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**九龍建業有限公司**  
**KOWLOON DEVELOPMENT COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 34)**

**2014 INTERIM RESULTS ANNOUNCEMENT**

**HIGHLIGHTS**

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

**INTERIM RESULTS AND DIVIDEND**

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

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

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

## **BUSINESS REVIEW**

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

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

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

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

### ***Development Property Sales***

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

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

## *Property Development*

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

### *Major Property Projects under Planning and Development*

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

*Major Property Projects under Planning and Development (continued)*

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

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

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

### ***Property Investment***

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

### ***Oil Business***

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

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

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

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

## PROSPECTS

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

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

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

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

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

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

## INTERIM RESULTS

The unaudited consolidated results of the Group for the six months ended 30 June 2014 together with the comparative figures of 2013 are as follows:

### Consolidated Income Statement

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

## Consolidated Statement of Comprehensive Income

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



## Consolidated Balance Sheet

	<i>Note</i>	<b>At 30 June 2014</b> <i>HK\$'000</i> <i>(unaudited)</i>	At 31 December 2013 <i>HK\$'000</i> <i>(audited)</i>
<b>Non-current assets</b>			
Fixed assets			
– Investment properties		<b>10,378,065</b>	10,268,917
– Leasehold land held for own use		<b>213,186</b>	216,489
– Other property, plant and equipment		<b>1,049,740</b>	1,052,394
		<b>11,640,991</b>	11,537,800
Oil exploitation assets		<b>83,972</b>	84,322
Interests in property development		<b>12,231,722</b>	11,917,819
Interest in joint ventures		<b>2,740,778</b>	2,686,880
Interest in associated companies		<b>2,335,343</b>	2,401,667
Financial investments		<b>695</b>	2,284
Loans and advances		<b>30,585</b>	32,741
Deferred tax assets		<b>100,543</b>	100,579
		<b>29,164,629</b>	28,764,092
<b>Current assets</b>			
Inventories		<b>15,145,528</b>	14,942,538
Trade and other receivables	9	<b>862,040</b>	629,309
Loans and advances		<b>13,120</b>	12,748
Amounts due from joint ventures		<b>46,609</b>	56,576
Financial investments		<b>15,890</b>	97,951
Pledged bank deposits		<b>21,692</b>	32,834
Cash and cash equivalents		<b>721,927</b>	623,966
		<b>16,826,806</b>	16,395,922

	<i>Note</i>	<b>At 30 June 2014</b> <i>HK\$'000</i> <i>(unaudited)</i>	At 31 December 2013 <i>HK\$'000</i> <i>(audited)</i>
<b>Current liabilities</b>			
Trade and other payables	<i>10</i>	<b>3,901,421</b>	3,034,768
Amounts due to non-controlling interests		<b>200,000</b>	200,000
Amount due to a joint venture		<b>782,991</b>	790,480
Bank loans		<b>1,823,778</b>	1,334,314
Current taxation		<b>267,346</b>	253,722
		<u><b>6,975,536</b></u>	<u>5,613,284</u>
<b>Net current assets</b>		<u><b>9,851,270</b></u>	<u>10,782,638</u>
<b>Total assets less current liabilities</b>		<b>39,015,899</b>	39,546,730
<b>Non-current liabilities</b>			
Loan from ultimate holding company		<b>9,272,654</b>	9,328,289
Bank loans		<b>3,298,598</b>	3,861,567
Other payables		<b>37,525</b>	41,416
Deferred tax liabilities		<b>879,381</b>	881,590
		<u><b>13,488,158</b></u>	<u>14,112,862</u>
<b>NET ASSETS</b>		<u><b>25,527,741</b></u>	<u>25,433,868</u>
<b>Capital and reserves</b>			
Share capital	<i>11</i>	<b>8,417,472</b>	115,068
Share premium	<i>11</i>	–	8,302,404
Reserves		<u><b>13,878,373</b></u>	<u>13,833,237</u>
<b>Total equity attributable to the shareholders of the Company</b>		<b>22,295,845</b>	22,250,709
<b>Non-controlling interests</b>		<u><b>3,231,896</b></u>	<u>3,183,159</u>
<b>TOTAL EQUITY</b>		<u><b>25,527,741</b></u>	<u>25,433,868</u>

## 1 Basis of preparation

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual accounts, except for the accounting policy changes that are expected to be reflected in the 2014 annual accounts. Details of these changes in accounting policies are set out in note 2.

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

## 2 Changes in accounting policies

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

## 3 Segment reporting

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

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

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

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

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

### 3 Segment reporting (continued)

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

	Six months ended 30 June 2014						
	Property development				Property investment	Oil	Others
	Consolidated	Hong Kong	Mainland	Macau			
HK\$'000	HK\$'000	China	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover	<b>906,713</b>	<b>439,122</b>	<b>190,767</b>	<b>12,000</b>	<b>165,836</b>	<b>35,209</b>	<b>63,779</b>
Reportable segment profit	357,396	129,911	34,866	11,533	180,787	(15,161)	15,460
Fair value changes on investment properties	106,163	-	-	-	106,163	-	-
Share of fair value changes on investment properties of a joint venture	18,920	-	-	-	18,920	-	-
Head office and corporate expenses	(48,339)						
Finance costs	(73,029)						
Profit before taxation	<b>361,111</b>						
Share of losses of associated companies	(4,940)	-	(5,514)	-	-	-	574
Share of profits of joint ventures	67,828	-	27,150	-	40,678	-	-
	Six months ended 30 June 2013						
	Property development				Property investment	Oil	Others
Consolidated	Hong Kong	Mainland	Macau				
HK\$'000	HK\$'000	China	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover	<b>358,012</b>	<b>26,000</b>	<b>101,953</b>	<b>190</b>	<b>153,264</b>	<b>19,009</b>	<b>57,596</b>
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	<b>1,024,174</b>						
Share of losses of associated companies	(157)	-	(3,170)	-	-	-	3,013
Share of profits of joint ventures	177,802	-	60,879	-	116,923	-	-

### 3 Segment reporting (continued)

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

### 4 Other net (loss)/income

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

**5 Finance costs**

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

**6 Income tax**

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

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

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

## 7 Earnings per share

### (a) Basic earnings per share

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

### (b) Diluted earnings per share

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

## 8 Dividends

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

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

## 9 Trade and other receivables

Included in this item are trade receivables (net of impairment losses for bad and doubtful debts) with an ageing analysis as follows:

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

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

## 10 Trade and other payables

Included in this item are trade payables with an ageing analysis as follows:

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

## 11 Share capital and Share premium

Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concepts of "authorised share capital" and "par value" no longer exist. As part of the transition to the no-par value regime, the amounts standing to the credit of the share premium account on 3 March 2014 has become part of the company's share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders.

## 12 Oil production assets and Oil exploitation assets

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

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

## FINANCIAL REVIEW

### *Financial resources and bank borrowings*

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

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



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

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

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

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

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

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

### ***Capital commitments***

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

### ***Pledge of assets***

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

### ***Contingent liabilities***

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

## **OTHER INFORMATION**

### ***Review of Interim Results***

The Audit Committee of the Company has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2014. The Group's independent auditors, KPMG, have carried out a review of the interim financial statements 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.

### ***Compliance with the Corporate Governance Code***

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

#### Code Provision A.2.1

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

#### Code Provision A.6.7

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

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

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

### ***Closure of Register of Members***

The Register of Members of the Company will be closed from Monday, 3 November 2014 to Tuesday, 4 November 2014, both dates inclusive. During which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 pm on Friday, 31 October 2014.

***Publication of Interim Report***

The 2014 Interim Report containing all the information as required by the Listing Rules will be published on the Company's website at [www.kdc.com.hk](http://www.kdc.com.hk) and the website of Hong Kong Exchanges and Clearing Limited, while printed copies will be sent to shareholders on or about 25 September 2014.

By Order of the Board  
**Kowloon Development Company Limited**  
**Or Wai Sheun**  
*Chairman*

Hong Kong, 27 August 2014

*As at the date of this announcement, the Directors of the Company are Mr Or Wai Sheun (Chairman), Mr Lai Ka Fai and Mr Or Pui Kwan as Executive Directors; Mr Keith Alan Holman (Deputy Chairman), Ms Ng Chi Man and Mr Yeung Kwok Kwong as Non-executive Directors; and Mr Li Kwok Sing, Aubrey, Mr Lok Kung Chin, Hardy, Mr Seto Gin Chung, John and Mr David John Shaw as Independent Non-executive Directors.*