



Polytec Asset Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 208)

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Interim Report



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Chairman's Statement



INTERIM RESULTS AND DIVIDENDS

The Group's unaudited net profit attributable to the shareholders rose to HK\$867 million for the six months ended 30 June 2009 from HK\$235 million at end-June 2008.

Excluding revaluation adjustments from investment properties net of deferred tax, the underlying net profit rose to HK\$891 million for the first half of 2009, representing a 279% increase over the corresponding period of 2008. Interim earnings per share for 2009 amounted to 20.08 HK cents compared to 5.30 HK cents in the same period last year.

The Board of Directors has declared an interim dividend of 0.8 HK cent per share for the six months ended 30 June 2009. The interim dividend will be payable on 16 October 2009 to the shareholders whose names appear on the register of members of the Company on 9 October 2009.

BUSINESS REVIEW

The overall economic activity in Macau has been inevitably affected by the worst worldwide economic downturn since the Great Depression, with real gross domestic product contracting 12.9% during the first quarter this year after plunging 7.6% in the fourth quarter last year. The local property market has also been hit significantly, with total value of residential transactions and the average residential transaction price for the first quarter of the year registering a decline of 89% and 27% respectively over the same period last year.

While some of the Group's business segments were unavoidably being affected by the unfavourable business environment, its earnings for the first half of the year were well supported by income distribution from the Group's investment on one of the Macau development projects in the Orient Pearl District, Villa de Mer, which is 80% owned by the Group. The Group's total profit recognized from this project amounted to HK\$1,380 million, with the first batch of profit distribution totalling HK\$507 million in 2008 and the final portion of profit distribution amounting HK\$873 million in the first half of 2009.

Property Development

The Group's landbank for development in Macau totalled approximately 922,700 sq. m. gross floor area as of end-June 2009, with most of the sites located adjacent to the future Hong Kong-Zhuhai-Macau Bridge. The Group's property projects are at different stages of development and the status of our major projects in Macau is set out as follows.



Chairman's Statement

Pacifica Garden, Taipa

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

Lote P, The Orient Pearl District

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

Lotes T&T1, The Orient Pearl District

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

Property Investment

The Group's gross rental income generated from its investment property portfolio rose to HK\$34.6 million for the first half of 2009, an increase of 2.5% over the corresponding period of 2008. The retail portion owned by the Group at Va long, a building situated at Praca da Amizade, Macau, started to generate rental income for the Group in the first half of 2009 and that offset a slight decline in rental income from The Macau Square.



Ice and Cold Storage

The ice manufacturing and cold storage segment contributed HK\$3.5 million to the Group's operating profit in the first six months of the year, a decrease of 24.8% compared with the same period last year. The decline in operating income was mainly due to the decrease in utilization rate of the cold storage space and therefore its revenue as overall economic activities in Hong Kong have slowed significantly in the first half of the year.

Finance and Investment

As of end-June 2009, the total value of the Group's financial investments was further reduced to HK\$13.0 million from HK\$28.7 million at end-2008, and the maximum commitments of the Group under forward agreements were at an insignificant level of HK\$34.3 million.

The Group's finance and investment activities recorded a profit of HK\$27.0 million for the first half of 2009 compared with a loss of HK\$35.9 million for the corresponding period of 2008.

FINANCIAL REVIEW

As at 30 June 2009, total asset value of the Group amounted to HK\$11,693 million and net asset value amounted to HK\$10,092 million, with cash and cash equivalents of HK\$253 million mainly denominated in Hong Kong dollars.

As at 30 June 2009, the major current liabilities of the Group consisted of deposits received from the pre-sale of properties at Pacifica Garden of HK\$502 million which represent deferred revenue of the Group and will not have any cash outflow effect on the Group.

During the period, the advances received from the Group's interests in Villa de Mer of HK\$1,613 million has been settled by applying against the final distribution from the Group's interests in Villa de Mer of HK\$1,601 million and the Group's actual cash outflow for the refund of the advances was HK\$12 million only. The Group has also repaid all its bank borrowings during the period under review.

The amount due to holding companies includes the outstanding balance of HK\$565 million for the acquisition from the ultimate holding company of an 80% interest in the development projects on the land situated at the Orient Pearl District in Macau, which is unsecured, bearing interest at bank lending rates and repayable when the liquidity position of the Group permits. The amount due to holding companies also includes the advances of HK\$328 million from the immediate holding company of the Company for the Group's working capital, which is also unsecured, bearing interest at prevailing market rates with no fixed repayment terms.



Chairman's Statement

The Group's gearing ratio, expressed as a percentage of the amounts due to the holding companies of the Company over the equity attributable to equity holders of the Company, was 8.9% as of 30 June 2009.

As at 30 June 2009, a portion of the Group's assets with an aggregate asset value of HK\$161 million were pledged to financial institutions to secure mainly standby credit facilities to the Group.

The Group constantly assesses and reviews the returns of individual assets, balance between debts and equity, cost of each class of capital and associated risks of those assets and capital to determine appropriate arrangements to maximize returns to its shareholders.

PROSPECTS

The overall market sentiment has recently improved as the global economy seems to be stabilizing and there appear some signs of pickup in economic activities. However, there are still uncertainties over the timing and durability of global recovery as the recent gains may be largely attributable to the governments' unprecedented efforts to stimulate the economies across the globe since the start of the financial crisis last October. Given a fragile global recovery and concerns over the possible policy tightening by the Chinese government, the financial market will probably remain volatile for the rest of the year.

In Macau, there have recently been some tentative signs of recovery in the local property market since the second quarter this year, with total value of residential transactions and average selling prices rising considerably over a quarter-on-quarter basis. This may in part be attributable to the introduction of two major incentive measures for first-time home buyers by the government: a 4% home loan interest rate subsidy scheme and a mortgage guarantee program.

There may appear some further corrections in the housing market over the short term. However, with a sizable landbank of 922,700 sq. m. gross floor area in prime locations that are adjacent to the landing point the future Hong Kong-Zhuhai-Macau Bridge, the Group is well positioned to take advantage of a near-term recovery. While Macau is unlikely to return to exceptionally high economic growth rates seen in the past 6-7 years when the government liberalised its gaming sector in 2002, we remain positive about the prospects for the economy as well as its housing market over the medium- to long-term as we still see its important comparative advantages as a regional gaming and tourist hub.

Chairman's Statement



As Management realizes that the Group's core property business in Macau offers good but relatively limited growth potential due to geographical constraints over the longer term, it has been constantly exploring strategic investment opportunities in other industries over the past years in order to create good value and generate best investment return for its shareholders. Following an intensive study and extensive discussions, the Board has recently reached a consensus that the Group should expand its business to the energy sector as the assets in the energy industry have been offering relatively attractive valuations after the financial turmoil and it is the appropriate time to acquire these assets. Recently, we have been actively looking at investment opportunities in the oil and gas sector and we have lately identified several potential acquisition targets and we are currently at different stages of negotiation with potential sellers.

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

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

Or Wai Sheun

Chairman

Hong Kong, 8 September 2009

Unaudited Consolidated Income Statement

	Note	For the six months ended 30 June	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
TURNOVER	2	965,114	1,340,423
Cost of sales		(67,298)	(1,023,576)
Gross profit		897,816	316,847
Other revenue and gains		27,700	87,058
Selling and distribution costs		(3,555)	(4,814)
Administrative expenses		(11,520)	(7,620)
Other operating expenses		(19,720)	(192,739)
PROFIT FROM OPERATIONS		890,721	198,732
Loss arising from a change in fair value of investment properties		(14,000)	—
Finance costs		(2,484)	(16,592)
Share of results of jointly controlled entity		(5,467)	10,087
PROFIT BEFORE TAX	2	868,770	192,227
Income tax expenses	3	(1,970)	7,639
PROFIT FOR THE PERIOD	4	866,800	199,866
ATTRIBUTABLE TO:			
Equity holders of the Company		867,178	235,040
Minority interests		(378)	(35,174)
		866,800	199,866
EARNINGS PER SHARE — Basic/diluted	5	19.54 HK cents	5.29 HK cents

Unaudited Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
PROFIT FOR THE PERIOD	866,800	199,866
OTHER COMPREHENSIVE INCOME:		
(Loss)/gain on fair value changes of interests in property development	(162,998)	870,849
Loss in respect of fair value changes of available-for-sale financial investments	—	(215,965)
Transfer to income statement upon recognition from interests in property development	(872,639)	(218,350)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(1,035,637)	436,534
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(168,837)	636,400
ATTRIBUTABLE TO:		
Equity holders of the Company	(168,459)	689,423
Minority interests	(378)	(53,023)
	(168,837)	636,400

Unaudited Consolidated Balance Sheet

		30 June 2009	31 December 2008
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		34,151	35,055
Prepaid lease payments		104,347	105,757
Investment properties		86,000	100,000
Interest in jointly controlled entity		360,058	365,525
Interests in property development	6	10,087,994	10,251,062
Goodwill		16,994	16,994
		10,689,544	10,874,393
CURRENT ASSETS			
Amount due from jointly controlled entity		184,635	196,004
Held for trading investments	7(a)	12,978	28,688
Derivative financial instruments	7(b)	1,239	—
Inventories		512,522	461,152
Interests in property development	6	—	1,601,329
Trade and other receivables	8	36,344	32,234
Prepaid lease payments		2,820	2,820
Margin deposits		—	17,847
Cash and cash equivalents	9	252,661	394,437
		1,003,199	2,734,511
CURRENT LIABILITIES			
Trade and other payables	10	573,575	540,969
Amount received from interests in property development	6	—	1,613,516
Derivative financial instruments	7(b)	—	19,903
Bank loans — current portion		—	36,700
Current taxation		93,677	92,744
Amount due to minority shareholder	12(a)	1,926	1,622
		669,178	2,305,454
NET CURRENT ASSETS		334,021	429,057
TOTAL ASSETS LESS CURRENT LIABILITIES		11,023,565	11,303,450

Unaudited Consolidated Balance Sheet



		30 June 2009	31 December 2008
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Amount due to immediate holding company	<i>12(b)</i>	327,651	263,185
Amount due to ultimate holding company	<i>12(c)</i>	564,702	686,497
Deferred taxation		39,219	38,195
		931,572	987,877
NET ASSETS			
		10,091,993	10,315,573
CAPITAL AND RESERVES			
Share capital		443,897	443,897
Reserves		9,634,586	9,856,313
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
		10,078,483	10,300,210
MINORITY INTERESTS			
		13,510	15,363
TOTAL EQUITY			
		10,091,993	10,315,573

Unaudited Condensed Consolidated Cash Flow Statement

	For the six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
NET CASH INFLOW/(OUTFLOW) FROM		
– OPERATING ACTIVITIES	(1,712)	102,930
– INVESTING ACTIVITIES	10,774	(276,099)
– FINANCING ACTIVITIES	(150,838)	(33,453)
DECREASE IN CASH AND CASH EQUIVALENTS	(141,776)	(206,622)
Cash and cash equivalents at beginning of period	394,437	310,248
CASH AND CASH EQUIVALENTS AT END OF PERIOD	252,661	103,626

Unaudited Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company					Minority interests	Total equity
	Share capital	Share premium account	Fair value reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009	443,897	5,912,600	3,827,631	116,082	10,300,210	15,363	10,315,573
Dividends paid to equity holders of the Company (note 11)	—	—	—	(53,268)	(53,268)	—	(53,268)
Dividends paid to minority shareholders	—	—	—	—	—	(1,475)	(1,475)
Total comprehensive income for the period	—	—	(1,035,637)	867,178	(168,459)	(378)	(168,837)
At 30 June 2009	443,897	5,912,600	2,791,994	929,992	10,078,483	13,510	10,091,993
At 1 January 2008	443,897	5,912,600	3,565,954	727,971	10,650,422	67,792	10,718,214
Dividends paid to equity holders of the Company (note 11)	—	—	—	(53,268)	(53,268)	—	(53,268)
Dividends paid to minority shareholders	—	—	—	—	—	(11,940)	(11,940)
Total comprehensive income for the period	—	—	454,383	235,040	689,423	(53,023)	636,400
At 30 June 2008	443,897	5,912,600	4,020,337	909,743	11,286,577	2,829	11,289,406

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 (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) 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 2008, except as described below.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRS”, which term collectively includes HKAS and Interpretations) that are effective for the current accounting period of the Group. The adoption of these new or revised HKFRSs has no material impact on the Group’s financial statements, excepted that the adoption of HKAS 1 (revised 2007) “Presentation of Financial Statements” and HKFRS 8 “Operating Segments” has resulted in new or amended presentations and disclosures in the financial statements.

As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity holders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in these unaudited interim financial statements.

HKFRS 8 requires segment disclosures to be based on the way that the Group’s top management regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group’s top management for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group’s financial statements into segments based on related products and services and on geographical areas. However, the adoption of HKFRS 8 does not result in any change in reportable segments of the Group.

As a result of the application of HKAS 1 (revised 2007) “Presentation of Financial Statements” and HKFRS 8 “Operating Segments”, certain comparative information has been restated to conform with current presentation.

Notes to the Unaudited Interim Financial Statements

2. SEGMENT INFORMATION

The Group had three operating segments which included properties investment, trading and development related activities (“Properties”), manufacturing of ice and provision of cold storage and related services (“Ice and Cold Storage”) and financial investment and other miscellaneous activities (“Investment and Others”).

	Turnover		Profit/(loss)	
	For the six months		before tax	
	ended 30 June		For the six months	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Properties	875,742	240,068	854,187	234,701
Ice and Cold Storage	20,423	21,166	3,475	4,620
Investments and Others	68,949	1,079,189	26,971	(35,855)
Share of results of jointly controlled entity	—	—	(5,467)	10,087
Corporate expenses, net	—	—	(10,396)	(21,326)
	965,114	1,340,423	868,770	192,227

	Assets		Liabilities	
	30 June	31 December	30 June	31 December
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Properties	10,712,551	12,439,467	555,922	2,141,663
Ice and Cold Storage	165,253	165,686	3,551	2,820
Investments and Others	16,721	46,886	4,039	23,451
Interest in and amount due from jointly controlled entity	544,693	561,529	—	—
Amounts due to holding companies	—	—	892,353	949,682
Corporate assets/liabilities	253,525	395,336	144,885	175,715
	11,692,743	13,608,904	1,600,750	3,293,331

Notes to the Unaudited Interim Financial Statements

3. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Current tax		
— Hong Kong Profits Tax	117	10,379
— Overseas income tax	829	2,197
Deferred tax	1,024	(20,215)
	1,970	(7,639)

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the six months ended 30 June 2009. 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	
	2009	2008
	HK\$'000	HK\$'000
Depreciation and amortisation	2,918	2,677
Interest on borrowings	2,484	16,592
Interest income	(29)	(4,709)
Gain arising from a change in fair value of derivative financial instruments, net	(21,142)	(59,215)
(Gain)/loss arising from a change in fair value of held for trading investments	(2,869)	180,482

The decrease in other operating expenses, as compared with the corresponding period last year, is mainly due to the absence of the above mentioned loss arising from a change in fair value of held for trading investments during the period.

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	
	2009 HK\$'000	2008 HK\$'000
<i>Earnings</i>		
Earnings for the purposes of calculating basic and diluted earnings per share	867,178	235,040
<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 fair value. In determining the fair value of interests in property development, the Group estimates the future cash flows expected to arise from the interests in property development and a suitable discount rate in order to calculate the present value. Cash flow projections for the interests in property development are based on the past performance, current market conditions, management's expectations for the market development and terms provided under the co-investment agreements.

Amount received from interests in property development, which is unsecured, interest free and with no fixed repayment terms, represents the advances received from a subsidiary of the ultimate holding company in respect of the abovementioned interests in property development of the Group in Macau.



Notes to the Unaudited Interim Financial Statements

7. INVESTMENTS

- (a) Held for trading investments are listed equity securities which are stated at market value.
- (b) As at the balance sheet date, the Group has one (31 December 2008: one) forward agreement which will be expired in September 2009 to purchase certain listed equity securities at a fixed price over a year from the date of the agreement remaining outstanding. According to the agreement, the purchase commitments of the Group will be terminated when the market price of the equity securities rises to a pre-determined price level. As at the balance sheet date, the aggregated maximum purchase commitment of the Group under the agreement was HK\$34,293,000 (31 December 2008: HK\$105,836,000). During the six months ended 30 June 2009, the Group has not entered into any new forward agreement to purchase or sell any listed equity securities.
- (c) The Group is exposed to equity security price risk through its held for trading investments and derivative financial instruments. Appropriate measures are implemented under risk management policies on a timely and effective manner. These measures covered macroeconomic analysis, securities analysis, trade execution control and portfolio evaluation. The Group controls this exposure by maintaining an investment portfolio of securities with high market liquidity and different risk profiles and engaging in relevant hedging arrangements in appropriate time.

Notes to the Unaudited Interim Financial Statements

8. TRADE AND OTHER RECEIVABLES

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Ageing analysis of trade receivables:		
Within 30 days	2,558	2,174
31 days to 60 days past due	674	820
61 days to 90 days past due	270	505
Over 90 days past due	229	426
Amounts past due	1,173	1,751
Trade receivables	3,731	3,925
Other receivables, deposits and prepayments	32,613	28,309
	36,344	32,234

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.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represents cash and balances held with banks and other financial institutions.

Notes to the Unaudited Interim Financial Statements

10. TRADE AND OTHER PAYABLES

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Ageing analysis of trade payables:		
Within 30 days	—	12,249
31 days to 60 days	—	1,527
61 days to 90 days	16,736	1,940
Over 90 days	16,147	9,420
Trade payables	32,883	25,136
Deposits received from sale of properties	501,977	486,695
Other payables	38,715	29,138
	573,575	540,969

11. DIVIDENDS

	For the six months ended 30 June	
	2009	2008
Interim dividend per share	0.80 HK cent	0.70 HK cent

Subsequent to the balance sheet date, the Board has declared an interim dividend of 0.8 HK cent (2008: 0.7 HK cent) per ordinary share, totalling HK\$35,512,000 (2008: HK\$31,073,000), in respect of the six months ended 30 June 2009.

During the six months ended 30 June 2009, a final dividend of 1.2 HK cents (2008: 1.2 HK cents) per ordinary share, totalling HK\$53,268,000 (2008: HK\$53,268,000), attributable to the previous financial year was approved and paid.

12. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2009 and 2008, the Group had the following transactions with related parties:

- (a) The amount due to a minority shareholder of a subsidiary was unsecured, bearing interest at a premium over the Hong Kong Interbank Offering Rates (“HIBOR”) and with no fixed repayment terms. During the six months ended 30 June 2009, interest of HK\$9,000 (2008: HK\$44,000) was payable to the minority shareholder.
- (b) The amount due to immediate holding company was unsecured, interest bearing at a premium over the HIBOR and with no fixed repayment terms. During the six months ended 30 June 2009, interest of HK\$176,000 (2008: HK\$4,216,000) was payable to the immediate holding company.
- (c) During the year ended 31 December 2006, the Group has acquired from its ultimate holding company the entire interests in New Bedford Properties Limited in turn to acquire 80% interest in three property projects located at Lotes P, V and T & T1, The Orient Pearl District, Novos Aterros da Areia Preta, Macau for a consideration of HK\$8,448,000,000. Pursuant to the relevant sale and purchase agreement (the “Agreement”), a deposit of HK\$200 million was paid by the Group upon the signing of the Agreement and the Group might, at the Group’s discretion, settle the outstanding balance (i) at completion of the Agreement (the “Completion”) or (ii) within one year from the Completion. The Group has the right to extend the time for the settlement of the outstanding balance to within three years from the Completion. In case where the Company is unable to raise sufficient funds to finance the acquisition within three years from the Completion, the Group has the right to further extend the settlement of the outstanding balance for an unlimited period until such time the liquidity position of the Company permits the settlement. The Group has exercised all its right to extend the settlement of this outstanding balance.

As at 30 June 2009, outstanding balance due to the ultimate holding company for the acquisition, which was unsecured and bearing interest at a premium over the HIBOR, together with accrued interest was HK\$564,702,000 (31 December 2008: HK\$686,497,000). During the six months ended 30 June 2009, interest of HK\$2,185,000 (2008: HK\$11,682,000) was payable to the ultimate holding company.

During the six months ended 30 June 2009, a distribution of HK\$1,601,399,000 (2008: HK\$463,000,000) was received from the projects.

Other Information

INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Directors and chief executives

As at 30 June 2009, 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 <i>(Note 1)</i>
Mr. Or Wai Sheun <i>(Notes 2 and 5)</i>	Founder and beneficiary of a trust	3,260,004,812	73.44%
Mr. Yeung Kwok Kwong	Directly beneficially owned	2,000,000	0.05%
Ms. Wong Yuk Ching	Directly beneficially owned	6,655,000	0.15%
Mr. Lam Chi Chung, Tommy	Directly beneficially owned	230,000	0.01%
Ms. Chio Koc Ieng	Directly beneficially owned	270,000	0.01%
Mr. Lai Ka Fai	Directly beneficially owned	430,000	0.01%



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 <i>(Note 6)</i>
Mr. Or Wai Sheun <i>(Note 2)</i>	Founder and beneficiary of a trust	802,830,124	69.77%
	Through controlled corporation	277,500	0.02%
Mr. Yeung Kwok Kwong	Directly beneficially owned	165,000	0.01%
Ms. Wong Yuk Ching	Directly beneficially owned	1,110,000	0.10%
Mr. Lam Chi Chung, Tommy	Directly beneficially owned	15,000	0.00%
Ms. Chio Koc Ieng	Directly beneficially owned	210,000	0.02%
Mr. Lai Ka Fai	Directly beneficially owned	701,000	0.06%

At no time during the six months ended 30 June 2009 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.

Save as disclosed above, as at 30 June 2009, 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.

Other Information

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

Other persons

As at 30 June 2009, 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:

Name	Capacity and nature of interests	Number of ordinary shares held	Percentage of the issued ordinary share capital <i>(Note 1)</i>
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Long positions

Kowloon Development Company Limited <i>(Note 5)</i>	Through controlled corporation	3,260,004,812	73.44%
The Or Family Trustee Limited Inc. <i>(Notes 3 and 5)</i>	Through controlled corporation	3,260,004,812	73.44%
HSBC International Trustee Limited <i>(Notes 4 and 5)</i>	Trustee	3,260,004,812	73.44%
Wachovia Corporation	Through controlled corporation	265,460,000	5.98%

Save as disclosed above, as at 30 June 2009, 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.



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

Notes:

1. As at 30 June 2009, 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 802,830,124 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. The Or Family Trustee Limited Inc. holds 802,830,124 ordinary shares in KDC (being 69.77% 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.
4. HSBC International Trustee Limited holds 805,176,974 ordinary shares in KDC (being 69.97% 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. The interest in 3,260,004,812 ordinary shares in the Company as disclosed above by KDC, The Or Family Trustee Limited Inc. and HSBC International Trustee Limited (the "Disclosed Shareholders") respectively and by Mr. Or Wai Sheun are the same interests in the Company.

According to the register of the Company, as at 30 June 2009, the Disclosed 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 Disclosed Shareholders have confirmed that as at 30 June 2009, 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 numbers of shares interested in of the Disclosed Shareholders and the number of shares interested in as disclosed by the Disclosed Shareholders because the Disclosed Shareholders do not have any obligations pursuant to the SFO to disclose such interest in 15,000,000 ordinary shares of the Company.

6. As at 30 June 2009, the total number of issued shares in KDC was 1,150,681,275 ordinary shares.



Other Information

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 2009.

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 2009.

AUDIT COMMITTEE

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

EMPLOYEES

As at 30 June 2009, the total number of employees of the Group was about 80. The Group remunerates its employees by means of salary and bonus based on their performance, working experience, degree of hardship and prevailing market practice.

CAPITAL MANAGEMENT

The Group manages its capital to ensure its going concern and to maximise shareholders return through the optimisation of debt and equity balance. The Group reviews its capital structure with defined policies by considering, inter alia, the cost of capital and the risks associated with each class of capital and determines relevant hedging arrangements in appropriate time.



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 2009, except for the deviation from Code Provision A.4.1. 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 8 October 2009 to Friday, 9 October 2009 (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 Wednesday, 7 October 2009.

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 Ieng are Executive Directors, Mr. Lai Ka Fai is Non-executive Director and Mr. Anthony Francis Martin Conway, Mr. Siu Leung Yau and Mr. Liu Kwong Sang are Independent Non-executive Directors.