

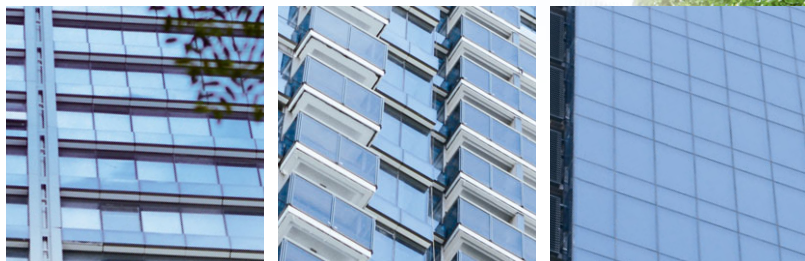


九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

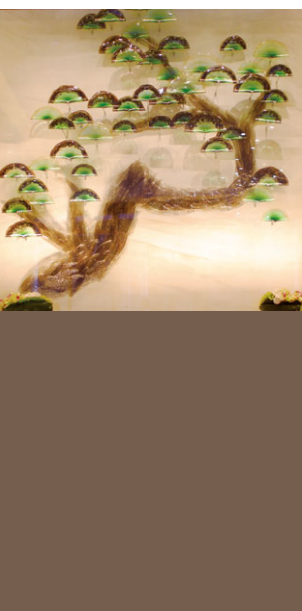
Stock Code 股份代號 : 34



MACPHERSON 麥花臣



INTERIM REPORT
2013 中期報告



KOWLOON DEVELOPMENT COMPANY LIMITED 九龍建業有限公司

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 of approximately 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.

九龍建業有限公司(股份代號：34)在大中華地區奉行三線發展策略，核心業務為香港及中國大陸市場之地產業務，並通過其擁有73.4%權益之上市附屬公司保利達資產控股有限公司(股份代號：208)經營澳門地產業務。本集團目前在區內三大市場作出卓越部署，其應佔土地儲備約五百萬平方米，並致力提升本身之競爭優勢，目標成為少數能夠在三大市場取得顯著增長之香港上市公司之一。



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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

Remuneration Committee

Seto Gin Chung, John (*Chairman*)

Lai Ka Fai

Li Kwok Sing, Aubrey

Lok Kung Chin, Hardy

Nomination Committee

Or Wai Sheun (*Chairman*)

Lok Kung Chin, Hardy

David John Shaw

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

23rd Floor, Pioneer Centre, 750 Nathan Road,

Kowloon, Hong Kong

Telephone : (852) 2396 2112

Facsimile : (852) 2789 1370

Website : www.kdc.com.hk

E-mail : enquiry@kdc.com.hk

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

Chiyu Banking Corporation

Chong Hing Bank

Dah Sing Bank

Hang Seng Bank

Industrial and Commercial Bank of China

Standard Chartered Bank

Financial Calendar for Interim Results 2013

Interim results announcement 28 August 2013

Ex-dividend date for 27 September 2013

interim dividend

Closure of register of members 2 October 2013 –

3 October 2013

(both days inclusive)

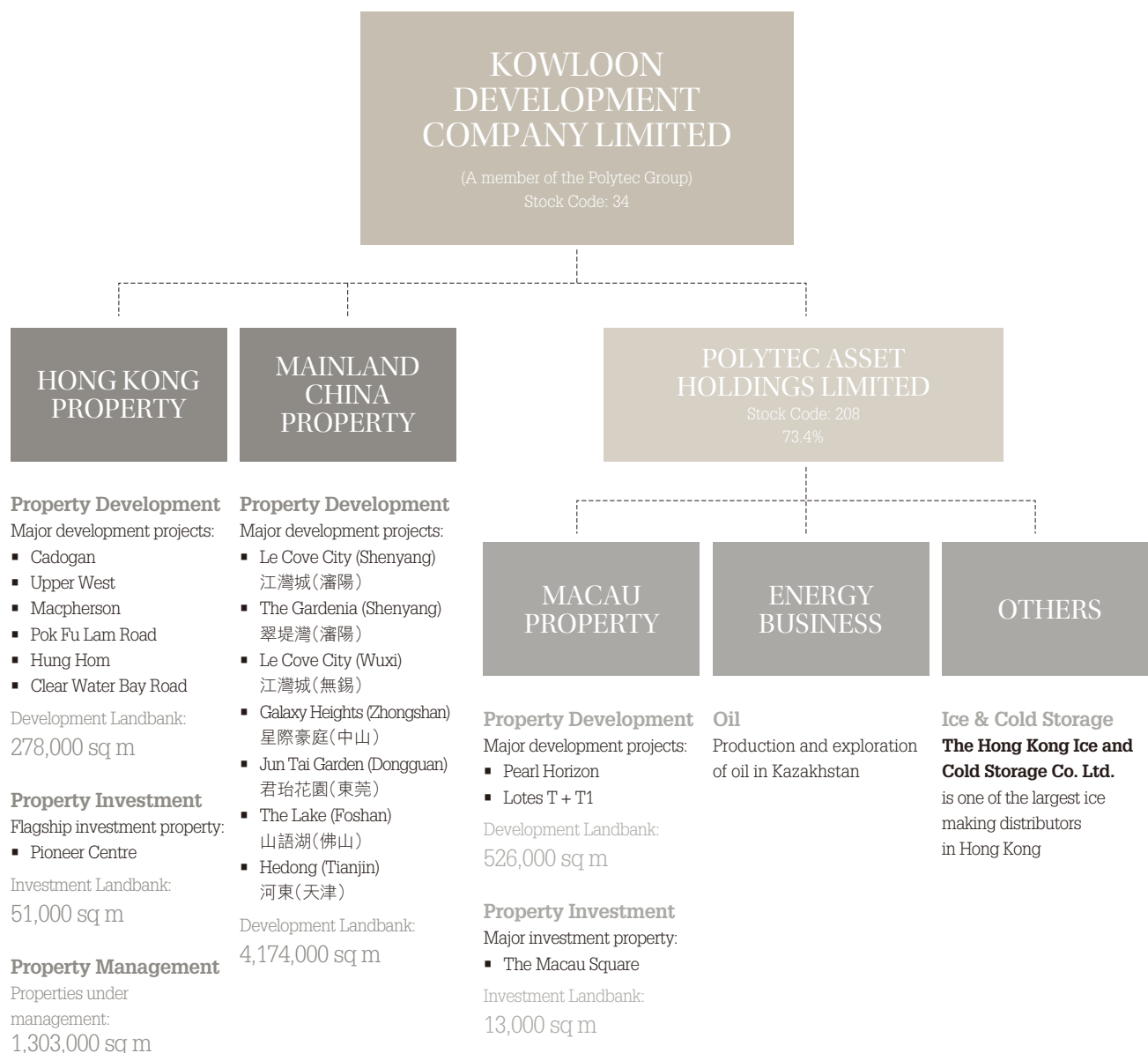
Interim dividend payable 11 October 2013

Highlights



- The Group's net profit for the first six months of 2013 rises to HK\$982 million, an increase of 12.6% over the corresponding period in 2012.
- Excluding revaluation gains from the Group's investment properties, its underlying net profit for the first half of 2013 rises 5.1% to HK\$382 million over the same period in 2012. The underlying net interim earnings per share for 2013 amount to HK\$0.33 compared to HK\$0.32 for 2012.
- For the first six months of 2013, total presales/sales from the Group's various projects in Hong Kong, Macau and Mainland China exceed HK\$10 billion.
- Interim dividend per share for 2013 amounts to HK\$0.21 (2012: HK\$0.21).

Group's Business Structure



Chairman's Statement

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 June 2013, the Group's unaudited net profit attributable to shareholders rose to HK\$982 million, an increase of 12.6% over the same period in 2012, and the basic interim earnings per share for 2013 amounted to HK\$0.85 compared to HK\$0.76 for 2012.

Excluding revaluation gains from its investment properties, the Group's underlying net profit for the first six months of 2013 increased to HK\$382 million from HK\$364 million in the first half of 2012. The underlying net interim earnings per share for 2013 were HK\$0.33 compared to HK\$0.32 for 2012.

The Board of Directors has declared an interim dividend per share for 2013 of HK\$0.21 (2012: HK\$0.21). The interim dividend will be payable on Friday, 11 October 2013 to shareholders whose names appear on the Register of Members of the Company on Thursday, 3 October 2013.

BUSINESS REVIEW

In Hong Kong, the government imposed more restrictive measures, mainly including additional stamp duties on property transactions, in late February this year to further curb potential purchasers' appetite. The number of transactions has further been adversely affected by the new ordinance on the first-hand sales of residential properties, which became effective in late April 2013. While the ordinance aims to better protect the interest of purchasers, it has had a temporary supply effect. As developers are now required to prepare new marketing tools to fulfill the new ordinance, their sales plans have been postponed.

BUSINESS REVIEW *(Continued)*

In Macau, the government introduced new laws on property sale activities, which became effective on 1 June 2013. The new laws have substantially affected sale activities since its implementation, with overall transaction volumes of both primary and secondary residential markets plummeting.

On the other hand, it appears that overall sentiment in the housing market has been improving in Mainland China over the first half of this year, with residential transaction volumes as well as prices having generally picked up in most regions. In addition, land sales in many cities have also received good responses over the past months.

Property Sales

In Hong Kong, the Group launched the presale for Upper West, its wholly-owned high-end residential and commercial project in West Kowloon in early February 2013, with a majority of residential units having been sold. Together with additional presold units at Cadogan, the Group's 100%-owned residential and commercial project in Kennedy Town, total combined presales for these two projects exceeded HK\$1 billion for the first six months of 2013.

In Mainland China, the Group sold almost all residential units and carparking spaces of the first phase of Le Cove City (Shenyeng), its wholly-owned residential and commercial project, and it has also presold a majority of residential units of the second phase. The Group has recently started the presale of the first phase of residential units at Jun Tai Garden, which is its 40%-owned project in Dongguan, and it has been well received by the market. For the first half of 2013, total presales/sales from various projects in Mainland China amounted to HK\$800 million.

In Macau, the combined presales for Pearl Horizon and Lotes T + T1, which are the Group's two luxury residential and commercial development projects in the Orient Pearl District holding through its 73.4%-owned listed subsidiary, Polytec Asset Holdings Limited ("Polytec Asset"), exceeded HK\$10 billion for the period under review.



BUSINESS REVIEW (Continued)

Property Development

As of 30 June 2013, the Group's landbank for development amounted to approximately 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
Hong Kong								
Cadogan	Kennedy Town, Hong Kong	37A Cadogan Street	Residential & commercial	1,318	13,200	100%	Superstructural work in progress	2013/2014
Upper West	Tai Kok Tsui, Kowloon	18 Fuk Chak Street	Residential & commercial	781	6,600	100%	Foundation work in progress	March 2016
Macpherson	Mongkok, Kowloon	38 Nelson Street	Stadium, youth centre, residential & commercial	2,400	24,800	Joint venture with Urban Renewal Authority and Hong Kong Playground Association	Internal fitting-out work in progress	Obtained Occupation Permit on 31 December 2012
Pok Fu Lam Road	Sai Ying Pun, Hong Kong	45-65A Pok Fu Lam Road	Residential	1,388	11,100	100%	Design stage	To be determined
Hung Hom	Hung Hom, Kowloon	Wan On Street	Residential & commercial	4,038	33,900	95.06%	Acquisition of the remaining units in progress	To be determined
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
Mainland China								
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 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%	Fitting-out work for first phase in progress	By phases from 2013 onwards
Le Cove City (Wuxi) 江灣城(無錫)	Chong An District, Wuxi	Tongyun Road and Gongyun Road	Residential & commercial	68,833	404,400*	80%	Fitting-out work for first phase in progress	By phases from 2014 onwards
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	2013
Jun Tai Garden (Dongguan) 君珩花園(東莞)	Nancheng District, Dongguan	East of Hongwei Road, Xi Ping She Qu	Residential & commercial	32,521	79,700	40%	Construction 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
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	930,000	49%	Foundation work for first phase in progress	To be determined
Macau								
Pearl Horizon	Novos Aterros da Areia Preta	Lote P, The Orient Pearl District	Residential & commercial	68,000	699,700	58.8%	Architectural plan approved	2016/2017
Lotes T + T1	Novos Aterros da Areia Preta	Lotes T + T1, The Orient Pearl District	Residential & commercial	17,900	195,600	58.8%	Submitted application for work commencement	2016/2017

* With additional underground GFA of approximately 15,000 sq m for the commercial portion and over 2,300 carparking spaces.

BUSINESS REVIEW *(Continued)*

Property Investment

During the period under review, the Group disposed all remaining retail units at New Mandarin Plaza in Tsim Sha Tsui, Hong Kong, with a total recognised gain of HK\$232 million.

Despite disposal of the above non-core investment properties, the Group's gross rental income from its property investment portfolio for the first six months of 2013 rose to HK\$153 million, an increase of 4.3% over the corresponding period in 2012. Total rental income from Pioneer Centre, the Group's flagship and core investment property in Hong Kong, rose 5.5% to HK\$130 million, with almost all retail spaces and offices being let as of 30 June 2013.

Oil Business

For the six months ended 30 June 2013, the segment recorded an operating loss of HK\$29.8 million compared to an operating gain of HK\$73.2 million in the same period in 2012. The loss in operation was due to the temporary suspension in normal production of the Group's South Alibek Oilfield in Kazakhstan since 1 January 2013, pending approval of a gas flaring permit from the government. The management has been taking all necessary steps to obtain the permit for the oilfield as soon as possible. The temporary disruption in oil production may further affect earnings from this segment in the second half of 2013.

The Group's exposure in the oil and gas business is through its 73.4%-owned listed subsidiary, Polytec Asset.

Post Balance Sheet Events

As announced on 23 August 2013, the Group entered into two acquisition agreements with Polytec Holdings International Limited ("Polytec Holdings"), the ultimate shareholder of the Company, and a subsidiary of Polytec Holdings to acquire New Basic Holdings Limited ("New Basic") and Top Sail International Limited ("Top Sail") at a consideration of HK\$1,280,249,021 and HK\$368,557,890 respectively. By acquiring New Basic, the Group will have a 60% interest in a Huizhou high quality property project, which will be developed into a commercial and residential development with estimated GFA of 519,867 sq m, and by acquiring Top Sail, the Group will own a 100% interest of a redevelopment property site with a total registered site area of approximately 738.29 sq m located at 1, 3, 5, 7, 9 and 11 of Tang Fung Street, Aberdeen, Hong Kong. Both of the acquisitions are subject to the Company's independent shareholders' approval.

PROSPECTS

According to the latest official data, the European economy appears to have finally ended its longest (18 months) postwar contraction in the second quarter of 2013, bolstered by stronger growth in Germany and France. However, it remains to be seen whether the nascent recovery in the euro zone can last, given its high unemployment and other lingering problems. The US economy, as well as its labour and housing market, continued to recover in the first half of 2013. In Mainland China, the recent data indicates that the economy is improving from its sluggish state. Therefore, the global economic outlook seems to be more positive than last year.

PROSPECTS *(Continued)*

In Hong Kong, various property restrictive measures are expected to remain in place for a considerable period of time. Together with the new ordinance on the first-hand sales of residential properties effective in late April this year, the Group expects these will continue to have substantial impacts on overall residential volumes and housing prices would likely be suppressed in the near future. In the second half of 2013, the Group intends to launch the sale of the Macpherson project, the Group's joint venture project with Urban Renewal Authority and Hong Kong Playground Association, as soon as the consent is granted.

In Macau, the new laws on property sale activities, which became effective on 1 June 2013, will adversely affect the Group's future presale plan as it is now required to obtain presale consents before re-launching the presale of two projects. Despite the successful presale of Pearl Horizon and Lotes T + T1, profits from their respective presales will not be distributed to the Group until 2016/2017.

The Group will actively expand its development landbank and expedite the development pace of its existing projects in Mainland China, aiming to offset the adverse impacts from the slowdown in the sale of projects in Hong Kong and Macau.

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, 28 August 2013

Financial Review

FINANCIAL RESOURCES AND BANK BORROWINGS

The total bank borrowings of the Group as at 30 June 2013 amounted to HK\$4,919 million, with HK\$4,542 million was repayable within one year and HK\$377 million was repayable more than one year, a decrease of HK\$951 million comparing with 2012 year end. A substantial portion of the bank loans related to a 3-year term loan with maturity in 2014 and the Group is currently negotiating with banks for the re-financing arrangement. The Group's net borrowings position, after taking into account cash and cash equivalents of HK\$794 million, was HK\$4,125 million as at 30 June 2013, a drop of HK\$1,180 million as compared with HK\$5,305 million as at 31 December 2012. Loan from/amount payable to the ultimate holding company amounted to HK\$6,632 million as at 30 June 2013 which showed a slight increase of HK\$123 million from HK\$6,509 million as at year end 2012.

The Group's gearing ratio (calculated on the basis of net bank borrowings and payables to the ultimate holding company over equity attributable to shareholders of the Company) was 49.3% as at 30 June 2013 as compared with 56.1% at year end 2012.

During the period ended 30 June 2013, substantial cash inflow mainly from sales/presales from various development projects in Hong Kong and Mainland China generated approximately of HK\$1,090 million and HK\$469 million cash inflow to the Group respectively. Also, further disposal of certain non-core investment properties in Hong Kong contributed a HK\$550 million cash inflow during the period under review.

The Group continued to actively engage in the development projects in Hong Kong and Mainland China and expended a total of HK\$963 million of construction costs during the period under review. Further acquisitions of certain old properties for future redevelopment projects in Hong Kong with cost of HK\$210 million and hence further expanded the landbank of the Group.

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 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 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 are denominated in the KZT, over 80% of its revenue is denominated in USD. Due to the currency mismatch between its revenues and expenditures in Kazakhstan, the Group is closely monitoring the fluctuation in the KZT and evaluating the impact on its financial position. The Group will use appropriate currency hedging to minimise the currency risks associated with this business if necessary.

With the financing facilities in place, recurrent rental income from investment properties, cash inflow from presale/sale of the Group's development projects, and the 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 2013, the Group had commitments in connection with the Group's fixed assets amounting to HK\$71 million.

PLEDGE OF ASSETS

As at 30 June 2013, properties having a value of HK\$12,183 million and bank deposits of HK\$19 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\$423 million, representing a 50% proportional guarantee in respect of HK\$846 million term loan facilities. The facilities were fully utilised as at 30 June 2013.

Consolidated Income Statement

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2013 \$'000 (unaudited)	2012 \$'000 (unaudited)
Turnover	3	358,012	838,105
Cost of sales		(66,005)	(285,013)
Other revenue		13,692	17,938
Other net income	4(a)	241,078	103,000
Depreciation and amortisation		(7,376)	(7,475)
Staff costs		(88,359)	(77,220)
Selling, marketing and distribution expenses		(41,442)	(124,289)
Other operating expenses		(27,564)	(48,712)
Fair value changes on investment properties	8	509,483	506,278
Profit from operations		891,519	922,612
Finance costs	4(b)	(44,990)	(49,163)
Share of (losses)/profits of associated companies	4(d)	(157)	2,141
Share of profits of joint ventures	4(e)	177,802	114,633
Profit before taxation	4	1,024,174	990,223
Income tax	5	(32,154)	(73,011)
Profit for the period		992,020	917,212
Attributable to:			
Shareholders of the Company		982,015	872,438
Non-controlling interests		10,005	44,774
Profit for the period		992,020	917,212
Earnings per share – Basic/Diluted	6	\$0.85	\$0.76

The notes on pages 20 to 32 form part of the interim financial report.

Consolidated Statement of Comprehensive Income

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2013 \$'000 (unaudited)	2012 \$'000 (unaudited)
Profit for the period	992,020	917,212
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of accounts of overseas subsidiaries	65,120	(18,691)
Changes in fair value of available-for-sale investments	397	(629)
Changes in fair value of interests in property development	112,165	–
Share of other comprehensive income of joint ventures and associated companies	64,864	(17,896)
	242,546	(37,216)
Total comprehensive income for the period	1,234,566	879,996
Attributable to:		
Shareholders of the Company	1,188,935	855,286
Non-controlling interests	45,631	24,710
Total comprehensive income for the period	1,234,566	879,996

The notes on pages 20 to 32 form part of the interim financial report.

Consolidated Balance Sheet

(Expressed in Hong Kong dollars)

	Note	At 30 June 2013		At 31 December 2012	
		\$'000 (unaudited)	\$'000 (unaudited)	\$'000 (audited)	\$'000 (audited)
Non-current assets					
Fixed assets					
			9,953,917		9,626,134
			219,790		222,360
			1,334,254		1,319,468
	8		11,507,961		11,167,962
			108,822		109,014
	9		10,310,423		10,198,258
			2,448,689		2,247,554
			2,394,831		2,331,841
			8,882		8,485
			33,657		32,069
			45,570		53,233
			26,858,835		26,148,416
Current assets					
	10	13,878,399		13,236,301	
	11	591,723		1,093,506	
		31,586		16,925	
		76,348		86,524	
		96,368		94,937	
		18,518		35,396	
		793,548		564,889	
		15,486,490		15,128,478	
Current liabilities					
	12	3,687,998		2,601,946	
		200,000		200,000	
		776,128		762,368	
		4,542,519		1,603,863	
		298,246		285,117	
		9,504,891		5,453,294	
Net current assets					
			5,981,599		9,675,184
Total assets less current liabilities					
			32,840,434		35,823,600

	Note	At 30 June 2013		At 31 December 2012	
		\$'000 (unaudited)	\$'000 (unaudited)	\$'000 (audited)	\$'000 (audited)
Non-current liabilities					
Loan from ultimate holding company	13	5,175,732		5,666,253	
Amount payable to ultimate holding company	14	1,456,552		842,884	
Bank loans		376,624		4,265,660	
Other payables		44,586		48,732	
Deferred tax liabilities		843,305		859,073	
			7,896,799		11,682,602
NET ASSETS			24,943,635		24,140,998
Capital and reserves					
Share capital	15		115,068		115,068
Reserves			21,714,354		20,939,664
Total equity attributable to the shareholders of the Company			21,829,422		21,054,732
Non-controlling interests			3,114,213		3,086,266
TOTAL EQUITY			24,943,635		24,140,998

Approved and authorised for issue by the board of directors on 28 August 2013.

The notes on pages 20 to 32 form part of these account.

Consolidated Statement of Changes in Equity

(Expressed in Hong Kong dollars)

(unaudited)	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 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
At 1 January 2012	115,068	8,302,404	1,673	1,698,075	712,278	8,942,408	19,771,906	3,043,629	22,815,535
Changes in equity for the six months ended 30 June 2012									
Profit for the period	-	-	-	-	-	872,438	872,438	44,774	917,212
Other comprehensive income	-	-	-	(629)	(16,523)	-	(17,152)	(20,064)	(37,216)
Total comprehensive income	-	-	-	(629)	(16,523)	872,438	855,286	24,710	879,996
Dividends approved in respect of the previous year	-	-	-	-	-	(379,725)	(379,725)	-	(379,725)
Dividend paid/payable to non-controlling interests	-	-	-	-	-	-	-	(17,684)	(17,684)
At 30 June and 1 July 2012	115,068	8,302,404	1,673	1,697,446	695,755	9,435,121	20,247,467	3,050,655	23,298,122
Changes in equity for the six months ended 31 December 2012									
Profit for the period	-	-	-	-	-	1,013,816	1,013,816	44,361	1,058,177
Other comprehensive income	-	-	-	691	34,401	-	35,092	3,337	38,429
Total comprehensive income	-	-	-	691	34,401	1,013,816	1,048,908	47,698	1,096,606
Dividends approved in respect of the current year	-	-	-	-	-	(241,643)	(241,643)	-	(241,643)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(12,087)	(12,087)
At 31 December 2012	115,068	8,302,404	1,673	1,698,137	730,156	10,207,294	21,054,732	3,086,266	24,140,998

As at 30 June 2013, loans from non-controlling interests of \$2,552,000 (at 31 December 2012: \$2,603,000) are classified as equity being the capital contributions on subsidiaries by the non-controlling interests.

The notes on pages 20 to 32 form part of the interim financial report.

Condensed Consolidated Cash Flow Statement

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2013 \$'000 (unaudited)	2012 \$'000 (unaudited)
Net cash from operating activities	561,912	105,216
Net cash from/(used in) investing activities	507,411	(146,529)
Net cash used in financing activities	(845,018)	(123,231)
Net increase/(decrease) in cash and cash equivalents	224,305	(164,544)
Cash and cash equivalents at 1 January	564,889	764,144
Effect of foreign exchange rate changes	4,354	4,744
Cash and cash equivalents at 30 June	793,548	604,344

The notes on pages 20 to 32 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 2012 annual accounts, except for the accounting policy changes that are expected to be reflected in the 2013 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 2012 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 2012 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 27 March 2013.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s accounts:

- Amendments to HKAS 1, “Presentation of financial statements – Presentation of items of other comprehensive income”
- HKFRS 10, “Consolidated financial statements”
- HKFRS 11, “Joint arrangements”
- HKFRS 12, “Disclosure of interest in other entities”
- HKFRS 13, “Fair value measurement”

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial report. The Group has provided these disclosures in note 16. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Other developments have had no material impact on the Group's accounts.

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 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 the 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 tax by 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 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	-	-

	Six months ended 30 June 2012						
	Consolidated \$'000	Property development			Property investment \$'000	Oil \$'000	Others \$'000
		Hong Kong \$'000	Mainland China \$'000	Macau \$'000			
Turnover	838,105	153,383	221,115	1,656	147,003	259,637	55,311
Reportable segment profit	449,341	92,202	90,024	3,647	155,078	73,182	35,208
Other net income	95,227	-	-	21,805	73,422	-	-
Fair value changes on investment properties	506,278	-	-	-	506,278	-	-
Share of fair value changes on investment properties of a joint venture	39,600	-	-	-	39,600	-	-
Head office and corporate expenses	(51,060)						
Finance costs	(49,163)						
Profit before taxation	990,223						
Share of profits of associated companies	2,141	-	(1,142)	-	-	-	3,283
Share of profits of joint ventures	114,633	-	57,983	-	56,650	-	-

3 SEGMENT REPORTING (Continued)

	At 30 June 2013						
	Consolidated \$'000	Property development			Property investment \$'000	Oil \$'000	Others \$'000
		Hong Kong \$'000	Mainland China \$'000	Macau \$'000			
Reportable segment assets	41,473,108	7,190,242	11,079,661	10,425,547	10,873,026	1,427,130	477,502
Deferred tax assets	45,570						
Pledged bank deposits	18,518						
Cash and cash equivalents	793,548						
Head office and corporate assets	14,581						
Consolidated total assets	42,345,325						
Interest in associated companies	2,394,831	-	2,376,103	-	-	-	18,728
Interest in and amounts due from joint ventures	2,525,037	-	1,617,434	-	907,603	-	-
	At 31 December 2012						
	Consolidated \$'000	Property development			Property investment \$'000	Oil \$'000	Others \$'000
		Hong Kong \$'000	Mainland China \$'000	Macau \$'000			
Reportable segment assets	40,607,612	7,496,960	10,468,146	10,313,502	10,443,309	1,432,869	452,826
Deferred tax assets	53,233						
Pledged bank deposits	35,396						
Cash and cash equivalents	564,889						
Head office and corporate assets	15,764						
Consolidated total assets	41,276,894						
Interest in associated companies	2,331,841	-	2,315,147	-	-	-	16,694
Interest in and amounts due from joint ventures	2,334,078	-	1,525,602	-	808,476	-	-

4 PROFIT BEFORE TAXATION

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

- (a) Other net income mainly represents a net gain on disposal of investment properties of \$232,249,000 (six months ended 30 June 2012: \$73,422,000), an impairment loss on properties written back of \$5,218,000 (six months ended 30 June 2012: \$21,805,000) and fair value changes on held for trading listed investments of gain of \$1,431,000 (six months ended 30 June 2012: \$7,773,000).

(b) **Finance costs**

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
Interest on bank loans and overdrafts	52,665	55,863
Interest on loan from/amount payable to ultimate holding company	48,406	42,115
Less: Amount capitalised (Remark)	(56,081)	(48,815)
	44,990	49,163

Remark: Borrowing costs were capitalised at rates of 1.35% – 2.40% (six months ended 30 June 2012: 1.28% – 2.35%) per annum in Hong Kong and 6.15% – 7.99% (six months ended 30 June 2012: 6.40% – 8.65%) per annum in Mainland China.

(c) **Other items**

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
Rentals receivable under operating leases less outgoings	(144,929)	(138,045)
Rental income	(153,264)	(147,003)
Less: Outgoings	8,335	8,958
Depreciation and amortisation (Remark)	17,658	52,951
Interest income	(14,120)	(9,299)

Remark: Cost of sales includes \$10,282,000 (six months ended 30 June 2012: \$45,476,000) 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 \$157,000 (six months ended 30 June 2012: share of profits of \$2,141,000).
- (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 \$146,747,000 (six months ended 30 June 2012: \$99,587,000).

5 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
Current tax		
Provision for profits tax		
– Hong Kong	30,644	33,795
– Outside Hong Kong	6,644	20,082
	37,288	53,877
Land appreciation tax ("LAT")	5,055	13,973
Deferred tax	(10,189)	5,161
	32,154	73,011

The provision for Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2012: 16.5%) of the estimated assessable profits for the six months ended 30 June 2013. Tax levied in jurisdictions outside Hong Kong is charged at the appropriate rates of taxation currently ruling in 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 land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.

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 \$982,015,000 (six months ended 30 June 2012: \$872,438,000) and weighted average number of ordinary shares in issue during the period of 1,150,681,275 (six months ended 30 June 2012: 1,150,681,275).

(b) Diluted earnings per share

There are no diluted potential shares in existence during the six months ended 30 June 2013 and 2012.

7 DIVIDENDS

(a) Dividends attributable to the interim period

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
Interim dividend declared after the interim period of \$0.21 (six months ended 30 June 2012: \$0.21) per share	241,643	241,643

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

7 DIVIDENDS *(Continued)*

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

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
Final dividend in respect of the previous financial year, approved during the interim period, of \$0.36 (six months ended 30 June 2012: \$0.33) per share	414,245	379,725

8 FIXED ASSETS

The investment properties of the Group were revalued at 30 June 2013 by Vigers Appraisal and Consulting Limited, an independent qualified professional valuer, who has appropriate qualifications and experiences in the valuation of similar properties in the relevant locations. The Group's investment properties were valued on a market value basis in their existing states by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net income allowing for reversionary income potential. The Group's investment properties under development were valued by estimating the fair value of such properties as if they were completed in accordance with relevant development plan and then deducting the estimated costs 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 2013, investment properties under development stated at fair value amounted to \$2,636,857,000 (at 31 December 2012: \$2,247,634,000).

A revaluation gain of \$509,483,000 (six months ended 30 June 2012: \$506,278,000) and deferred tax thereon of \$16,373,000 (six months ended 30 June 2012: \$20,853,000) were recognised in the consolidated income statement for the six months ended 30 June 2013.

9 INTERESTS IN PROPERTY DEVELOPMENT

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

10 INVENTORIES

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Land held for future development	1,499,662	1,563,982
Properties under development	12,165,598	11,370,087
Properties held for sale	202,583	287,730
Trading goods and consumables	10,556	14,502
	13,878,399	13,236,301

The amount of properties held for future development and under development expected to be recovered after more than one year is \$1,499,662,000 (at 31 December 2012: \$1,423,349,000) and \$5,869,667,000 (at 31 December 2012: \$5,627,865,000) 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 2013 \$'000	At 31 December 2012 \$'000
Current and less than 3 months	260,941	816,576
3 months to 6 months	754	1,496
More than 6 months	9,546	9,208
Trade receivables	271,241	827,280
Utility and other deposits	70,452	57,271
Other receivables and prepayments	250,030	208,955
	591,723	1,093,506

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 the receivables.

12 TRADE AND OTHER PAYABLES

The following is an ageing analysis of trade payables:

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Not yet due or on demand	799,539	698,536
Within 3 months	21,348	133,986
3 months to 6 months	546	2,436
More than 6 months	29,380	28,393
Trade payables	850,813	863,351
Rental and other deposits	71,701	172,760
Other payables and accrued expenses	679,600	350,863
Deposits received on sale of properties	2,085,884	1,214,972
	3,687,998	2,601,946

13 LOAN FROM ULTIMATE HOLDING COMPANY

Loan from ultimate holding company is unsecured, interest bearing with interest charged at Hong Kong Interbank Offer Rate ("HIBOR") plus a margin per annum and is not expected to be repaid within one year.

14 AMOUNT PAYABLE TO ULTIMATE HOLDING COMPANY

Amount payable to ultimate holding company is unsecured, interest bearing with interest charged at HIBOR plus a margin per annum and is not expected to be settled within one year.

15 SHARE CAPITAL

	At 30 June 2013		At 31 December 2012	
	No. of shares of \$0.1 each	Amount \$'000	No. of shares of \$0.1 each	Amount \$'000
Authorised	5,000,000,000	500,000	5,000,000,000	500,000
Issued and fully paid	1,150,681,275	115,068	1,150,681,275	115,068

16 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 2013			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Assets				
Available-for-sale investment fund	-	-	8,882	8,882
Trading securities	96,368	-	-	96,368
Interests in property development	-	-	10,310,423	10,310,423
	96,368	-	10,319,305	10,415,673

	At 31 December 2012			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Assets				
Available-for-sale investment fund	-	-	8,485	8,485
Trading securities	94,937	-	-	94,937
Interests in property development	-	-	10,198,258	10,198,258
	94,937	-	10,206,743	10,301,680

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

16 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 2013 \$'000	At 31 December 2012 \$'000
At 1 January	10,206,743	10,210,536
Gain recognised in other comprehensive income	112,562	1,995
Distributions	-	(5,788)
At 30 June/31 December	10,319,305	10,206,743

Interests in property development are 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. The discounted cash flow model has been prepared 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, 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 on selling price of the underlying properties. At 30 June 2013, it is estimated that an increase/decrease of 5% in the adjustments on selling price of the underlying properties, with all other variables held constant, would increase/decrease the Group's fair value reserve by \$652,785,000/\$652,802,000.

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.

17 CAPITAL COMMITMENTS

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

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Contracted for	71,382	5,409

18 CONTINGENT LIABILITIES

As at 30 June 2013, the Group has provided guarantees of \$423,075,000 (at 31 December 2012: \$797,928,000) representing a 50% proportional guarantee in respect of an aggregate of \$846,149,000 term loan facilities (at 31 December 2012: \$1,595,856,000) to a joint venture in Mainland China. The facilities were utilised to the extent of \$846,149,000 (at 31 December 2012: \$1,460,196,000) at 30 June 2013.

19 PLEDGE OF ASSETS

As at 30 June 2013, properties of the Group with an aggregate carrying value of approximately \$12,183,226,000 (at 31 December 2012: \$11,391,657,000) and bank deposits of \$18,518,000 (at 31 December 2012: \$35,396,000) were pledged to banks under fixed charges mainly to secure general banking facilities granted to the Group.

20 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) During the period, interest of \$48,406,000 (six months ended 30 June 2012: \$42,115,000) was paid to Polytec Holdings.
- (c) As at 30 June 2013, the Group has given guarantees to insurance companies in respect of performance bonds entered into by an associated company to the extent of \$14,529,000 (at 31 December 2012: \$14,028,000).
- (d) As at 30 June 2013, loan to a joint venture of \$219,500,000 (at 31 December 2012: \$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 2013, amount due from joint ventures of \$76,348,000,000 (at 31 December 2012: \$86,524,000) and amount due to a joint venture of \$776,128,000,000 (at 31 December 2012: \$762,368,000) are unsecured, interest free and repayable on demand.
- (e) As at 30 June 2013, loan to associated companies of \$1,980,375,000 (at 31 December 2012: \$1,954,842,000) and loan from an associated company of HK\$Nil (at 31 December 2012: \$3,117,000) are unsecured, interest free and are not expected to be repaid within one year.

21 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

As at 30 June 2013, the Group has oil production assets of \$1,278,272,000 (at 31 December 2012: \$1,266,977,000) (included in fixed assets) and oil exploitation assets of \$108,822,000 (at 31 December 2012: \$109,014,000). Oil production assets and oil exploitation assets are stated at cost less accumulated depreciation/amortisation and impairment losses.

The normal production of crude oil of the South Alibek Oilfield of Caspi Neft TME, a wholly owned subsidiary of Polytec Assets Holdings Limited (73.4% owned by the Group), in Kazakhstan has been temporarily suspended since 1 January 2013, as the gas flaring permit for the South Alibek Oilfield expired on 31 December 2012. Caspi Neft TME applied to the Kazakhstan Government for the gas flaring permit for 2013 in October 2012. During the period, Caspi Neft TME provided the information as requested by the Kazakhstan Government. Up to the date of approval of this unaudited interim financial report, the Kazakhstan Government was still reviewing the application and the gas flaring permit has not yet been obtained. Caspi Neft TME has been taking all necessary steps to obtain the permit and is currently considering several alternatives to sort out the flaring issue permanently, including obtaining approvals from the relevant authorities of the Kazakhstan Government and active communication with other external parties in order to substantiate the 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 production will be resumed as soon as practicable upon obtaining the permit.

As at 30 June 2013, the Group assessed the value of the oil production assets and oil exploitation assets. As the calculated recoverable amounts of the oil production assets and oil exploitation assets exceeded their carrying values, no impairment loss is considered necessary.

22 POST BALANCE SHEET EVENT

On 23 August 2013, the Group had entered into two agreements with Polytec Holdings for the acquisitions of the entire share capital of two wholly owned subsidiaries of Polytec Holdings together with the assignment of related shareholders loans at an aggregated consideration of \$1,648,807,000. By acquiring the two subsidiaries, the Group will have a 60% interest in a development project located in Huizhou, Mainland China and will own a 100% interest of a development project located in Hong Kong.

23 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period's presentation.

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 32 which comprises the consolidated balance sheet of Kowloon Development Company Limited (the "Company") and its subsidiaries (the "Group") as of 30 June 2013 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 2013 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, 28 August 2013

Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2013, 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 operation of the Group, the reason for deviation of which was disclosed in the 2012 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 26 June 2013 (the "AGM"), other than an Independent Non-executive Director who was unable to attend the AGM as he was 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 they have all 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 changes in the information of Directors of the Company required to be disclosed are set out below:

1. Ms Ng Chi Man, formerly an Executive Director of the Company, has been re-designated as a Non-executive Director of the Company and resigned as a member of the Executive Committee of the Company with effect from 1 April 2013.
2. Mr Seto Gin Chung, John, an Independent Non-executive Director of the Company, retired as a non-executive director of Sateri Holdings Limited ("Sateri Holdings", a company listed on the Stock Exchange of Hong Kong) with effect from the conclusion of the annual general meeting of Sateri Holdings on 21 May 2013.

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 2013, 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 2013.

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30 June 2013, 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	830,770,124		2
	Corporate	277,500		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	830,770,124		2
	Personal	43,500		
		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	665,000	0.06%	
David John Shaw	Personal	133,500		
	Family	67,000		5
		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 2013.
- (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 2013. 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.

Save as disclosed above, as at 30 June 2013, 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 2013, 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 2013.
- (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 2013. HSBC International Trustee Limited was then taken to be interested in 831,731,474 shares of the Company. Such interest included the shares owned by a company as explained in note (2) under the section headed "Directors' Interests and Short Positions".
- (3) Such interest in shares is held by Intellinsight as explained 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 2013, the Company had not been notified by any persons (other than the Directors or the chief executive of the Company) who had 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 2013, the Group had a total of 787 employees (31 December 2012: 796 employees), of which 450 were Hong Kong staff, 120 were PRC staff and 217 were staff in other regions. Salary levels of employees are competitive. Discretionary bonuses are granted based on performance of the Group as well as 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 programs 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.

Besides, the Group established a recreation club and held 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 Wednesday, 2 October 2013 to Thursday, 3 October 2013, 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 Monday, 30 September 2013.

CORPORATE CITIZENSHIP

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

Besides making charitable donations, we have also taken part in the program held by WWF-Hong Kong such as "Earth Hour 2013".



In addition, the Company was awarded "Caring Company" Logo 2011/12 by The Hong Kong Council of Social Service in recognition of our achievement in corporate social responsibility.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed the interim report of the Group for the six months ended 30 June 2013. 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 33 of this interim report.



九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

www.kdc.com.hk



This interim report is printed on environmental friendly paper
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