



九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

Stock Code 股份代號: 34

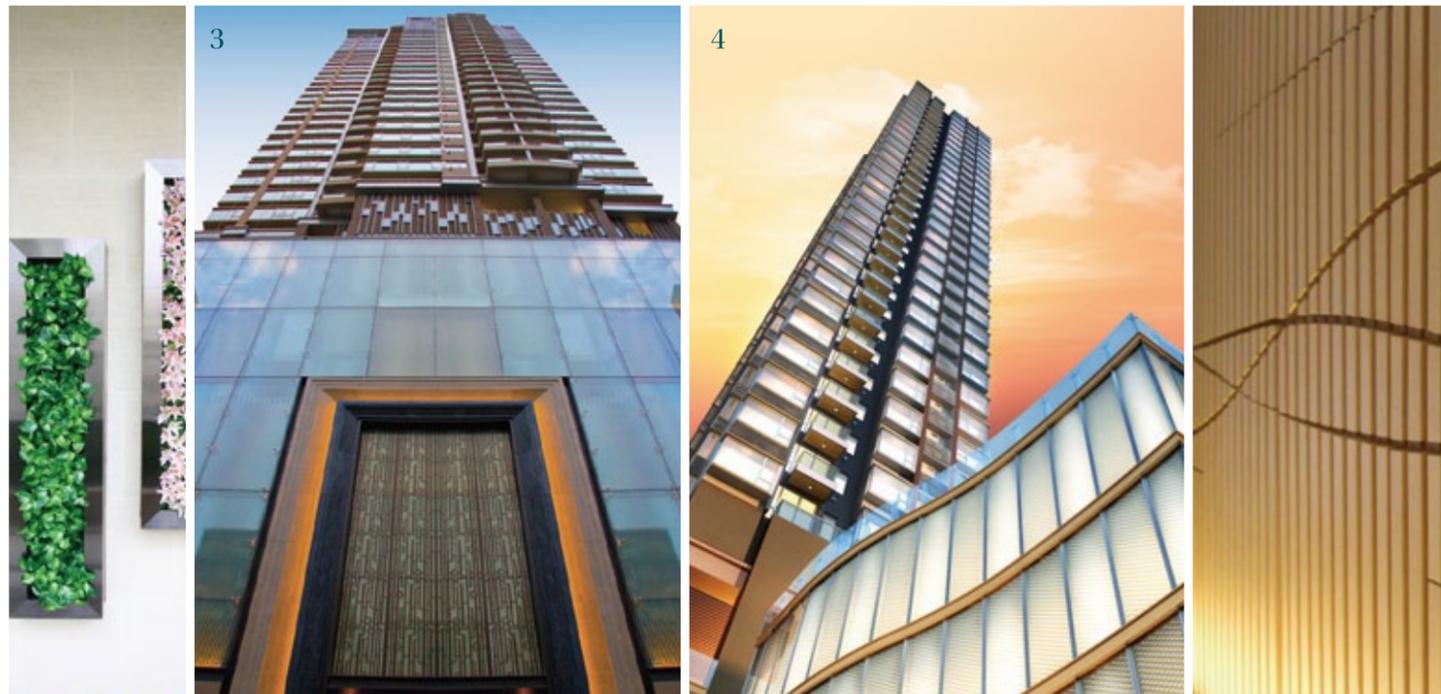


Interim Report 2012 中期報告





GROUP'S MAJOR PROPERTY PROJECTS CURRENTLY FOR SALE
集團之主要在銷售地產項目



HONG KONG PROPERTY PROJECTS
香港地產項目
1&2 Cadogan 加多近山
3 Mount East 曉峯
4 Gardenia 景怡峯

MAINLAND CHINA PROPERTY PROJECTS
中國內地地產項目
5 Le Cove City (Wuxi) 江灣城(無錫)
6 Galaxy Heights (Zhongshan) 星際豪庭(中山)
7 Le Cove City (Shenyang) 江灣城(瀋陽)

8 The Lake (Foshan) 山語湖(佛山)
9 The Gardenia (Shenyang) 翠堤灣(瀋陽)

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 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內地市場之地產業務，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，其應佔土地儲備約為五百萬平方米，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*)

Ng Chi Man

Lai Ka Fai

Or Pui Kwan

Non-executive Directors

Keith Alan Holman (*Deputy Chairman*)

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*)

Ng Chi Man

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

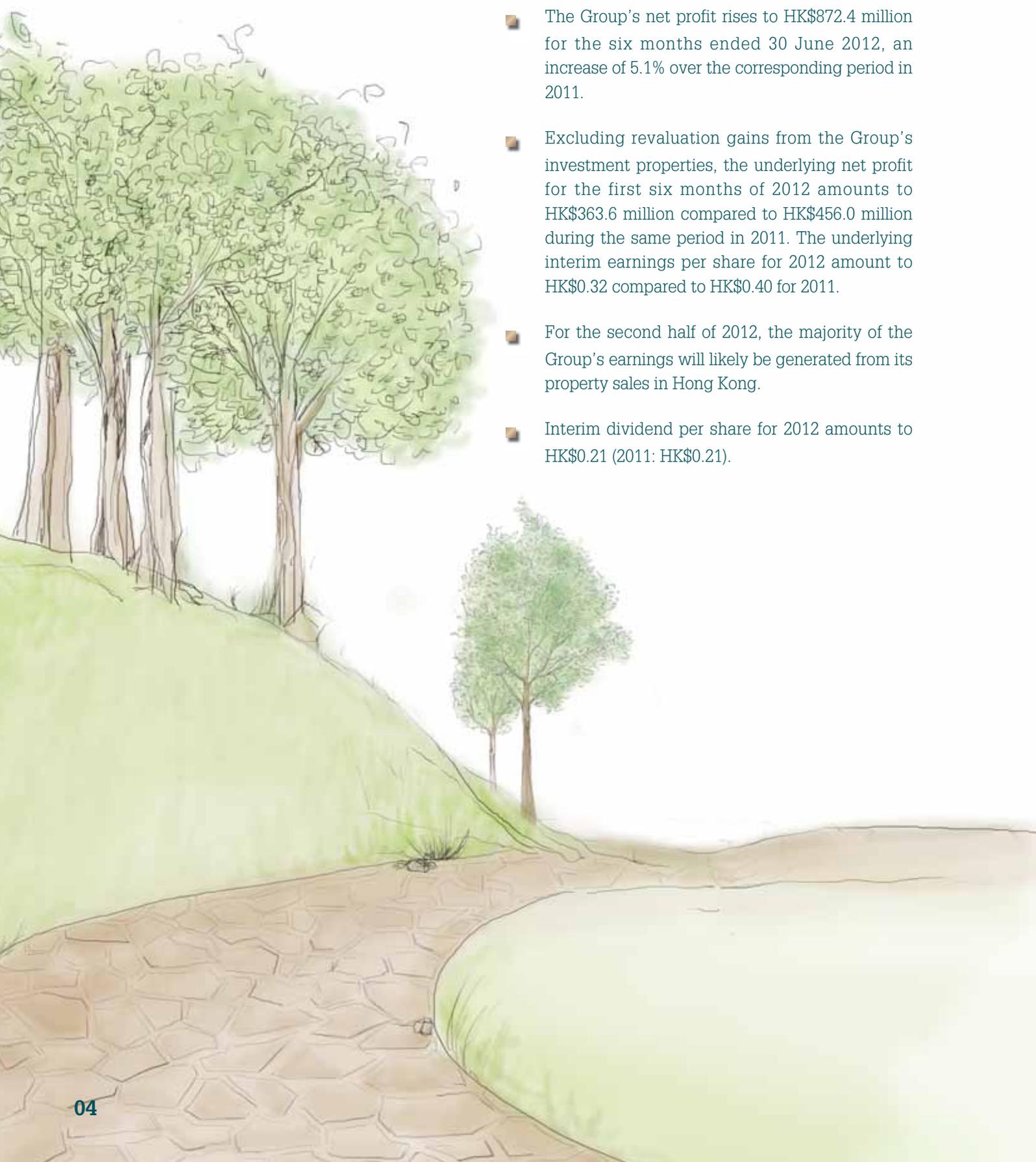
Bank of China
 Bank of Communications
 Bank of East Asia
 China Citic Bank
 Chong Hing Bank
 Dah Sing Bank
 Hang Seng Bank
 Industrial and Commercial Bank of China
 Standard Chartered Bank

Financial Calendar for Interim Results 2012

Interim results announcement	28 August 2012
Ex-dividend date for interim dividend	27 September 2012
Closure of register of members	3 October 2012 – 4 October 2012 (both days inclusive)
Interim dividend payable	12 October 2012



HIGHLIGHTS

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- The Group's net profit rises to HK\$872.4 million for the six months ended 30 June 2012, an increase of 5.1% over the corresponding period in 2011.
 - Excluding revaluation gains from the Group's investment properties, the underlying net profit for the first six months of 2012 amounts to HK\$363.6 million compared to HK\$456.0 million during the same period in 2011. The underlying interim earnings per share for 2012 amount to HK\$0.32 compared to HK\$0.40 for 2011.
 - For the second half of 2012, the majority of the Group's earnings will likely be generated from its property sales in Hong Kong.
 - Interim dividend per share for 2012 amounts to HK\$0.21 (2011: HK\$0.21).

GROUP'S BUSINESS STRUCTURE



* Acquired by the Group after 30 June 2012

CHAIRMAN'S STATEMENT

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 June 2012, the Group's unaudited net profit attributable to shareholders rose to HK\$872.4 million, an increase of 5.1% over the corresponding period in 2011, giving interim earnings per share of HK\$0.76 compared to HK\$0.72 for 2011.

Excluding revaluation gains from its investment properties, the Group's underlying net profit for the first six months of 2012 amounted to HK\$363.6 million compared to HK\$456.0 million over the corresponding period of 2011. The underlying net interim earnings per share for 2012 were HK\$0.32 compared to HK\$0.40 for 2011.

The Board of Directors has declared an interim dividend per share for 2012 of HK\$0.21 (2011: HK\$0.21). The interim dividend will be payable on Friday, 12 October 2012 to shareholders whose names appear on the Register of Members of the Company on Thursday, 4 October 2012.

BUSINESS REVIEW

The restrictive housing measures imposed by governments in Hong Kong, Mainland China and Macau in early 2011 have cooled down their respective residential property markets to some extent, with transaction volumes having generally declined in these markets. However, overall sentiment in all three residential property markets has appeared to improve somewhat since the second quarter of 2012 although the extent of improvement in residential transaction volumes has varied across regions or cities.

Property Sales

In Hong Kong, we have sold almost all residential units at Mount East, the Group's wholly-owned luxury residential project in North Point, with total recognised sales proceeds for the first half of 2012 of HK\$153.4 million. In Mainland China, total recognised sales proceeds for Le Cove City (Shenyang), the Group's 100% owned residential project in Shenyang, amounted to HK\$234.2 million in the first half of 2012. For the Lake, the Group's joint-venture project in Foshan, total recognised sales proceeds amounted to HK\$628.4 million during the period under review.

Property Development

As of 30 June 2012, the Group's landbank for development amounted to approximately 5 million sq m of attributable gross floor area ("GFA") and 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								
Gardenia	Sham Shui Po, Kowloon	468 Sai Yeung Choi Street North	Residential	1,114	8,400	100%	Superstructural work topped out and fitting out work in progress	2012
Cadogan	Kennedy Town, Hong Kong	37A Cadogan Street	Residential & commercial	1,318	13,200	100%	Superstructural work in progress	2014
Macpherson Stadium	Mongkok, Kowloon	10 Yim Po Fong Street	Stadium, youth centre, residential & commercial	2,400	24,800	Joint venture with Urban Renewal Authority and Hong Kong Playground Association	Superstructural work topped out Curtain wall installation and fitting out work in progress	2013
Pok Fu Lam Road	Sai Ying Pun, Hong Kong	49-65A Pok Fu Lam Road	Residential	1,162	9,300	100% *	Seeking Building Department's approval on development proposal	To be determined
Hung Hom	Hung Hom, Kowloon	Wan On Street	Residential & commercial	4,038	33,900	86.6%	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%	Foundation work in progress	To be determined
Fuk Chak Street **	Tai Kok Tsui, Kowloon	12-22 Fuk Chak Street	Residential & commercial	781	6,600	100%	Ready for commencement of foundation works	To be determined

* 1.9% acquired by the Group after 30 June 2012.

** Acquired by the Group after 30 June 2012.

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%	Superstructural work for second 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%	Superstructural work for first phase in progress	By phases from 2012 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%	Superstructural work for first phase in progress	By phases from 2013 onwards
Galaxy Heights (Zhongshan) 星際豪庭(中山)	Shiqi District, Zhongshan	8 Xueyuan Road	Residential & commercial	18,334	129,000	70%	Superstructural work in progress	2013
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 Project (Tianjin) 河東項目(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%	Master layout plan submitted for approval	To be determined
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 to be commenced in September 2012	2013/2014
Macau								
Pearl Horizon, Lote P	Novos Aterros da Areia Preta	Lote P, The Orient Pearl District	Residential & commercial	68,000	699,700	58.8%	Building plan has been approved	By phases from 2015/2016 onwards
Lotes T + T1	Novos Aterros da Areia Preta	Lotes T + T1, The Orient Pearl District	Residential & commercial	17,900	195,600	58.8%	Building plan has been approved	2015/2016

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

Property Investment

During the period under review, the Group disposed of a number of retail units at New Mandarin Plaza and Sino Centre in Hong Kong, with a total recognised gain of HK\$73.4 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 2012 rose slightly to HK\$147.0 million. Total rental income from Pioneer Centre, the Group's flagship and core investment property in Hong Kong, rose 2.5% to HK\$122.7 million, with almost all retail spaces and offices being let as of 30 June 2012.

Oil Business

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

A further two wells were successfully put into production in July this year. It is expected that the aggregate daily production may further increase in the second half of 2012. The increase in production is expected to contribute growing earnings to the Group in the second half of the year.

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

Post Balance Sheet Events

As announced on 18 July 2012, Brilliant Idea Investments Limited ("Brilliant Idea"), a wholly-owned subsidiary of the Company, entered into an acquisition agreement with a subsidiary of Polytec Holdings International Limited, the ultimate holding company of the Company pursuant to which Brilliant Idea agreed to purchase 100% equity interest in the issued share capital of Mass Ventures International Limited ("Mass Ventures") together with the assignment of sale loan for an aggregate consideration of HK\$374,830,981. Mass Ventures owns the whole of a redevelopment residential project in Kowloon, Hong Kong, which is its only asset, with a registered site area of approximately 781 sq m.

The above acquisition has further expanded the Group's landbank in Hong Kong. This redevelopment site is located in Tai Kok Tsui, West Kowloon. The old buildings have recently been demolished and foundation work will be commenced shortly. The presale of the residential units in the development will likely start in the first half of 2013. We believe this acquisition will generate a satisfactory rate of return for the Group.

On 18 July 2012, the Group finally achieved 100% ownership of its residential redevelopment project in Pok Fu Lam Road after years of efforts. This site is located in 49-65A Pok Fu Lam Road, with an aggregate site area of approximately 1,162 sq m. The project is currently at the design stage and is intended to be developed into two luxury residential towers.

PROSPECTS

Over the past six months, the world's major economies have been slowing, with the extent of the growth slowdown varying across countries. Indeed, the outlook for the global economy appears to be increasingly uncertain and we still see a challenging market environment for the rest of 2012. However, we remain cautiously optimistic about the outlook for the three economies in the Greater China region and hence their property markets over the medium and long term.

In Hong Kong, we have recently launched the presale of two wholly-owned new residential projects since end-May this year, namely Gardenia and Cadogan, which have been well received by the market. The combined presales proceeds of these two new projects have exceeded HK\$1.3 billion so far. We will continue to accelerate the development pace of our projects in Hong Kong. Two additional residential projects are now in the pipeline for presale in the next 6 to 9 months, namely the project in the Macpherson Stadium and the newly acquired redevelopment project in Tai Kok Tsui.

In Mainland China, we have presold over 40% of residential units in the second phase of Le Cove City (Shenyang) so far this year and the presales will likely be recognised before the first half of 2013.

In Macau, construction work on Pearl Horizon, Lote P in the Orient Pearl District, the Group's mega luxury residential and commercial development project which Polytec Asset, the Group's 73.4%-owned subsidiary, has an 80% interest, is scheduled to be commenced in the fourth quarter of this year. For the Lotes T + T1 project, we are currently clearing all necessary formalities before the start of construction.

For the second half of 2012, the majority of the Group's earnings will likely be generated from its property sales in Hong Kong. Barring unforeseen circumstances, it is expected that the Group's operating results for the full year of 2012 will be satisfactory.



Or Wai Sheun
Chairman

Hong Kong, 28 August 2012

FINANCIAL REVIEW

FINANCIAL RESOURCES AND BANK BORROWINGS

The Group's total bank borrowings as at 30 June 2012 were HK\$5,935 million, of which HK\$1,607 million was repayable within one year and HK\$4,328 million was repayable beyond one year, represented a slight decrease comparing with 2011 year end. After taking into account cash and cash equivalents of HK\$604.3 million, the net borrowings position of the Group as at 30 June 2012 amounted to HK\$5,330 million, showed an increase of HK\$147.6 million as compared with HK\$5,183 million as at 31 December 2011. Loan from/amount payable to the ultimate holding company amounted to HK\$5,685 million as at 30 June 2012, a slight drop of HK\$93.4 million from HK\$5,778 million as at year end 2011.

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) stood at 54.4% as at 30 June 2012 (year end 2011: 55.4%).

During the period under review, the Group's development projects in Hong Kong and Mainland China generated substantial cash inflow of approximately HK\$399.7 million and HK\$483.0 million respectively. The cash inflows mainly related to the return of funds from the Group's investment in Foshan and sales/presale proceeds from Mount East in Hong Kong, Le Cove City in Shenyang, Le Cove City in Wuxi and Galaxy Heights in Zhongshan. The disposal of certain non-core investment properties in Hong Kong contributed a further HK\$154.0 million cash inflow for the period ended 30 June 2012.

The Group has actively engaged in a number of development projects in Hong Kong and Mainland China. During the period, the Group has expended a total of approximately HK\$354.0 million and HK\$545.0 million for the Group's development projects in Hong Kong and Mainland China respectively. Also, the Group continued to acquire the ownership of a residential and commercial redevelopment site in Hung Hom and has paid approximately HK\$47.6 million for the period. Furthermore, an additional of approximately HK\$180.3 million was invested by the Group in the Tianjin project for the balance payment of land title and land use right has been successfully obtained in May 2012.

All the Group's borrowings are arranged on a floating rate basis. The Group will closely monitor and manage to minimise its exposure to interest rate fluctuations. When appropriate, relevant hedging arrangement will be considered to manage the exposure.

With the investments in Mainland China, the Group is exposed to exchange fluctuations on 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 through our listed subsidiary Polytec Asset, the Group has been exposed to the exchange fluctuations in the Kazakhstan Tenge ("KZT"), the local currency of Kazakhstan. While the majority of the operating expenses, as well as capital expenditure, of the Group's oil business is denominated in the KZT, over 80% of its revenue generated from this segment is denominated in the USD. Due to the currency mismatch between the Group's revenues and expenditures in Kazakhstan, we are closely monitoring the fluctuation in the KZT and evaluating its impacts on the Group's financial position. We will use appropriate currency hedging to 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 2012, the Group had commitments in connection with the Group's fixed assets amounted to HK\$102.5 million.

PLEDGE OF ASSETS

As at balance sheet date, Group properties with a value of HK\$10.7 billion and time deposits of HK\$15.0 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 jointly controlled entity in Mainland China. Guarantees have been provided to the jointly controlled entity amounting to RMB655.0 million, representing a 50% proportional guarantee in respect of RMB1,310 million term loan facilities. The facilities were utilised to the extent of RMB1,050 million as at 30 June 2012.

CONSOLIDATED INCOME STATEMENT

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2012 \$'000 (unaudited)	2011 \$'000 (unaudited)
Turnover	3	838,105	651,604
Cost of sales		(285,013)	(256,668)
Other revenue		17,938	8,976
Other net income	4(a)	103,000	213,625
Depreciation and amortisation		(7,475)	(5,779)
Staff costs		(77,220)	(68,375)
Selling and marketing expenses		(105,848)	(26,118)
Other operating expenses		(67,153)	(64,071)
Fair value changes on investment properties	8	506,278	296,310
Profit from operations		922,612	749,504
Finance costs	4(b)	(49,163)	(17,891)
Share of profits of associated companies	4(d)	2,141	169
Share of profits of jointly controlled entities	4(e)	114,633	190,139
Profit before taxation	4	990,223	921,921
Income tax	5	(73,011)	(43,174)
Profit for the period		917,212	878,747
Attributable to:			
Shareholders of the Company		872,438	829,988
Non-controlling interests		44,774	48,759
Profit for the period		917,212	878,747
Earnings per share – Basic/Diluted	6	\$0.76	\$0.72

The notes on pages 18 to 28 form part of the interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2012 \$'000 (unaudited)	2011 \$'000 (unaudited)
Profit for the period	917,212	878,747
Other comprehensive income for the period		
Exchange differences on translation of accounts of overseas subsidiaries	(18,691)	47,353
Changes in fair value of available-for-sale investments	(629)	2,147
Changes in fair value of interests in property development	–	12,942
Share of other comprehensive income of jointly controlled entities and associated companies	(17,896)	59,898
Transfer to income statement upon disposal of a subsidiary	–	(481)
	(37,216)	121,859
Total comprehensive income for the period	879,996	1,000,606
Attributable to:		
Shareholders of the Company	855,286	947,862
Non-controlling interests	24,710	52,744
Total comprehensive income for the period	879,996	1,000,606

The notes on pages 18 to 28 form part of the interim financial report.

CONSOLIDATED BALANCE SHEET

(Expressed in Hong Kong dollars)

	Note	At 30 June 2012		At 31 December 2011	
		\$'000 (unaudited)	\$'000 (unaudited)	\$'000 (audited)	\$'000 (audited)
Non-current assets					
Fixed assets					
			9,231,450		8,808,370
			225,662		228,964
			1,347,934		1,291,609
	8		10,805,046		10,328,943
			117,143		120,785
	9		10,190,981		10,190,981
			2,015,982		1,907,547
			2,309,668		2,124,195
			16,274		19,555
			11,003		3,088
			21,835		10,314
			25,487,932		24,705,408
Current assets					
	10	12,192,774		11,736,445	
	11	489,674		593,515	
		16,112		22,252	
		102,331		131,662	
		88,028		80,255	
		15,000		15,000	
		604,344		764,144	
		13,508,263		13,343,273	
Current liabilities					
	12	1,949,101		1,609,749	
		200,000		200,000	
		758,259		581,200	
		1,607,192		1,415,000	
		293,327		257,856	
		4,807,879		4,063,805	
Net current assets					
			8,700,384		9,279,468
Total assets less current liabilities					
			34,188,316		33,984,876

	Note	At 30 June 2012		At 31 December 2011	
		\$'000 (unaudited)	\$'000 (unaudited)	\$'000 (audited)	\$'000 (audited)
Non-current liabilities					
Loan from ultimate holding company	13	4,819,601		5,097,532	
Amount payable to ultimate holding company	14	865,090		680,579	
Bank loans		4,327,452		4,531,779	
Other payables		48,957		46,637	
Deferred tax liabilities		829,094		812,814	
			10,890,194		11,169,341
NET ASSETS			23,298,122		22,815,535
Capital and reserves					
Share capital	15		115,068		115,068
Reserves			20,132,399		19,656,838
Total equity attributable to the shareholders of the Company			20,247,467		19,771,906
Non-controlling interests			3,050,655		3,043,629
TOTAL EQUITY			23,298,122		22,815,535

Approved and authorised for issue by the board of directors on 28 August 2012.

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 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 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
At 1 January 2011	115,068	8,302,404	2,154	1,686,252	456,561	8,025,884	18,588,323	2,891,387	21,479,710
Changes in equity for the six months ended 30 June 2011									
Profit for the period	-	-	-	-	-	829,988	829,988	48,759	878,747
Other comprehensive income	-	-	(481)	11,652	106,703	-	117,874	3,985	121,859
Total comprehensive income	-	-	(481)	11,652	106,703	829,988	947,862	52,744	1,000,606
Dividends approved in respect of the previous year	-	-	-	-	-	(368,218)	(368,218)	-	(368,218)
Dividend paid/payable to non-controlling interests	-	-	-	-	-	-	-	(19,454)	(19,454)
At 30 June and 1 July 2011	115,068	8,302,404	1,673	1,697,904	563,264	8,487,654	19,167,967	2,924,677	22,092,644
Changes in equity for the six months ended 31 December 2011									
Profit for the period	-	-	-	-	-	696,397	696,397	25,221	721,618
Other comprehensive income	-	-	-	171	149,014	-	149,185	30,389	179,574
Total comprehensive income	-	-	-	171	149,014	696,397	845,582	55,610	901,192
Dividends approved in respect of the current year	-	-	-	-	-	(241,643)	(241,643)	-	(241,643)
Decrease in loans from non-controlling interests	-	-	-	-	-	-	-	(50,400)	(50,400)
Increase in non-controlling interests upon acquisition of subsidiaries	-	-	-	-	-	-	-	127,303	127,303
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(13,561)	(13,561)
At 31 December 2011	115,068	8,302,404	1,673	1,698,075	712,278	8,942,408	19,771,906	3,043,629	22,815,535

As at 30 June 2012, loans from non-controlling interests of \$2,619,000 (at 31 December 2011: \$2,603,000) are classified as equity being the capital contributions on subsidiaries by the non-controlling interests.

The notes on pages 18 to 28 form part of the interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2012 \$'000 (unaudited)	2011 \$'000 (unaudited)
Net cash from/(used in) operating activities	105,216	(1,285,066)
Net cash used in investing activities	(146,529)	(195,204)
Net cash (used in)/from financing activities	(123,231)	1,493,465
Net (decrease)/increase in cash and cash equivalents	(164,544)	13,195
Cash and cash equivalents at 1 January	764,144	719,684
Effect of foreign exchange rate changes	4,744	2,766
Cash and cash equivalents at 30 June	604,344	735,645

The notes on pages 18 to 28 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 2011 annual accounts, except for the accounting policy changes that are expected to be reflected in the 2012 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 2011 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 2011 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 29 March 2012.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the Group. These include the amendments to HKAS 12, “Income taxes – Deferred tax: recovery of underlying assets”, which the Group has already adopted in the prior period. None of the other developments are relevant to the Group’s interim financial report and 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. Finance and investments segment presented in previous period has been grouped under other business segment. Certain comparative figures have been reclassified to conform to current period’s presentation.

- Property development segment (Hong Kong/Mainland China/Macau): the development and sales of properties. 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.

3 SEGMENT REPORTING *(Continued)*

- 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, held for trading investments, dividend 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.

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 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 jointly controlled entity	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 jointly controlled entities	114,633	-	57,983	-	56,650	-	-

3 SEGMENT REPORTING (Continued)

	Six months ended 30 June 2011						
	Consolidated \$'000	Property development			Property investment \$'000	Oil \$'000	Others \$'000
		Hong Kong \$'000	Mainland China \$'000	Macau \$'000			
Turnover	651,604	380,631	–	48,102	146,645	27,333	48,893
Reportable segment profit	465,989	241,276	45,717	33,863	156,244	(29,123)	18,012
Other net income	131,878	–	–	–	131,878	–	–
Fair value changes on investment properties	296,310	–	–	–	296,310	–	–
Share of fair value changes on investment properties of a jointly controlled entity	106,040	–	–	–	106,040	–	–
Head office and corporate expenses	(60,405)						
Finance costs	(17,891)						
Profit before taxation	921,921						
Share of profits of associated companies	169	–	(597)	–	–	–	766
Share of profits of jointly controlled entities	190,139	–	67,589	–	122,550	–	–

	At 30 June 2012						
	Consolidated \$'000	Property development			Property investment \$'000	Oil \$'000	Others \$'000
		Hong Kong \$'000	Mainland China \$'000	Macau \$'000			
Reportable segment assets	38,337,676	6,067,681	10,301,018	10,104,758	9,969,559	1,459,860	434,800
Deferred tax assets	21,835						
Time deposits (pledged)	15,000						
Cash and cash equivalents	604,344						
Head office and corporate assets	17,340						
Consolidated total assets	38,996,195						
Interest in associated companies	2,309,668	–	2,294,275	–	–	–	15,393
Interest in and amounts due from jointly controlled entities	2,118,313	–	1,390,709	–	727,604	–	–

3 SEGMENT REPORTING (Continued)

	At 31 December 2011						
	Consolidated \$'000	Property development			Property investment \$'000	Oil \$'000	Others \$'000
		Hong Kong \$'000	Mainland China \$'000	Macau \$'000			
Reportable segment assets	37,245,110	5,949,174	9,676,050	10,280,052	9,506,796	1,414,643	418,395
Deferred tax assets	10,314						
Time deposits (pledged)	15,000						
Cash and cash equivalents	764,144						
Head office and corporate assets	14,113						
Consolidated total assets	38,048,681						
Interest in associated companies	2,124,195	-	2,112,085	-	-	-	12,110
Interest in and amounts due from jointly controlled entities	2,039,209	-	1,350,459	-	688,750	-	-

4 PROFIT BEFORE TAXATION

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

- (a) Other net income represents a net gain on disposal of investment properties of \$73,422,000 (six months ended 30 June 2011: \$131,878,000), a gain of disposal of a subsidiary of \$Nil (six months ended 30 June 2011: \$88,089,000), an impairment loss on properties written back of \$21,805,000 (six months ended 30 June 2011: \$Nil) and fair value changes on held for trading listed investments of gain of \$7,773,000 (six months ended 30 June 2011: loss of \$6,342,000).

(b) **Finance costs**

	Six months ended 30 June	
	2012 \$'000	2011 \$'000
Interest on bank loans and overdrafts	55,863	41,151
Interest on loan from/amount payable to ultimate holding company	42,115	8,809
Less: Amount capitalised (Remark)	(48,815)	(32,069)
	49,163	17,891

Remark: Borrowing costs were capitalised at rates of 1.28% – 2.35% (six months ended 30 June 2011: 1.03% – 1.64%) per annum in Hong Kong and 6.40% – 8.65% (six months ended 30 June 2011: 5.27% – 7.04%) per annum in Mainland China.

4 PROFIT BEFORE TAXATION *(Continued)*

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

(c) Other items

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Rentals receivable under operating leases less outgoings	(138,045)	(140,092)
Rental income	(147,003)	(146,645)
Less: Outgoings	8,958	6,553
Depreciation and amortisation (Remark)	52,951	12,386
Interest income	(9,299)	(9,858)

Remark: Cost of sales includes \$45,476,000 (six months ended 30 June 2011: \$6,607,000) relating to depreciation and amortisation expenses.

- (d) The Group's share of profits of associated companies for the period, after non-controlling interests and taxation, attributable to shareholders of the Company was \$2,141,000 (six months ended 30 June 2011: \$169,000).
- (e) The Group's share of profits of jointly controlled entities for the period, after non-controlling interests and taxation, attributable to shareholders of the Company was \$99,587,000 (six months ended 30 June 2011: \$157,590,000).

5 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Current tax		
Provision for profits tax		
– Hong Kong	33,795	35,494
– Outside Hong Kong	20,082	14,594
Land appreciation tax ("LAT")	53,877	50,088
Deferred tax	13,973	–
	5,161	(6,914)
	73,011	43,174

5 INCOME TAX *(Continued)*

The provision for Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2011: 16.5%) of the estimated assessable profits for the six months ended 30 June 2012. 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 \$872,438,000 (six months ended 30 June 2011: \$829,988,000) and weighted average number of ordinary shares in issue during the period of 1,150,681,275 (six months ended 30 June 2011: 1,150,681,275).

(b) Diluted earnings per share

There are no diluted potential shares in existence during the six months ended 30 June 2012 and 2011.

7 DIVIDENDS

(a) Dividends attributable to the interim period

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Interim dividend declared after the interim period of \$0.21 (six months ended 30 June 2011: \$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	
	2012 \$'000	2011 \$'000
Final dividend in respect of the previous financial year, approved during the interim period, of \$0.33 (six months ended 30 June 2011: \$0.32) per share	379,725	368,218

8 FIXED ASSETS

The investment properties of the Group were revalued at 30 June 2012 by Vigers Appraisal and Consulting Limited and DTZ Debenham Tie Leung Limited, independent qualified professional valuers, who have 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 2012, investment properties under development stated at fair value amounted to \$2,029,090,000 (at 31 December 2011: \$1,978,010,000).

A revaluation gain of \$506,278,000 (six months ended 30 June 2011: \$296,310,000) and deferred tax thereon of \$20,853,000 (six months ended 30 June 2011: \$Nil) were recognised in the consolidated income statement for the six months ended 30 June 2012.

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

10 INVENTORIES

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Land held for future development	1,376,566	1,821,571
Properties under development	10,471,936	9,374,111
Properties held for sale	332,427	525,327
Trading goods and consumables	11,845	15,436
	12,192,774	11,736,445

The amount of properties held for future development and under development expected to be recovered after more than one year is \$1,376,566,000 (at 31 December 2011: \$1,821,571,000) and \$5,490,610,000 (at 31 December 2011: \$6,896,521,000) 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 2012 \$'000	At 31 December 2011 \$'000
Current	125,564	298,078
Less than 3 months past due	17,543	11,430
3 months to 6 months past due	1,015	756
More than 6 months past due	8,108	7,463
Amounts past due	26,666	19,649
Trade receivables	152,230	317,727
Utility and other deposits	43,061	41,743
Other receivables and prepayments	294,383	234,045
	489,674	593,515

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 2012 \$'000	At 31 December 2011 \$'000
Not yet due or on demand	545,583	715,615
Within 3 months	80,836	37,903
3 months to 6 months	1,805	130
More than 6 months	28,009	34,057
Trade payables	656,233	787,705
Rental and other deposits	73,304	72,267
Other payables and accrued expenses	711,022	352,218
Deposits received on sale of properties	508,542	397,559
	1,949,101	1,609,749

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 repay 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 2012		At 31 December 2011	
	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 CAPITAL COMMITMENTS

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

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Contracted for	102,479	29,601
Authorised but not contracted for	–	139,460

17 CONTINGENT LIABILITIES

As at 30 June 2012, the Group has provided guarantees of RMB655,000,000 (at 31 December 2011: RMB475,000,000) representing a 50% proportional guarantee in respect of an aggregate of RMB1,310,000,000 term loan facilities (at 31 December 2011: RMB950,000,000) to a jointly controlled entity in Mainland China. The facilities were utilised to the extent of RMB1,050,000,000 (at 31 December 2011: RMB690,000,000) at 30 June 2012.

As at 31 December 2011, the Group has provided one guarantee on a joint and several basis with the other joint venture partner in respect of RMB80,000,000 loan facility. The joint venture partner and the Group had signed a mutual indemnification agreement by which each other will be indemnified on a 50:50 basis for any loss arising from the guarantee. The banking facility was utilised to the extent of RMB80,000,000 at 31 December 2011. At 30 June 2012, no such guarantees was given to the jointly controlled entity.

18 PLEDGE OF ASSETS

As at 30 June 2012, properties of the Group with an aggregate carrying value of \$10,668,508,000 (at 31 December 2011: \$10,338,648,000) and time deposits of \$15,000,000 (at 31 December 2011: \$15,000,000) were pledged to banks under fixed charges mainly to secure general banking facilities granted to the Group.

19 MATERIAL RELATED PARTY TRANSACTIONS

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

- (a) Polytec Holdings has guaranteed the due performance of the Company in respect of its obligations in the property development project in Tianjin, Mainland China.
- (b) During the period, interest of \$42,115,000 (six months ended 30 June 2011: \$8,809,000) was paid to Polytec Holdings.
- (c) As at 30 June 2012, the Group has given guarantees to insurance companies in respect of performance bonds entered into by an associated company to the extent of \$12,590,000 (at 31 December 2011: \$10,608,000).
- (d) Polytec Holdings has granted a credit facility to the Group to the extent of \$1,300,000,000 (at 31 December 2011: \$1,300,000,000). As at 30 June 2012, the facility was utilised to the extent of \$865,090,000 (at 31 December 2011: \$680,579,000).

20 POST BALANCE SHEET EVENT

Subsequently after the balance sheet date, a wholly owned subsidiary of the Company had entered into an agreement with a wholly owned subsidiary of Polytec Holdings for the acquisition of 100% equity interest of a wholly owned subsidiary of Polytec Holdings together with the assignment of related shareholder's loan for an aggregate consideration of \$374,831,000. The assets held by the subsidiary are substantially a development project located in Hong Kong.

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 12 to 28 which comprises the consolidated balance sheet of Kowloon Development Company Limited (the "Company") and its subsidiaries (the "Group") as of 30 June 2012 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 2012 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 2012

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2012, the Company has complied with all code provisions as set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) 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 2011 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 28 June 2012 (the "AGM"), other than a Non-executive Director and an Independent Non-executive Director who were unable to attend the AGM as they were overseas at the time.

SECURITIES TRADING POLICY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 to the Listing Rules) as a code of conduct regarding directors' securities transactions (the "Model Code"). The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the period under review and 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, changes in the information of Directors of the Company required to be disclosed are set out below:

1. The Nomination Committee was established on 29 March 2012. It comprises three members, two of whom are Independent Non-executive Directors.
2. Mr Tam Hee Chung retired as a Non-executive Director of the Company after the conclusion of the AGM.
3. The monthly salary of the following Directors have been changed as follows with effect from 1 July 2012:

	Before 1 July 2012	After 1 July 2012
Or Pui Kwan	HK\$50,600	HK\$55,600
Lai Ka Fai	HK\$132,400	HK\$140,400
Yeung Kwok Kwong	HK\$150,000	HK\$158,700

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 2012, 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 securities of the Company during the six months ended 30 June 2012.

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30 June 2012, 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 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	642,000	0.06%	
David John Shaw	Personal	133,500		
	Family	67,000		5
		200,500	0.02%	
Yeung Kwok Kwong	Personal	180,000	0.02%	

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 shares of the Company as at 30 June 2012.
- (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 ultimately wholly-owned by a discretionary trust, the trustee of which is Or Family Trustee Limited Inc. The said trust is in turn wholly-owned by another 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 2012. 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 beneficially 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 2012, 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 2012, 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 shares	Percentage of shareholding (Note 1)	Note
HSBC International Trustee Limited	Trustee	829,354,474	72.08%	2
Or Family Trustee Limited Inc.	Trustee	828,710,124	72.02%	3

Notes:

- (1) The percentage of shareholding is calculated based on 1,150,681,275 shares, being the total number of issued shares of the Company as at 30 June 2012.
- (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 2012. HSBC International Trustee Limited was then taken to be interested in 832,016,474 shares of the Company. Such interest included the shares owned by a family trust as explained in note (2) under the section headed "Directors' Interests and Short Positions".
- (3) 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 2012. Or Family Trustee Limited Inc. was then taken to be interested in 830,770,124 shares of the Company by virtue of being the trustee of a family trust 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 2012, 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 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 2012, the Group had a total of 754 employees (31 December 2011: 734 employees), of which 427 were Hong Kong staffs, 133 were PRC staffs and 194 were staffs in other regions, with the increase in headcount mainly due to the matching of business growth. 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.

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

Besides, the Group had established a recreation club and held annual dinner and monthly working lunch for employees during the period to promote team spirit and loyalty and to share information between departments.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 3 October 2012 to Thursday, 4 October 2012, both dates inclusive. During which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, for registration not later than 4:30 pm on Friday, 28 September 2012.

CORPORATE CITIZENSHIP

The Company is committed to enhance corporate citizenship and has become 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 programme held by WWF-Hong Kong such as "Earth Hour" 2012.



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 2012. 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 29 of this interim report.



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