai Ka Fai

Or Pui Kwan

#### Non-executive Directors

Keith Alan Holman (*Deputy Chairman*)

Ng Chi Man

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*)

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

#### Nomination Committee

Or Wai Sheun (*Chairman*)

Lok Kung Chin, Hardy

David John Shaw

#### Remuneration Committee

Seto Gin Chung, John (*Chairman*)

Lai Ka Fai

Li Kwok Sing, Aubrey

Lok Kung Chin, Hardy

## Corporate and Shareholders' Information

### Company Secretary

Lee Kuen Chiu

### Independent Auditors

KPMG

*Certified Public Accountants*

### Authorised Representatives

Lai Ka Fai

Lee Kuen Chiu

### Legal Advisers

Sidley Austin

### 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

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E-mail : [enquiry@kdc.com.hk](mailto:enquiry@kdc.com.hk)

## Corporate and Shareholders' Information

*(Continued)*

### Stock Code

The Stock Exchange of Hong Kong Limited: 34

### Principal Bankers

ANZ Bank  
Bank of China  
Bank of Communications  
Bank of East Asia  
China Citic Bank  
China Construction Bank  
Chiyu Banking Corporation  
Chong Hing Bank  
Dah Sing Bank  
Hang Seng Bank  
Standard Chartered Bank  
United Overseas Bank

### Financial Calendar for Interim Results 2014

Interim results announcement	27 August 2014
Ex-dividend date for interim dividend	30 October 2014
Closure of register of members	3 November 2014 – 4 November 2014 (both days inclusive)
Interim dividend payable	11 November 2014

An artist's impression of a modern residential development. The image shows several tall, multi-story apartment buildings with a contemporary architectural style, featuring balconies and large windows. The buildings are situated along a waterfront, with a body of water in the foreground reflecting the structures. The sky is overcast with soft, grey clouds. The overall scene is presented in a light blue, monochromatic color scheme.

Artist's Impression of  
Jiang Wan Nan An Hua Yuan (Huizhou)

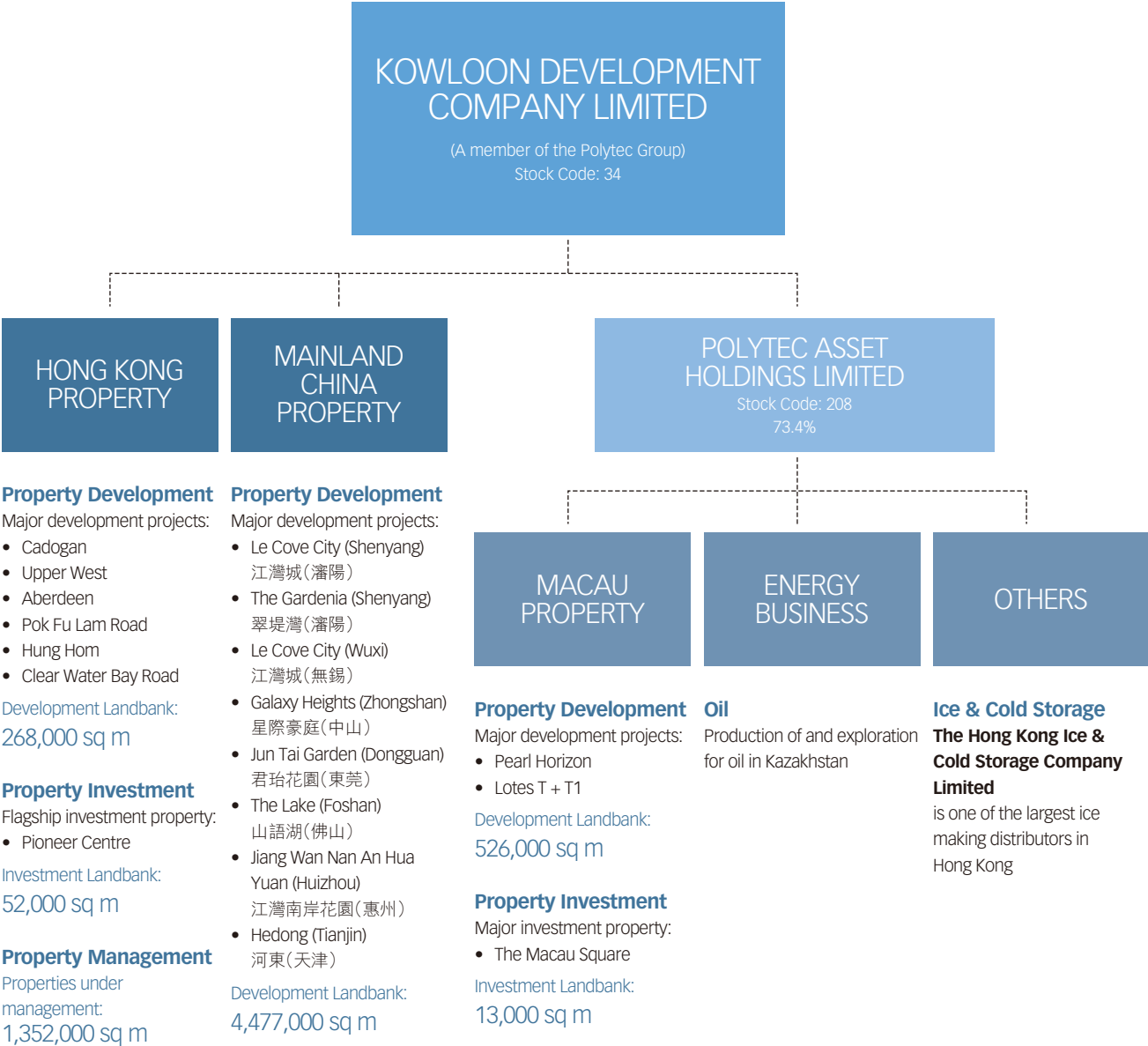
# Highlights

- For the six months ended 30 June 2014, the Group's unaudited net profit attributable to shareholders of the Company fell to HK\$299 million from HK\$982 million for the corresponding period in 2013.
- Excluding revaluation gains from the Group's investment properties, its underlying net profit for the first half of 2014 amounted to HK\$180 million compared to HK\$382 million for the same period in 2013. The underlying net interim earnings per share for 2014 were HK\$0.16 compared to HK\$0.33 for 2013.
- Interim dividend per share for 2014 amounted to HK\$0.21 (2013: HK\$0.21).

Cadogan (Hong Kong)



# Group's Business Structure



# Chairman's Statement

## Interim Results and Dividend

For the six months ended 30 June 2014, the Group's unaudited net profit attributable to shareholders of the Company fell to HK\$299 million from HK\$982 million for the corresponding period in 2013. The interim earnings per share for 2014 amounted to HK\$0.26 compared to HK\$0.85 over the same period in 2013.

Excluding revaluation gains from the Group's investment properties, its underlying net profit for the first half of 2014 amounted to HK\$180 million compared to HK\$382 million for the same period in 2013. The underlying net interim earnings per share for 2014 were HK\$0.16 compared to HK\$0.33 for 2013.

The Board of Directors has declared an interim dividend per share for 2014 of HK\$0.21 (2013: HK\$0.21). The interim dividend will be payable on Tuesday, 11 November 2014 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 4 November 2014.

## Business Review

Despite various cooling measures imposed on the housing market still in place, overall sentiment in the Hong Kong residential property market has appeared to have improved since the second quarter of 2014, with transaction volume in the primary residential market rising considerably. The pickup in sales activity was partly because the government slightly relaxed conditions associated with the Double Stamp Duty leading to improving market sentiment and partly due to flexible sales strategies adopted by some major property developers.

In Mainland China, in the wake of slowing property sales and weakening sentiment and consequently accelerating inventory build-up of completed residential projects since February this year, some of the developers started cutting prices in order to increase sales in the second quarter of 2014. Most of the local governments have recently eased their restrictions on residential property purchases which they had previously imposed. However, nationwide sales still decreased compared to the same period in 2013.

In Macau, the restrictive measures together with the limited supply of new residential projects continued to weigh on the performance of the residential property market resulting in low transaction volumes throughout the first half of 2014.

For the period under review, the Group's net profit fell to HK\$299 million, a decrease of 70% over the same period in 2013. The substantial decrease in net profit was mainly attributable to the decrease in the recognised profit from the sale of investment properties and the decrease in the revaluation gains from the Group's investment property portfolio for the first six months of 2014.

## Development Property Sales

In Hong Kong, the Group formally launched the sale of MacPherson Residence, its joint venture development project with Urban Renewal Authority and Hong Kong Playground Association in Mongkok, in late May 2014 and it has been well received by the market, with total sales exceeding HK\$486 million as of 30 June 2014.

In Mainland China, total presales/sales of the Group's two 100%-owned residential and commercial projects in Shenyang, namely The Gardenia and Le Cove City, amounted to RMB235 million in the first half of 2014. Together with the presale of various properties in Mainland China, including the Group's joint venture project in Foshan and 40%-owned project in Dongguan, total presales/sales for the region amounted to approximately RMB863 million.





The Lake (Foshan)

## Business Review *(Continued)*

### Property Development

As of 30 June 2014, the Group's landbank for development exceeded 5 million sq m of attributable gross floor area ("GFA"). The Group's major property projects under planning and development are set out as follows:

#### Major Property Projects under Planning and Development

Property Project	District/ City	Location	Usage	Approx. Total Site Area (sq m)	Approx. GFA (sq m)	Group's Interest	Status	Expected Date of Completion
<b>Hong Kong</b>								
Cadogan	Kennedy Town, Hong Kong	37A Cadogan Street	Residential & retail	1,318	13,200	100%	Fitting-out work in progress	Obtained Occupation Permit in early August 2014
Upper West	Tai Kok Tsui, Kowloon	18 Fuk Chak Street	Residential & retail	781	6,600	100%	Superstructural work in progress	2015/2016
Aberdeen	Aberdeen, Hong Kong	1-11 Tang Fung Street	Residential	738	6,000	100%	Foundation work and site formation work in progress	2016/2017
Pok Fu Lam Road	Sai Ying Pun, Hong Kong	45-65A Pok Fu Lam Road	Residential & retail	1,388	11,100	100%	Site formation work in progress	2018
Hung Hom	Hung Hom, Kowloon	Wan On Street	Residential & commercial	4,038	33,900	100%	Demolition work in progress	2017/2018
Clear Water Bay Road	Ngau Chi Wan, Kowloon	35 Clear Water Bay Road	Residential & commercial	19,335	196,400	100%	Part of foundation work completed	To be determined

## Business Review (Continued)

## Property Development (Continued)

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

Property Project	District/ City	Location	Usage	Approx. Total Site Area (sq m)	Approx. GFA (sq m)	Group's Interest	Status	Expected Date of Completion
<b>Mainland China</b>								
Le Cove City (Shenyang) 江灣城(瀋陽)	Hun Nan Xin District, Shenyang	6 Hun Nan Er Road	Residential & commercial	165,303	712,000	100%	Construction work for the third phase in progress	By phases from 2011 onwards
The Gardenia (Shenyang) 翠堤灣(瀋陽)	Shenhe District, Shenyang	West of Daba Road	Residential & commercial	1,100,000	2,000,000	100%	Construction work for the second phase in progress	First phase 2014
Le Cove City (Wuxi) 江灣城(無錫)	Chong An District, Wuxi	Tongyun Road and Gongyun Road	Residential & commercial	68,833	404,400 <sup>#</sup>	80%	Fitting-out work for the first phase in progress	First phase 2014
Galaxy Heights (Zhongshan) 星際豪庭(中山)	Shiqi District, Zhongshan	8 Xueyuan Road	Residential & commercial	18,334	129,000	70%	Fitting-out work in progress	2014
Jun Tai Garden (Dongguan) 君怡花園(東莞)	Nancheng District, Dongguan	East of Hongwei Road, Xi Ping She Qu	Residential & commercial	32,521	79,700	40%	Fitting-out work in progress	2014
The Lake (Foshan) 山語湖(佛山)	Nanhai District, Foshan	Heshun Meijing Shuiku Sector, Lishui Town	Residential & commercial	4,020,743	1,600,000	50%	Construction work in progress	By phases from 2009 onwards
Jiang Wan Nan An Hua Yuan (Huizhou) 江灣南岸花園(惠州)	Huicheng District, Huizhou	Dongjiang North Shore Wangjiang Lot	Residential & commercial	146,056	519,900	60%	Superstructural work for the first phase in progress	First phase 2015/2016
Hedong (Tianjin) 河東(天津)	Hedong District, Tianjin	Lot No. Jin Dong Liu 2004-066, intersection of Shiyijing Road and Liuwei Road	Residential & commercial	135,540	850,000*	49%	Construction work for the first phase in progress	First phase 2015
<b>Macau</b>								
Pearl Horizon	Novos Aterros da Areia Preta	Lote P, The Orient Pearl District	Residential & commercial	68,000	699,700	58.8%	Foundation work for the whole project to commence soon	2017/2018
Lotes T + T1	Novos Aterros da Areia Preta	Lotes T + T1, The Orient Pearl District	Residential & commercial	17,900	195,600	58.8%	Foundation work in progress	2017/2018

<sup>#</sup> With additional underground GFA of approximately 15,000 sq m for the commercial portion and over 2,300 carparking spaces.

\* With additional underground GFA of approximately 35,000 sq m for the commercial portion.

## Business Review *(Continued)*

### Property Investment

The Group's gross rental income from its property investment portfolio for the first six months of 2014 was HK\$166 million, an increase of 8.2% over the corresponding period in 2013, despite the disposal of the Group's two remaining batches of retail units at New Mandarin Plaza in Tsim Sha Tsui, Hong Kong in March and June 2013. Gross rental income from Pioneer Centre, the Group's flagship and core investment property in Hong Kong, increased 10.8% to HK\$144 million. Both retail spaces and offices owned by the Group were nearly fully let as of 30 June 2014.

### Oil Business

For the six months ended 30 June 2014, the oil segment recorded an operating loss of HK\$15.2 million compared to an operating loss of HK\$29.8 million for the same period in 2013. The continued loss in this segment was due to the fact that the normal oil production for the Group's South Alibek Oilfield in Kazakhstan (the "Oilfield") has not resumed since 1 January 2013, pending the approval of a gas flaring permit for the Oilfield from the government.

For the period under review, the decline in the oil segment operating loss compared to the same period in 2013 was largely due to the one-off exchange gain from the devaluation of Tenge, the local currency of Kazakhstan.

The management has been taking all necessary steps to obtain a gas flaring permit so as to enable the Oilfield to resume normal oil production as soon as possible. In addition, the Group also has been seeking a long-term solution to tackle the gas flaring issue in Kazakhstan, with various viable solutions having recently been assessed. However, the current disruption in normal oil production is expected to continue to impact adversely on the Group's earnings for this segment in the second half of 2014.

The Group's exposure in the oil business is through its 73.4%-owned listed subsidiary, Polytec Asset Holdings Limited ("Polytec Asset").

## Prospects

The US economy continues to improve, with a noticeable recovery in the labour market during the first half of 2014. However, the Fed's decision to end its asset purchase programme in the fourth quarter of 2014 and market expectation of rate hikes next year may add some uncertainties over the sustainability of economic growth especially in the housing market. In Euroland, the overall economy remained weak in the first half of 2014, with economic activities in Germany and France losing momentum. In Mainland China, as the economic data for the second quarter were stronger than those in the first quarter, its economic growth will likely stay at 7.5% for the full year of 2014. However, if the property sector slows further, it may pose some downside risks to growth this year. Overall, the property markets in the Greater China region remain challenging for the rest of 2014.

In Hong Kong, the Group obtained the Occupation Permit for Cadogan in Kennedy Town in early August 2014 and we will re-launch the sales campaign once the fitting-out work is completed. With recent improving market sentiment, the Group may also re-launch the presale of the remaining units at Upper West, its 100%-owned development project in Tai Kok Tsui, later this year. The Group's development projects in Aberdeen and Hung Hom, which are currently at the preparation stage, are in the pipeline for presale in the coming 12 to 18 months.

The Group's development projects in Mainland China are progressing well. The presale for the first phase of the Group's 60%-owned luxury residential and commercial development project in Huizhou is expected to be launched in the fourth quarter of 2014. The Group is also expected to launch the presale for the second phase of Le Cove City in Wuxi in the middle of 2015, with the first phase of residential portion likely to be completed by the end of December 2014. In Shenyang, the Group is accelerating the pace of the sale/presale for the various phases of its two 100%-owned development projects, namely Le Cove City and The Gardenia.

In Macau, the presale for the Group's two luxury residential and commercial development projects in the Orient Pearl District held through Polytec Asset, namely Pearl Horizon and Lotes T + T1, have been put on hold since the new laws on property sale activities became effective on 1 June 2013. However, the presale of the two projects is expected to be re-launched after two years of their respective construction when all relevant requirements for presale can possibly be fulfilled.

Looking ahead, the presales of Cadogan will be recognised in the second half of 2014. Together with the on-going sale of the remaining residential units at MacPherson Residence, the Group's operating results for the second half of 2014 are expected to improve considerably compared to those in the first half of this year, barring any unforeseen events.

The management will closely monitor the developments in the global markets, especially in the property sector in the Greater China region. The Group intends to continue to accelerate its sale of various development projects in the region. In addition, with a cautious stance, the Group will continue to seek good investment opportunities to strengthen the development scale.

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



**Or Wai Sheun**  
*Chairman*

Hong Kong, 27 August 2014

# Financial Review

## Financial Resources and Bank Borrowings

As at 30 June 2014, the Group had total bank borrowings of HK\$5,122 million (31 December 2013: HK\$5,196 million), with HK\$1,824 million being repayable within one year and HK\$3,298 million being repayable beyond one year. The Group's net borrowings position, after taking into account cash and cash equivalents of HK\$722 million, was HK\$4,400 million as at 30 June 2014, reduced by HK\$172 million in the first half of 2014. Loan from ultimate holding company amounted to HK\$9,273 million as at 30 June 2014, which showed a slight decrease of HK\$55 million compared with 31 December 2013.

The Group's gearing ratio (calculated on the basis of net bank borrowings and loan from ultimate holding company over equity attributable to shareholders of the Company) stood at 61.3% as at 30 June 2014 (31 December 2013: 62.5%).

In May 2014, the Group launched the sale of MacPherson Residence in Hong Kong which has provided cash inflows to the Group. For the period under review, the Group has recorded cash inflows mainly from sales/presales from various development projects in Hong Kong and Mainland China of approximately HK\$167 million and HK\$522 million respectively.

Furthermore, the Group continued to actively engage in development projects in Hong Kong and Mainland China and expended a total of HK\$612 million of construction costs during the period.

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

With the investments in Mainland China, the Group is exposed to exchange fluctuations in Renminbi ("RMB"). By using external borrowings in RMB together with revenue and cash generated from the development projects in Mainland China, this can serve as a natural hedge against the exchange rate risk of RMB.

In respect of the Group's oil business in Kazakhstan, the Group has been exposed to the exchange fluctuations in Tenge ("KZT"), the local currency of Kazakhstan, because the majority of operating expenses and capital expenditure are denominated in KZT, while a significant portion of its revenue is denominated in United States dollars. As at 30 June 2014, the Group did not have any outstanding financial instruments entered into for hedging purposes. Nevertheless, the Group is closely monitoring its overall foreign exchange exposure and interest rate exposure and will adopt a proactive but prudent approach to minimise the relevant exposures when necessary.

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

## Capital Commitments

As at 30 June 2014, the Group had commitments in connection with the Group's fixed assets amounting to HK\$103 million.

## Pledge of Assets

As at 30 June 2014, properties having a value of HK\$12,061 million and bank deposits of HK\$22 million were pledged to financial institutions mainly to secure credit facilities extended to the Group.

## Contingent Liabilities

The Group has given several guarantees in respect of banking facilities granted to a joint venture in Mainland China. Guarantees have been provided to the joint venture amounting to HK\$348 million, representing a 50% proportional guarantee in respect of HK\$697 million term loan facilities. The facilities were fully utilised as at 30 June 2014.

# Independent Review Report of the Auditors



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

## Introduction

We have reviewed the interim financial report set out on pages 14 to 34 which comprises the consolidated balance sheet of Kowloon Development Company Limited (the "Company") and its subsidiaries (the "Group") as of 30 June 2014 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

## Scope of Review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2014 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, "Interim financial reporting".

### **KPMG**

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

Hong Kong, 27 August 2014

# Consolidated Income Statement

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2014 \$'000 (unaudited)	2013 \$'000 (unaudited)
<b>Turnover</b>	3	<b>906,713</b>	358,012
Cost of sales		<b>(452,373)</b>	(66,005)
Other revenue		<b>20,281</b>	13,692
Other net (loss)/income	4(a)	<b>(4,533)</b>	241,078
Depreciation and amortisation		<b>(8,480)</b>	(7,376)
Staff costs		<b>(84,560)</b>	(88,359)
Selling, marketing and distribution expenses		<b>(67,867)</b>	(41,442)
Other operating expenses		<b>(44,092)</b>	(27,564)
Fair value changes on investment properties	8	<b>106,163</b>	509,483
<b>Profit from operations</b>		<b>371,252</b>	891,519
Finance costs	4(b)	<b>(73,029)</b>	(44,990)
Share of losses of associated companies	4(d)	<b>(4,940)</b>	(157)
Share of profits of joint ventures	4(e)	<b>67,828</b>	177,802
<b>Profit before taxation</b>	4	<b>361,111</b>	1,024,174
Income tax	5	<b>(58,604)</b>	(32,154)
<b>Profit for the period</b>		<b>302,507</b>	992,020
<b>Attributable to:</b>			
Shareholders of the Company		<b>298,753</b>	982,015
Non-controlling interests		<b>3,754</b>	10,005
<b>Profit for the period</b>		<b>302,507</b>	992,020
<b>Earnings per share – Basic/Diluted</b>	6	<b>\$0.26</b>	\$0.85

The notes on pages 20 to 34 form part of the interim financial report.



# Consolidated Statement of Comprehensive Income

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2014 \$'000 (unaudited)	2013 \$'000 (unaudited)
<b>Profit for the period</b>	<b>302,507</b>	992,020
<b>Other comprehensive income for the period</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of accounts of overseas subsidiaries	<b>(37,269)</b>	65,120
Changes in fair value of available-for-sale investments	<b>(1,589)</b>	397
Changes in fair value of interests in property development	<b>313,903</b>	112,165
Share of other comprehensive income of joint ventures and associated companies	<b>(36,458)</b>	64,864
	<b>238,587</b>	242,546
<b>Total comprehensive income for the period</b>	<b>541,094</b>	1,234,566
<b>Attributable to:</b>		
Shareholders of the Company	<b>459,381</b>	1,188,935
Non-controlling interests	<b>81,713</b>	45,631
<b>Total comprehensive income for the period</b>	<b>541,094</b>	1,234,566

The notes on pages 20 to 34 form part of the interim financial report.

# Consolidated Balance Sheet

(Expressed in Hong Kong dollars)

	Note	At 30 June 2014 \$'000 (unaudited)	At 31 December 2013 \$'000 (audited)
<b>Non-current assets</b>			
Fixed assets			
– Investment properties	8	10,378,065	10,268,917
– Leasehold land held for own use		213,186	216,489
– Other property, plant and equipment		1,049,740	1,052,394
		<b>11,640,991</b>	11,537,800
Oil exploitation assets		83,972	84,322
Interests in property development	9	12,231,722	11,917,819
Interest in joint ventures		2,740,778	2,686,880
Interest in associated companies		2,335,343	2,401,667
Financial investments		695	2,284
Loans and advances		30,585	32,741
Deferred tax assets		100,543	100,579
		<b>29,164,629</b>	28,764,092
<b>Current assets</b>			
Inventories	10	15,145,528	14,942,538
Trade and other receivables	11	862,040	629,309
Loans and advances		13,120	12,748
Amounts due from joint ventures		46,609	56,576
Financial investments		15,890	97,951
Pledged bank deposits		21,692	32,834
Cash and cash equivalents		721,927	623,966
		<b>16,826,806</b>	16,395,922
<b>Current liabilities</b>			
Trade and other payables	12	3,901,421	3,034,768
Amounts due to non-controlling interests		200,000	200,000
Amount due to a joint venture		782,991	790,480
Bank loans		1,823,778	1,334,314
Current taxation		267,346	253,722
		<b>6,975,536</b>	5,613,284
<b>Net current assets</b>		<b>9,851,270</b>	10,782,638
<b>Total assets less current liabilities</b>		<b>39,015,899</b>	39,546,730

## Consolidated Balance Sheet

(Expressed in Hong Kong dollars)

	Note	At 30 June 2014 \$'000 (unaudited)	At 31 December 2013 \$'000 (audited)
<b>Non-current liabilities</b>			
Loan from ultimate holding company	13	9,272,654	9,328,289
Bank loans		3,298,598	3,861,567
Other payables		37,525	41,416
Deferred tax liabilities		879,381	881,590
		<b>13,488,158</b>	14,112,862
<b>NET ASSETS</b>		<b>25,527,741</b>	25,433,868
<b>Capital and reserves</b>			
Share capital	14	8,417,472	115,068
Share premium	14	–	8,302,404
Reserves		13,878,373	13,833,237
<b>Total equity attributable to the shareholders of the Company</b>		<b>22,295,845</b>	22,250,709
<b>Non-controlling interests</b>		<b>3,231,896</b>	3,183,159
<b>TOTAL EQUITY</b>		<b>25,527,741</b>	25,433,868

Approved and authorised for issue by the board of directors on 27 August 2014.

The notes on pages 20 to 34 form part of the interim financial report.

# Consolidated Statement of Changes in Equity

(Expressed in Hong Kong dollars)

	Attributable to shareholders of the Company							Non-controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Fair value reserves \$'000	Exchange reserves \$'000	Retained profits \$'000	Total \$'000		
At 1 January 2013	115,068	8,302,404	1,673	1,698,137	730,156	10,207,294	21,054,732	3,086,266	24,140,998
Changes in equity for the six months ended 30 June 2013									
Profit for the period	-	-	-	-	-	982,015	982,015	10,005	992,020
Other comprehensive income	-	-	-	82,775	124,145	-	206,920	35,626	242,546
Total comprehensive income	-	-	-	82,775	124,145	982,015	1,188,935	45,631	1,234,566
Dividends approved in respect of the previous year	-	-	-	-	-	(414,245)	(414,245)	-	(414,245)
Dividend paid/payable to non-controlling interests	-	-	-	-	-	-	-	(17,684)	(17,684)
At 30 June and 1 July 2013	115,068	8,302,404	1,673	1,780,912	854,301	10,775,064	21,829,422	3,114,213	24,943,635
Changes in equity for the six months ended 31 December 2013									
Profit for the period	-	-	-	-	-	311,657	311,657	(2,877)	308,780
Other comprehensive income	-	-	-	250,286	100,987	-	351,273	86,564	437,837
Total comprehensive income	-	-	-	250,286	100,987	311,657	662,930	83,687	746,617
Dividends approved in respect of the current year	-	-	-	-	-	(241,643)	(241,643)	-	(241,643)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(14,741)	(14,741)
At 31 December 2013	115,068	8,302,404	1,673	2,031,198	955,288	10,845,078	22,250,709	3,183,159	25,433,868
<b>(unaudited)</b>									
<b>At 1 January 2014</b>	<b>115,068</b>	<b>8,302,404</b>	<b>1,673</b>	<b>2,031,198</b>	<b>955,288</b>	<b>10,845,078</b>	<b>22,250,709</b>	<b>3,183,159</b>	<b>25,433,868</b>
<b>Changes in equity for the six months ended 30 June 2014</b>									
Profit for the period	-	-	-	-	-	298,753	298,753	3,754	302,507
Other comprehensive income	-	-	-	231,006	(70,378)	-	160,628	77,959	238,587
Total comprehensive income	-	-	-	231,006	(70,378)	298,753	459,381	81,713	541,094
Dividends approved in respect of the previous year	-	-	-	-	-	(414,245)	(414,245)	-	(414,245)
Dividend paid/payable to non-controlling interests	-	-	-	-	-	-	-	(32,976)	(32,976)
Transition to no-par value regime on 3 March 2014	8,302,404	(8,302,404)	-	-	-	-	-	-	-
<b>At 30 June 2014</b>	<b>8,417,472</b>	<b>-</b>	<b>1,673</b>	<b>2,262,204</b>	<b>884,910</b>	<b>10,729,586</b>	<b>22,295,845</b>	<b>3,231,896</b>	<b>25,527,741</b>

As at 30 June 2014, loans from non-controlling interests of \$2,541,000 (at 31 December 2013: \$2,513,000) are classified as equity being the capital contributions on subsidiaries by the non-controlling interests.

The notes on pages 20 to 34 form part of the interim financial report.

# Condensed Consolidated Cash Flow Statement

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2014 \$'000 (unaudited)	2013 \$'000 (unaudited)
<b>Net cash from operating activities</b>	<b>236,914</b>	561,912
<b>Net cash from investing activities</b>	<b>24,443</b>	507,411
<b>Net cash used in financing activities</b>	<b>(162,160)</b>	(845,018)
<b>Net increase in cash and cash equivalents</b>	<b>99,197</b>	224,305
<b>Cash and cash equivalents at 1 January</b>	<b>623,966</b>	564,889
<b>Effect of foreign exchange rate changes</b>	<b>(1,236)</b>	4,354
<b>Cash and cash equivalents at 30 June</b>	<b>721,927</b>	793,548

The notes on pages 20 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 2013 annual accounts, except for the accounting policy changes that are expected to be reflected in the 2014 annual accounts. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated accounts and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual accounts. The condensed consolidated interim accounts and notes thereon do not include all of the information required for full set of accounts prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory accounts for that financial year but is derived from those accounts. The auditors have expressed an unqualified opinion on those accounts in their report dated 26 March 2014.

## 2 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 3 Segment reporting

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

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

Turnover comprises mainly rental income from properties, gross proceeds from sales of properties, crude oil and interest income.

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

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

### 3 Segment reporting *(Continued)*

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

	Six months ended 30 June 2014							
	Consolidated \$'000	Property development				Property investment \$'000	Oil \$'000	Others \$'000
		Hong Kong \$'000	Mainland China \$'000	Macau \$'000				
Turnover	906,713	439,122	190,767	12,000	165,836	35,209	63,779	
Reportable segment profit	357,396	129,911	34,866	11,533	180,787	(15,161)	15,460	
Fair value changes on investment properties	106,163	-	-	-	106,163	-	-	
Share of fair value changes on investment properties of a joint venture	18,920	-	-	-	18,920	-	-	
Head office and corporate expenses	(48,339)							
Finance costs	(73,029)							
Profit before taxation	361,111							
Share of losses of associated companies	(4,940)	-	(5,514)	-	-	-	574	
Share of profits of joint ventures	67,828	-	27,150	-	40,678	-	-	

	Six months ended 30 June 2013							
	Consolidated \$'000	Property development				Property investment \$'000	Oil \$'000	Others \$'000
		Hong Kong \$'000	Mainland China \$'000	Macau \$'000				
Turnover	358,012	26,000	101,953	190	153,264	19,009	57,596	
Reportable segment profit	266,921	30,839	59,057	2,726	164,195	(29,839)	39,943	
Other net income	237,467	5,218	-	-	232,249	-	-	
Fair value changes on investment properties	509,483	-	-	-	509,483	-	-	
Share of fair value changes on investment properties of a joint venture	95,920	-	-	-	95,920	-	-	
Head office and corporate expenses	(40,627)							
Finance costs	(44,990)							
Profit before taxation	1,024,174							
Share of losses of associated companies	(157)	-	(3,170)	-	-	-	3,013	
Share of profits of joint ventures	177,802	-	60,879	-	116,923	-	-	



### 3 Segment reporting *(Continued)*

	At 30 June 2014						
	Consolidated \$'000	Property development			Property investment \$'000	Oil \$'000	Others \$'000
		Hong Kong \$'000	Mainland China \$'000	Macau \$'000			
Reportable segment assets	45,126,855	8,148,975	13,074,636	10,985,732	11,447,972	1,104,231	365,309
Deferred tax assets	100,543						
Pledged bank deposits	21,692						
Cash and cash equivalents	721,927						
Head office and corporate assets	20,418						
<b>Consolidated total assets</b>	<b>45,991,435</b>						
Interest in associated companies	2,335,343	-	2,312,566	-	-	-	22,777
Interest in and amounts due from joint ventures	2,787,387	-	1,734,942	-	1,052,445	-	-
	At 31 December 2013						
	Consolidated \$'000	Property development			Property investment \$'000	Oil \$'000	Others \$'000
		Hong Kong \$'000	Mainland China \$'000	Macau \$'000			
Reportable segment assets	44,389,965	7,877,617	12,845,302	10,792,824	11,309,742	1,116,039	448,441
Deferred tax assets	100,579						
Pledged bank deposits	32,834						
Cash and cash equivalents	623,966						
Head office and corporate assets	12,670						
<b>Consolidated total assets</b>	<b>45,160,014</b>						
Interest in associated companies	2,401,667	-	2,379,464	-	-	-	22,203
Interest in and amounts due from joint ventures	2,743,456	-	1,713,688	-	1,029,768	-	-

## 4 Profit before taxation

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

- (a) Other net (loss)/income mainly represents a fair value loss on held for trading listed investments of \$4,533,000 (six months ended 30 June 2013: gain of \$1,431,000). For the six months ended 30 June 2013, other net income also included a net gain on disposal of investment properties of \$232,249,000 and impairment on properties written back of \$5,218,000.

### (b) Finance costs

	Six months ended 30 June	
	2014 \$'000	2013 \$'000
Interest on bank loans and overdrafts	53,702	52,665
Interest on loan from ultimate holding company	71,707	48,406
Less: Amount capitalised (Remark)	(52,380)	(56,081)
	<b>73,029</b>	44,990

Remark: Borrowing costs were capitalised at rates of 1.35% – 1.77% (six months ended 30 June 2013: 1.35% – 2.40%) per annum in Hong Kong and 6.27% – 7.04% (six months ended 30 June 2013: 6.15% – 7.99%) per annum in Mainland China.

### (c) Other items

	Six months ended 30 June	
	2014 \$'000	2013 \$'000
Rentals receivable under operating leases less outgoings	(157,041)	(144,929)
Rental income	(165,836)	(153,264)
Less: Outgoings	8,795	8,335
Depreciation and amortisation (Remark)	15,952	17,658
Interest income	(12,852)	(14,120)

Remark: Cost of sales includes \$7,472,000 (six months ended 30 June 2013: \$10,282,000) relating to depreciation and amortisation expenses.

- (d) The Group's share of losses of associated companies for the period, after non-controlling interests and taxation, attributable to shareholders of the Company was \$4,940,000 (six months ended 30 June 2013: \$157,000).
- (e) The Group's share of profits of joint ventures for the period, after non-controlling interests and taxation, attributable to shareholders of the Company was \$57,024,000 (six months ended 30 June 2013: \$146,747,000).

## 5 Income tax

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2014 \$'000	2013 \$'000
Current tax		
Provision for profits tax		
– Hong Kong	<b>42,568</b>	30,644
– Outside Hong Kong	<b>14,647</b>	6,644
Land appreciation tax ("LAT")	<b>57,215</b>	37,288
Deferred tax	<b>2,395</b>	5,055
	<b>(1,006)</b>	(10,189)
	<b>58,604</b>	32,154

The provision for Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2013: 16.5%) of the estimated assessable profits for the six months ended 30 June 2014. Tax levied in jurisdictions outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

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

## 6 Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of \$298,753,000 (six months ended 30 June 2013: \$982,015,000) and the weighted average number of ordinary shares in issue during the period of 1,150,681,275 (six months ended 30 June 2013: 1,150,681,275).

### (b) Diluted earnings per share

There were no dilutive potential shares in existence during the six months ended 30 June 2014 and 2013.

## 7 Dividends

### (a) Dividends attributable to the interim period

	Six months ended 30 June	
	2014 \$'000	2013 \$'000
Interim dividend declared after the interim period of \$0.21 (six months ended 30 June 2013: \$0.21) per share	<b>241,643</b>	241,643

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

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

	Six months ended 30 June	
	2014 \$'000	2013 \$'000
Final dividend in respect of the previous financial year, approved during the interim period, of \$0.36 (six months ended 30 June 2013: \$0.36) per share	<b>414,245</b>	414,245

## 8 Investment properties

The investment properties of the Group were revalued at 30 June 2014 by Vigers Appraisal and Consulting Limited, an independent qualified professional valuer, who has appropriate qualifications and experience in the valuation of similar properties in the relevant locations. The Group's investment properties are valued semi-annually by using the income capitalisation approach with reference to sales transactions as convertible in the market. The income capitalisation approach is the sum of the term value and the reversionary value calculated by discounting the contracted annual rent at the capitalisation rate over the existing lease period; and the sum of average unit market rent at the capitalisation rate after the existing lease period. The Group's investment properties under development are valued semi-annually by estimating the fair value of such properties as if they were completed in accordance with relevant development plan, which makes reference to the average selling prices based on certain comparable sales transactions in the market and adjusted for differences such as location, size, timing and other factors collectively, and then deducting the estimated cost to complete the construction.

The Group's investment properties under development are stated at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. At 30 June 2014, investment properties under development stated at fair value amounted to \$2,352,985,000 (at 31 December 2013: \$2,667,797,000).

A revaluation gain of \$106,163,000 (six months ended 30 June 2013: \$509,483,000) and deferred tax thereon of \$1,546,000 (six months ended 30 June 2013: \$16,373,000) were recognised in the consolidated income statement for the six months ended 30 June 2014.

## 9 Interests in property development

Interests in property development represent the Group's interests in the development of various properties in Macau and Mainland China under the co-investment agreements with the ultimate holding company, Polytec Holdings International Ltd ("Polytec Holdings") and two of its wholly owned subsidiaries. Pursuant to the terms of the co-investment agreements, the Group will provide funding to cover any shortfall in the funding of the development projects which is subject to an aggregate maximum amount. In return, Polytec Holdings and its two wholly owned subsidiaries will pay to the Group cash flows from the development projects according to the formulas set out in the co-investment agreements. Interests in property development are stated at fair value at the balance sheet date.

## 10 Inventories

	At 30 June 2014 \$'000	At 31 December 2013 \$'000
Land held for future development	12,915	1,549,253
Properties under development	13,046,235	12,798,732
Properties held for sale	2,078,362	582,796
Trading goods and consumables	8,016	11,757
	<b>15,145,528</b>	14,942,538

The amount of properties held for future development and under development expected to be recovered after more than one year is \$12,915,000 and \$7,466,084,000 (at 31 December 2013: \$1,549,253,000 and \$5,675,185,000) respectively. All of the other inventories are expected to be recovered within one year.

## 11 Trade and other receivables

The following is an ageing analysis of trade receivables:

	At 30 June 2014 \$'000	At 31 December 2013 \$'000
Current and less than 3 months	535,076	344,628
3 months to 6 months	594	1,239
More than 6 months	7,120	5,528
Trade receivables	542,790	351,395
Utility and other deposits	35,847	70,792
Other receivables and prepayments	283,403	207,122
	<b>862,040</b>	629,309

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

## 12 Trade and other payables

The following is an ageing analysis of trade payables:

	At 30 June 2014 \$'000	At 31 December 2013 \$'000
Not yet due or on demand	841,769	773,047
Within 3 months	40,499	40,066
3 months to 6 months	67	53
More than 6 months	28,600	29,670
Trade payables	910,935	842,836
Rental and other deposits	76,193	73,121
Other payables and accrued expenses	634,961	191,495
Deposits received on sale of properties	2,279,332	1,927,316
	<b>3,901,421</b>	3,034,768

## 13 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 is not expected to be repaid within one year.

## 14 Capital and reserves

As at 31 December 2013, 5,000,000,000 ordinary shares, with par value of \$0.1 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concepts of “authorised share capital” and “par value” no longer exist. As part of the transition to the no-par value regime, the amounts standing to the credit of the share premium account on 3 March 2014 has become part of the Company’s share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders.

Movements of the company’s ordinary shares is set out below:

### Ordinary shares

	At 30 June 2014		At 31 December 2013	
	No. of shares	Amount \$'000	No. of shares	Amount \$'000
Authorised: Shares of \$0.1 each	–	–	5,000,000,000	500,000
Issued and fully paid: At 1 January	<b>1,150,681,275</b>	<b>115,068</b>	1,150,681,275	115,068
Transition to no-par value regime on 3 March 2014	–	<b>8,302,404</b>	–	–
At 30 June/31 December	<b>1,150,681,275</b>	<b>8,417,472</b>	1,150,681,275	115,068



## 15 Fair values measurement of financial instruments

### Financial assets and liabilities measured at fair value

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

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	At 30 June 2014			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Assets				
Available-for-sale investment fund	–	–	695	695
Trading securities	15,890	–	–	15,890
Interests in property development	–	–	12,231,722	12,231,722
	15,890	–	12,232,417	12,248,307

	At 31 December 2013			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Assets				
Available-for-sale investment fund	–	–	2,284	2,284
Trading securities	97,951	–	–	97,951
Interests in property development	–	–	11,917,819	11,917,819
	97,951	–	11,920,103	12,018,054

During the period there were no significant transfers between instruments in Level 1 and Level 2.

## 15 Fair values measurement of financial instruments *(continued)*

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

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

	At 30 June 2014 \$'000	At 31 December 2013 \$'000
At 1 January	11,920,103	10,206,743
Additions	–	1,280,249
Gain recognised in other comprehensive income	312,314	439,349
Distributions	–	(6,238)
At 30 June/31 December	12,232,417	11,920,103

Interests in property development are stated at their fair value measured using a discounted cash flow model. Any unrealised gains/losses from the remeasurement of the interests in property development are recognised in fair value reserve in other comprehensive income. In preparing the discounted cash flow model, the Group estimates the future cash flows expected to arise from the interests in property development and a suitable discount rate based on the past performance, current market conditions, development and building plans, sale and marketing plans and management's expectations for the market development and terms provided under the co-investment agreements. The key unobservable market data used in the model includes estimated selling prices of the underlying properties which are derived from observable market data, including the average market price of residential properties in Macau and Mainland China, varied with certain adjustments to reflect the impacts of those factors on the development. The adjustments on the selling price range from -10% to +10%.

The fair value measurement is positively correlated to adjustments to the selling price of the underlying properties. At 30 June 2014, it is estimated that an increase/decrease of 5% in the selling price of the underlying properties of the Group's interests in property development classified as non-current assets, with all other variables held constant, would have increased/decreased the Group's fair value reserve by \$983,957,000/\$986,407,000 (at 31 December 2013: \$895,628,000/\$890,673,000).

The Group has a team reporting to the top management which performs the valuation of the interests in property development required for financing reporting purposes. Discussions of valuation processes and results are held between the top management and the team at least once every six months, in line with the Group's half-yearly reporting dates.

## 16 Capital commitments

Capital commitments outstanding at the balance sheet date not provided but contracted for in the accounts amounted to \$103,224,000 (at 31 December 2013: \$68,056,000).

## 17 Contingent liabilities

As at 30 June 2014, the Group has provided guarantees of \$348,346,000 (at 31 December 2013: \$407,005,000) representing a 50% proportional guarantee in respect of an aggregate of \$696,692,000 term loan facilities (at 31 December 2013: \$814,010,000) to a joint venture in Mainland China. As at 30 June 2014, the facilities were utilised to the extent of \$696,692,000 (at 31 December 2013: \$814,010,000).

## 18 Pledge of assets

As at 30 June 2014, properties of the Group with an aggregate carrying value of approximately \$12,060,588,000 (at 31 December 2013: \$11,260,792,000) and bank deposits of \$21,692,000 (at 31 December 2013: \$32,834,000) were pledged to banks under fixed charges mainly to secure general banking facilities granted to the Group.

## 19 Material related party transactions

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

- (a) Polytec Holdings has guaranteed the due performance of the Company in respect of its obligations in the property development project in Tianjin, Mainland China.
- (b) As at 30 June 2014, the Group has given guarantees to insurance companies in respect of performance bonds entered into by an associated company to the extent of \$15,644,000 (at 31 December 2013: \$14,528,000).
- (c) As at 30 June 2014, loan to a joint venture of \$219,500,000 (at 31 December 2013: \$219,500,000) is unsecured, interest bearing at fixed rate with reference to bank lending rate and is not expected to be repaid within one year. As at 30 June 2014, amount due from joint ventures of \$46,609,000 (at 31 December 2013: \$56,576,000) and amount due to a joint venture of \$782,991,000 (at 31 December 2013: \$790,480,000) are unsecured, interest free and repayable on demand.
- (d) As at 30 June 2014, loan to associated companies of \$1,919,509,000 (at 31 December 2013: \$1,959,965,000) are unsecured, interest free and are not expected to be repaid within one year.

## 20 Oil production assets and oil exploitation assets

As at 30 June 2014, the Group has oil production assets of \$991,498,000 (at 31 December 2013: \$992,961,000) (included in fixed assets) and oil exploitation assets of \$83,972,000 (at 31 December 2013: \$84,322,000). Oil production assets and oil exploitation assets are stated at cost less accumulated depreciation/amortisation and impairment losses.

The normal crude oil production of the South Alibek Oilfield of Caspi Neft TME, a wholly owned subsidiary of Polytec Asset Holdings Limited (73.4% owned by the Group), in Kazakhstan has been temporarily suspended since 1 January 2013, as the gas flaring permit to flare associated gas for the South Alibek Oilfield expired on 31 December 2012. Caspi Neft TME applied to the Kazakhstan Government for renewal of the gas flaring permit in October 2012 and provided the information as requested by the Kazakhstan Government. Up to the date of approval of the unaudited interim financial report, although some approvals have been obtained from the relevant governmental authorities, further approvals are required to accomplish the application for renewal of the gas flaring permit to enable Caspi Neft TME to resume normal oil production. Caspi Neft TME has been taking all necessary steps to obtain the permit and is also currently considering several alternatives to resolve the issue regarding the treatment and utilisation of the associated gas permanently, including studying the feasibility of a plan having been recently proposed by the Ministry of Oil and Gas of the Kazakhstan Government, as well as obtaining approvals from the relevant authorities of the Kazakhstan Government and engaging in active communication with other external parties in order to substantiate the other alternatives. Based on advice received from its technical experts and external legal advisor and the alternatives under consideration, the Group considers that there is no indication that the gas flaring permit will not be renewed. Normal crude oil production will be resumed as soon as practicable upon obtaining the permit.

As at 30 June 2014, the Group assessed the value of the oil production assets and oil exploitation assets. As the recoverable amounts of the oil production assets and oil exploitation assets exceeded their carrying values, no impairment loss is considered necessary for the period ended 30 June 2014.

# Other Information

## Compliance with the Corporate Governance Code

During the six months ended 30 June 2014, the Company has complied with all code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception of code provisions A.2.1 and A.6.7 as explained below:

### Code Provision A.2.1

Mr Or Wai Sheun, the Chairman, has performed the combined role as the chairman and the chief executive taking charge of overall operations of the Group. The reason for deviation from the code provision was disclosed in the 2013 Annual Report.

### Code Provision A.6.7

All Non-executive Directors and Independent Non-executive Directors attended the Annual General Meeting of the Company held on 11 June 2014 (the "AGM"), other than one Non-executive Director and two Independent Non-executive Directors who were unable to attend the AGM as they were overseas at the time.

## Securities Trading Policy

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

## Changes in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the monthly salary of the following Directors have been adjusted with effect from 1 July 2014, details of which are set out below:

	1 January 2014 to 30 June 2014	From 1 July 2014
Or Pui Kwan	HK\$60,000	HK\$64,800
Lai Ka Fai	HK\$146,000	HK\$154,800
Yeung Kwok Kwong	HK\$162,000	HK\$169,300

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

## Disclosure pursuant to Rule 13.21 of the Listing Rules

During the six months ended 30 June 2014, the Company had no disclosure obligation pursuant to Rule 13.21 of the Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2014.

## Directors' Interests and Short Positions

As at 30 June 2014, the interests of the Directors in the shares of the Company and Polytec Asset Holdings Limited ("Polytec Asset") as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code, are set out below:

### 1. Long positions in the shares of the Company

Name	Nature of interests	Number of ordinary shares	Percentage of shareholding (Note 1)	Note
Or Wai Sheun	Founder and beneficiary of a trust Corporate	830,770,124		2
		<u>277,500</u>		3
		831,047,624	72.22%	
Ng Chi Man	Beneficiary of a trust	830,770,124	72.20%	2
Or Pui Kwan	Beneficiary of a trust Personal	830,770,124		2
		<u>43,500</u>		
		830,813,624	72.20%	
Lok Kung Chin, Hardy	Founder and beneficiary of trusts	1,425,000	0.12%	4
Lai Ka Fai	Personal	751,000	0.07%	
Keith Alan Holman	Personal	688,000	0.06%	
David John Shaw	Personal Family	133,500		5
		<u>67,000</u>		
		200,500	0.02%	
Yeung Kwok Kwong	Personal	180,000	0.02%	

Directors' Interests and Short Positions *(Continued)***2. Long positions in the shares of Polytec Asset**

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

## Notes:

- (1) The percentage of shareholding is calculated based on 1,150,681,275 shares, being the total number of issued ordinary shares of the Company as at 30 June 2014.
- (2) Such interest in shares is held by Intellinsight Holdings Limited ("Intellinsight"), a wholly-owned subsidiary of Polytec Holdings International Limited ("Polytec Holdings") which is wholly-owned by Ors Holdings Limited ("OHL"). OHL is in turn wholly-owned by a discretionary trust, the trustee of which is HSBC International Trustee Limited.
- As Mr Or Wai Sheun is the founder of the trust and the discretionary objects of the trust include Mr Or Wai Sheun, Ms Ng Chi Man (his 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 2014. 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 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.

## Directors' Interests and Short Positions *(Continued)*

Save as disclosed above, as at 30 June 2014, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## Substantial Shareholders' Interests

As at 30 June 2014, shareholders (other than Directors and the chief executive of the Company) who had interests or short positions in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO are set out below:

Name	Nature of interests	Number of ordinary shares	Percentage of shareholding (Note 1)	Note
HSBC International Trustee Limited	Trustee	832,016,474	72.30%	2
Ors Holdings Limited	Corporate	830,770,124	72.19%	3

Notes:

- (1) The percentage of shareholding is calculated based on 1,150,681,275 shares, being the total number of issued ordinary shares of the Company as at 30 June 2014.
- (2) Based on information available to the Company and subsequent to the recording in the register as required by SFO set out in the table above, there were share movements which were not required to disclose under SFO as at 30 June 2014. HSBC International Trustee Limited was then taken to be interested in 831,495,074 shares of the Company. Such interest included the shares owned by a company as described in note (2) under the section headed "Directors' Interests and Short Positions".
- (3) Such interest in shares is held by Intellinsight as described in note (2) under the section headed "Directors' Interests and Short Positions".

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

Save as disclosed above, as at 30 June 2014, the Company had not been notified by any persons (other than the Directors or the chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



## Human Resources and Remuneration Policy

As at 30 June 2014, the Group had a total of 845 employees (31 December 2013: 803 employees), of which 470 were Hong Kong staff, 168 were PRC staff and 207 were staff in other regions. The increase in headcount mainly due to matching of business growth. Salary levels of employees are competitive. Discretionary bonuses are granted based on the performance of the Group as well as the performance of individual to attract, motivate and retain talented people.

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

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

## Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 3 November 2014 to Tuesday, 4 November 2014, both dates inclusive. 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, for registration not later than 4:30 pm on Friday, 31 October 2014.

## Corporate Citizenship

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

Besides making charitable donations, we have also taken part in the programme held by WWF-Hong Kong such as "Earth Hour 2014".



In addition, the Company was awarded "5 Years Plus Caring Company" Logo by The Hong Kong Council of Social Service in February 2014 in recognition of our achievement in corporate social responsibility.

## Review of Interim Report

The Audit Committee of the Company has reviewed the interim report of the Group for the six months ended 30 June 2014. The Group's independent auditors, KPMG, have carried out a review of the interim financial report in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants, whose review report is contained on page 13 of this interim financial report.





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