



Polytec Asset Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 208)

new growth opportunities

Interim Report 2012

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Chairman's Statement

GROUP RESULTS AND DIVIDENDS

For the six months ended 30 June 2012, the Group's unaudited net profit attributable to shareholders amounted to HK\$126.6 million compared to HK\$142.1 million in the corresponding period of 2011. The basic interim earnings per share for 2012 amounted to 2.85 HK cents compared to 3.20 HK cents over the same period in 2011.

Excluding revaluation gains for the Group's investment properties net of deferred taxes, the underlying net profit for the first six months of 2012 rose to HK\$87.0 million, an increase of 50.1% over the corresponding period in 2011. The underlying interim earnings for 2012 were 1.96 HK cents compared to 1.31 HK cents over the same period in 2011.

The Board of Directors has proposed the payment of an interim dividend of 0.9 HK cent per share for the six months ended 30 June 2012 (2011: 0.9 HK cent). The interim dividend will be payable on 12 October 2012 to the shareholders whose names appear on the register of members of the Company on 4 October 2012.

BUSINESS REVIEW

For the period under review, the increase in the Group's underlying net profit was mainly due to significant improvement in operating results of the Group's oil business, with the segment's operating profit amounting to HK\$73.2 million for the first six months of 2012 compared to an operating loss of HK\$29.1 million during the corresponding period in 2011.

Property Development

As of 30 June 2012, the development landbank in Macau attributable to the Group amounted to approximately 716,000 sq. m. gross floor area. All of the Group's existing development sites are favourably situated adjacent to the landing point of the Hong Kong-Zhuhai-Macau Bridge. The status of the Group's major projects under development in Macau is set out below.

Pearl Horizon, Lote P, The Orient Pearl District

Lote P, which is an 80%-owned development project, covers an aggregate site area of approximately 68,000 sq. m. and will be developed by phases into various luxury residential towers, together with a large shopping mall, a club house and numerous car parking spaces, with an aggregate gross floor area of approximately 699,700 sq. m.. The architectural plan was approved and construction work is scheduled to be commenced before the end of this year.

Lotes T+T1, The Orient Pearl District

Lotes T+T1 combined covers an aggregate site area of approximately 17,900 sq. m.. This project, in which the Group owns an 80% interest, will be developed into a number of high-end residential blocks and some retail shops with car parking facilities, having an aggregate gross floor area of approximately 195,600 sq. m.. The architectural plan was approved and foundation work will be commenced after we have completed all necessary formalities.

Chairman's Statement

Property Investment

For the first six months of 2012, the Group's share of gross rental income generated from its investment properties rose to HK\$21.5 million, an increase of 8.8% over the same period in 2011. The increase in total rental income was mainly due to a continuous improvement in overall rental income for both the retail and office portion of The Macau Square, the Group's 50%-owned investment property in Macau, with total rental income of the property attributable to the Group rising 17.2% to HK\$19.2 million in the first half of 2012.

Oil

For the six months ended 30 June 2012, total revenue generated from the oil business rose considerably to HK\$259.6 million, with an operating profit of HK\$73.2 million, compared to total revenue of HK\$27.3 million and an operating loss of HK\$29.1 million during the corresponding period in 2011. The significant improvement in operating results was mainly due to the Group's successful drilling program and its efforts to overcome various challenges in its oil fields in Kazakhstan. In fact, two new wells, which have been put into production in September and December 2011, contributed a majority of the production volume during the period under review, with the aggregate daily production rate having reached 1,550 barrels by 30 June 2012.

Ice and cold Storage

The cold storage and ice manufacturing businesses have performed well during the period under review, with the combined operating profit from the segment rising 26.1% to HK\$9.6 million in the first six months of 2012.

FINANCIAL REVIEW

As of 30 June 2012, total book value of the Group's assets amounted to HK\$12,935 million as compared with HK\$12,873 million at end-2011. Net asset value of the Group amounted to HK\$10,496 million as of 30 June 2012, with cash and cash equivalents of HK\$252.5 million, denominated mainly in Hong Kong dollars.

The Group's gearing ratio, expressed as a percentage of total borrowings, which include total bank borrowings and the total amounts due to the holding companies of the Company, over the equity attributable to equity holders of the Company, decreased to 19.3% at 30 June 2012 from 20.2% at end-2011. The decrease was mainly due to the repayments of the bank borrowings. As of 30 June 2012, the amount due to the immediate holding company of HK\$1,163 million and due to the ultimate holding company of HK\$865.1 million are both unsecured, denominated in Hong Kong dollars, bearing interest at prevailing market rates and with no fixed terms of repayment.

As of 30 June 2012, certain assets of the Group, with total book value of approximately HK\$125.6 million, were pledged to secure the banking facilities to the Group.

The Group's capital commitments, mainly for its oil business, amounted to HK\$96.9 million as of 30 June 2012. These capital commitments are expected to be financed by the internal resources of the Group.

Chairman's Statement

In view of the Group's oil business in Kazakhstan, the Group has been exposed to the exchange fluctuations in the Kazakhstan Tenge ("KZT"), the local currency of Kazakhstan. While the majority of the operating expenses, as well as capital expenditure, of the Group's oil business is denominated in the KZT, over 80% of its revenue generated from this segment is denominated in the USD. Due to the currency mismatch between the Group's revenues and expenditures in Kazakhstan, we are closely monitoring the fluctuation in the KZT and evaluating its impacts on the Group's financial position. We will use appropriate currency hedging to minimize the currency risks associated with this business if necessary.

PROSPECTS

Over the past six months, the world's major economies have been slowing, with the extent of the growth slowdown varying across countries. The Macau economy has inevitably been affected. The growth slowdown in Macau became noticeable in May this year when total tourist arrivals fell 6.5% in the month compared to an average increase of 8.4% in 2011 and gross gaming revenues rose only 7.2% compared to an average of increase of 44% in 2011. The Macau government projects that the economy will only likely grow at a single-digit rate for 2012 compared to 21% in 2011 and 27% in 2010. Nevertheless, we are confident that the Macau economy will be well supported by the existing new mega infrastructure projects as well as casino projects. Its strong economic fundamentals will continue to buoy up its property market over the medium and long term.

The construction work on Pearl Horizon, Lote P in the Orient Pearl District, the Group's 80%-owned mega luxury residential and commercial development project in Macau, is scheduled to be commenced in the fourth quarter of this year. For the Lotes T+T1 project, we are currently clearing all necessary formalities for this development project before the start of construction work.

For the next three to four years before completion of two development property projects, there will be an earnings shortfall. However, during the period under review, the operating results from the Group's oil business was encouraging, with its operating profit supporting the Group's earnings in the absence of income from its development projects. A further two wells were successfully put into production in July 2012. It is expected that the aggregate daily production may further increase in the second half of 2012. The increase in oil production is expected to contribute growing earnings to the Group's 2012 full year results. In view of the Group's initial success in its Kazakhstan's oil operation, the Board of Directors is assessing whether the Group should explore further investment opportunities in the oil and gas industry, which may become one of the Group's possible major sources of income.

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

Or Wai Sheun

Chairman

Hong Kong, 28 August 2012

Unaudited Consolidated Income Statement

		For the six months ended 30 June	
	Note	2012 HK\$'000	2011 HK\$'000
TURNOVER	2	296,224	103,845
Cost of sales		(95,554)	(35,747)
Gross profit		200,670	68,098
Other income		12,758	50,073
Selling and distribution costs		(86,501)	(8,591)
Administrative expenses		(30,289)	(31,633)
Other operating expenses		(17,688)	(22,010)
PROFIT FROM OPERATIONS		78,950	55,937
Gain arising from change in fair value of investment properties		–	600
Finance costs		(14,733)	(11,600)
Share of results of jointly controlled entity		56,650	122,550
PROFIT BEFORE TAX	2	120,867	167,487
Income tax expenses	3	7,100	(11,478)
PROFIT FOR THE PERIOD	4	127,967	156,009
ATTRIBUTABLE TO:			
Equity holders of the Company		126,635	142,066
Non-controlling interests		1,332	13,943
		127,967	156,009
EARNINGS PER SHARE – Basic/diluted	5	2.85 HK cents	3.20 HK cents

Unaudited Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
PROFIT FOR THE PERIOD	127,967	156,009
OTHER COMPREHENSIVE INCOME:		
Gain on fair value changes of interests in property development	–	12,942
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	–	12,942
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	127,967	168,951
ATTRIBUTABLE TO:		
Equity holders of the Company	126,635	155,008
Non-controlling interests	1,332	13,943
	127,967	168,951

Unaudited Consolidated Balance Sheet

		30 June 2012 HK\$'000	31 December 2011 HK\$'000
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,433,270	1,378,046
Oil exploitation assets		117,143	120,785
Investment properties		5,600	5,600
Interest in jointly controlled entity		629,567	572,916
Interests in property development	6	10,190,981	10,190,981
Deferred taxation		13,524	4,148
Goodwill		16,994	16,994
		12,407,079	12,289,470
CURRENT ASSETS			
Amount due from jointly controlled entity		98,037	115,834
Held for trading investments		6,810	8,610
Inventories		112,566	116,621
Trade and other receivables	7	57,980	52,972
Cash and cash equivalents		252,506	288,694
Tax recoverable		–	311
		527,899	583,042
CURRENT LIABILITIES			
Dividend payable		66,585	–
Trade and other payables	8	231,444	226,892
Bank loans		–	195,000
Current taxation		43,798	41,966
		341,827	463,858
NET CURRENT ASSETS		186,072	119,184
TOTAL ASSETS LESS CURRENT LIABILITIES		12,593,151	12,408,654

Unaudited Consolidated Balance Sheet

<i>Note</i>	30 June 2012 HK\$'000	31 December 2011 HK\$'000
NON-CURRENT LIABILITIES		
Amount due to immediate holding company	1,163,171	1,227,021
Amount due to ultimate holding company	865,090	680,579
Other payables	48,957	46,637
Deferred taxation	19,442	19,308
	2,096,660	1,973,545
NET ASSETS		
	10,496,491	10,435,109
CAPITAL AND RESERVES		
Share capital	443,897	443,897
Reserves	10,039,292	9,979,242
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		
	10,483,189	10,423,139
NON-CONTROLLING INTERESTS		
	13,302	11,970
TOTAL EQUITY		
	10,496,491	10,435,109

Unaudited Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company				Total HK\$'000	Non- controlling interests	Total equity
	Share capital HK\$'000	Share premium account HK\$'000	Fair value reserve HK\$'000	Retained profits HK\$'000		HK\$'000	HK\$'000
At 1 January 2012	443,897	5,912,600	2,894,981	1,171,661	10,423,139	11,970	10,435,109
Profit and total comprehensive income for the period	-	-	-	126,635	126,635	1,332	127,967
Dividends paid to equity holders of the Company (note 9)	-	-	-	(66,585)	(66,585)	-	(66,585)
At 30 June 2012	443,897	5,912,600	2,894,981	1,231,711	10,483,189	13,302	10,496,491
At 1 January 2011	443,897	5,912,600	2,877,404	1,073,693	10,307,594	46,700	10,354,294
Profit for the period	-	-	-	142,066	142,066	13,943	156,009
Other comprehensive income for the period	-	-	12,942	-	12,942	-	12,942
Total comprehensive income for the period	-	-	12,942	142,066	155,008	13,943	168,951
Dividends paid to equity holders of the Company (note 9)	-	-	-	(66,585)	(66,585)	-	(66,585)
Dividends paid to non-controlling interests	-	-	-	-	-	(1,770)	(1,770)
At 30 June 2011	443,897	5,912,600	2,890,346	1,149,174	10,396,017	58,873	10,454,890

Unaudited Condensed Consolidated Cash Flow Statement

	For the six months ended 30 June	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
NET CASH INFLOW/(OUTFLOW) FROM		
– OPERATING ACTIVITIES	133,841	62,787
– INVESTING ACTIVITIES	(82,723)	60,239
– FINANCING ACTIVITIES	(87,306)	(133,770)
DECREASE IN CASH AND CASH EQUIVALENTS	(36,188)	(10,744)
Cash and cash equivalents at beginning of period	288,694	329,979
CASH AND CASH EQUIVALENTS AT END OF PERIOD	252,506	319,235

Notes to the Unaudited Interim Financial Statements

1. ACCOUNTING POLICIES

These unaudited interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants as applicable to condensed interim financial statements and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies used in these unaudited interim financial statements are consistent with those used in the annual financial statements of the Group for the year ended 31 December 2011.

2. SEGMENT INFORMATION

The Group had four operating segments which included properties investment, trading and development related activities (“Properties”), oil exploration and production related activities (“Oil”), manufacturing of ice and provision of cold storage and related services (“Ice and Cold Storage”) and other miscellaneous operations (“Others”).

Turnover
– Properties
– Oil
– Ice and Cold Storage
– Others

For the six months ended 30 June	
2012 HK\$'000	2011 HK\$'000
1,734	49,420
259,637	27,333
34,853	27,092
–	–
296,224	103,845

Notes to the Unaudited Interim Financial Statements

2. SEGMENT INFORMATION (Continued)

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Profit/(loss) before tax		
– Properties	3,705	84,908
– Oil	73,182	(29,123)
– Ice and Cold Storage	9,578	7,597
– Others	(1,583)	(821)
	84,882	62,561
– Gain arising from change in fair value of investment properties	–	600
– Share of results of jointly controlled entity	56,650	122,550
– Corporate portion	(20,665)	(18,224)
	120,867	167,487
	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Assets		
– Properties	10,302,437	10,302,973
– Oil	1,459,860	1,414,643
– Ice and Cold Storage	171,472	163,556
– Others	7,028	8,610
	11,940,797	11,889,782
– Interest in and amount due from jointly controlled entity	727,604	688,750
– Corporate portion	266,577	293,980
	12,934,978	12,872,512

Notes to the Unaudited Interim Financial Statements

3. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	1,090	366
– Overseas income tax	1,053	13,202
Deferred tax	(9,243)	(2,090)
	(7,100)	11,478

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the six months ended 30 June 2012. Overseas taxation has been provided for at the applicable rates ruling in the respective jurisdiction.

4. PROFIT FOR THE PERIOD

Profit for the period is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Depreciation and amortisation	48,925	9,285
Interest on borrowings	13,709	10,370
Gain on disposal of investment properties	–	(44,951)

Notes to the Unaudited Interim Financial Statements

5. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following information:

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
<i>Earnings</i>		
Earnings for the purposes of calculating basic and diluted earnings per share	126,635	142,066
<i>Number of shares</i>		
Number of ordinary shares for the purposes of calculating basic and diluted earnings per share	4,438,967,838	4,438,967,838

6. INTERESTS IN PROPERTY DEVELOPMENT

Interests in property development represent the Group's interests in the development of various properties in Macau under two co-investment agreements with two wholly owned subsidiaries of the ultimate holding company respectively.

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

Notes to the Unaudited Interim Financial Statements

7. TRADE AND OTHER RECEIVABLES

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Ageing analysis of trade receivables:		
Within 30 days	7,479	3,442
31 days to 60 days past due	4,573	2,658
61 days to 90 days past due	1,062	1,507
Over 90 days past due	843	628
Amounts past due	6,478	4,793
Trade receivables	13,957	8,235
Other receivables	44,023	44,737
	57,980	52,972

The Group has established different credit policies for each of the Group's businesses and allows a credit period of not more than 90 days to its trade customers.

8. TRADE AND OTHER PAYABLES

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Ageing analysis of trade payables:		
Over 90 days	–	6,118
Trade payables	–	6,118
Deposits received from sale of properties	289	1,885
Government fees and levies	86,091	74,493
Outstanding consideration payable for the acquisition of a subsidiary	–	9,945
Other payables	145,064	134,451
	231,444	226,892

Notes to the Unaudited Interim Financial Statements

9. DIVIDENDS

	For the six months ended 30 June	
	2012	2011
Interim dividend per share	0.90 HK cent	0.90 HK cent

Subsequent to the balance sheet date, the Board of Directors has declared an interim dividend of 0.90 HK cent (2011: 0.90 HK cent) per ordinary share, totalling HK\$39,951,000 (2011: HK\$39,951,000), in respect of the six months ended 30 June 2012.

During the six months ended 30 June 2012, a final dividend of 1.50 HK cents (2011: 1.50 HK cents) per ordinary share, totalling HK\$66,585,000 (2011: HK\$66,585,000), attributable to the previous financial year was approved.

10. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties:

- (a) The amount due to immediate holding company was unsecured, interest bearing at a premium over the Hong Kong Interbank Offering Rates ("HIBOR") and with no fixed repayment terms. During the six months ended 30 June 2012, interest of HK\$8,457,000 (2011: HK\$5,891,000) was payable to the immediate holding company.
- (b) The amount due to the ultimate holding company was unsecured and bearing interest at a premium over the HIBOR. During the six months ended 30 June 2012, interest of HK\$4,511,000 (2011: HK\$3,704,000) was payable to the ultimate holding company.

Other Information

INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Directors and Chief Executives

As at 30 June 2012, the interests and short positions of the Directors and Chief Executives 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 notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Long positions in shares of the Company

Name	Capacity and nature of interests	Number of ordinary shares held	Percentage of the issued ordinary share capital (Note 1)
Mr. Or Wai Sheun (Notes 2 and 7)	Founder and beneficiary of a trust	3,260,004,812	73.44%
Mr. Yeung Kwok Kwong	Personal	2,000,000	0.05%
Ms. Wong Yuk Ching	Personal	6,655,000	0.15%
Mr. Lam Chi Chung, Tommy	Personal	230,000	0.01%
Ms. Chio Koc Ieng	Personal	270,000	0.01%
Mr. Lai Ka Fai	Personal	430,000	0.01%
Ms. Or Pui Ying, Peranza (Notes 3 and 7)	Beneficiary of a trust	3,260,004,812	73.44%

Other Information

INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

Directors and Chief Executives (Continued)

Long positions in shares of associated corporation – Kowloon Development Company Limited (“KDC”)

Name	Capacity and nature of interests	Number of ordinary shares held	Percentage of the issued ordinary share capital (Note 9)
Mr. Or Wai Sheun (Note 2)	Founder and beneficiary of a trust	830,770,124 (Note 8)	72.20%
	Corporate	277,500	0.02%
Mr. Yeung Kwok Kwong	Personal	180,000	0.02%
Ms. Wong Yuk Ching	Personal	1,170,000	0.10%
Mr. Lam Chi Chung, Tommy	Personal	17,000	0.00%
Ms. Chio Koc Ieng	Personal	225,000	0.02%
Mr. Lai Ka Fai	Personal	751,000	0.07%
Ms. Or Pui Ying, Peranza (Notes 3 and 8)	Beneficiary of a trust	830,770,124	72.20%

Save as disclosed above, as at 30 June 2012, none of the Directors and Chief Executives had registered an interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time during the six months ended 30 June 2012 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in or any other body corporate.

Other Information

INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(Continued)

Other persons

As at 30 June 2012, the interests and short positions of the persons, other than the Directors and Chief Executives, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions

Name	Capacity and nature of interests	Number of ordinary shares held	Percentage of the issued ordinary share capital <i>(Note 1)</i>
The Or Family Trustee Limited Inc. <i>(Notes 4, 6 and 7)</i>	Corporate	3,260,004,812	73.44%
HSBC International Trustee Limited <i>(Notes 5, 6 and 7)</i>	Trustee	3,260,004,812	73.44%
Kowloon Development Company Limited <i>(Notes 6 and 7)</i>	Corporate	3,260,004,812	73.44%

Save as disclosed above, as at 30 June 2012, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

Other Information

INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

Notes:

1. As at 30 June 2012, the total number of issued shares in the Company was 4,438,967,838 ordinary shares.
2. Mr. Or Wai Sheun was deemed to be interested in 830,770,124 ordinary shares in KDC as the founder and one of the beneficiaries of a discretionary family trust. Mr. Or Wai Sheun was also deemed to be interested in 277,500 ordinary shares in KDC owned by China Dragon Limited due to his corporate interest therein.

Mr. Or Wai Sheun was also deemed to be interested in 3,260,004,812 ordinary shares in the Company through his interest in KDC.
3. Ms. Or Pui Ying, Peranza was deemed to be interested in 830,770,124 ordinary shares in KDC as one of the beneficiaries of a discretionary family trust.

Ms. Or Pui Ying, Peranza was also deemed to be interested in 3,260,004,812 ordinary shares in the Company through her interest in KDC.
4. The Or Family Trustee Limited Inc. holds 830,770,124 ordinary shares in KDC (being 72.20% of the issued ordinary share capital of KDC) and, therefore was deemed to be interested in 3,260,004,812 ordinary shares in the Company.
5. Based on information available to the Company, HSBC International Trustee Limited holds 832,016,474 ordinary shares in KDC (being 72.31% of the issued ordinary share capital of KDC) and therefore was deemed to be interested in 3,260,004,812 ordinary shares in the Company.
6. According to the register of the Company, as at 30 June 2012, KDC, The Or Family Trustee Limited Inc. and HSBC International Trustee Limited (the "Substantial Shareholders") were interested in 3,245,004,812 ordinary shares in the Company (being 73.10% of the issued ordinary share capital of the Company). On specific enquiries made, the Substantial Shareholders have confirmed that as at 30 June 2012, they were interested in 3,260,004,812 ordinary shares in the Company. There is a difference of 15,000,000 ordinary shares between the actual number of shares interested in of the Substantial Shareholders and the number of shares interested in as disclosed by the Substantial Shareholders because the Substantial Shareholders do not have any obligations pursuant to the SFO to disclose such interest in 15,000,000 ordinary shares of the Company.
7. The interest in 3,260,004,812 ordinary shares in the Company as disclosed above by Mr. Or Wai Sheun, Ms. Or Pui Ying, Peranza and the Substantial Shareholders respectively are the same interests in the Company.
8. The interest in 830,770,124 ordinary shares in KDC as disclosed above by Mr. Or Wai Sheun and Ms. Or Pui Ying, Peranza respectively are the same interests in KDC.
9. As at 30 June 2012, the total number of issued shares in KDC was 1,150,681,275 ordinary shares.

Other Information

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2012.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. On specific enquiries made, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the six months ended 30 June 2012.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2012.

EMPLOYEES

As at 30 June 2012, the total number of employees of the Group was about 330. The Group remunerates its employees by means of salary and bonus based on their performance, working experience, degree of hardship and prevailing market practice.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the Code on Corporate Governance Practice as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2012, except for the deviation of the followings.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Non-executive Directors do not have a specific term of appointment, but subject to rotation in accordance with Article 108(A) of the Articles of Association of the Company.

Code Provisions A.5.1 to A.5.4 stipulate that a nomination committee should be established with specific written terms. The Nomination Committee has been established in full compliance with Code Provisions A.5.1 to A.5.4 on 28 August 2012. The members of the Nomination Committee are Mr. Or Wai Sheun (the chairman of the Nomination Committee), Mr. Liu Kwong Sang and Mr. Siu Leung Yau. During the period from 1 April 2012 and 28 August 2012, the Board of Directors has retained the functions of the Nomination Committee. The Board of Directors believes that the Company has maintained good corporate governances under the principles of the Code Provisions A.5.1 to A.5.4.

The second sentence of Code Provision A.6.7 stipulates independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. An Independent Non-executive Director was unable to attend the annual general meeting of the Company held on 28 June 2012 due to sickness.

Other Information

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 3 October 2012 to Thursday, 4 October 2012 (both days inclusive) in order to determine entitlements of shareholders to the interim dividend. In order to qualify for the entitlement of the interim dividend, the shareholders must ensure that all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 28 September 2012.

DIRECTORS

As at the date of this report, Mr. Or Wai Sheun, Mr. Yeung Kwok Kwong, Ms. Wong Yuk Ching, Mr. Lam Chi Chung, Tommy and Ms. Chio Koc leng are Executive Directors, Mr. Lai Ka Fai and Ms. Or Pui Ying, Peranza are Non-executive Directors and Mr. Anthony Francis Martin Conway, Mr. Siu Leung Yau and Mr. Liu Kwong Sang are Independent Non-executive Directors.

CHANGE OF DIRECTORS' INFORMATION

With effect from 1 July 2012, the basic salaries of the following Directors have been changed. The new basic salaries are as follows:

Mr. Yeung Kwok Kwong	HK\$2,063,100 per annum
Ms. Wong Yuk Ching	HK\$1,227,200 per annum
Mr. Lam Chi Chung, Tommy	HK\$1,769,300 per annum
Ms. Chio Koc leng	HK\$1,227,200 per annum