



九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

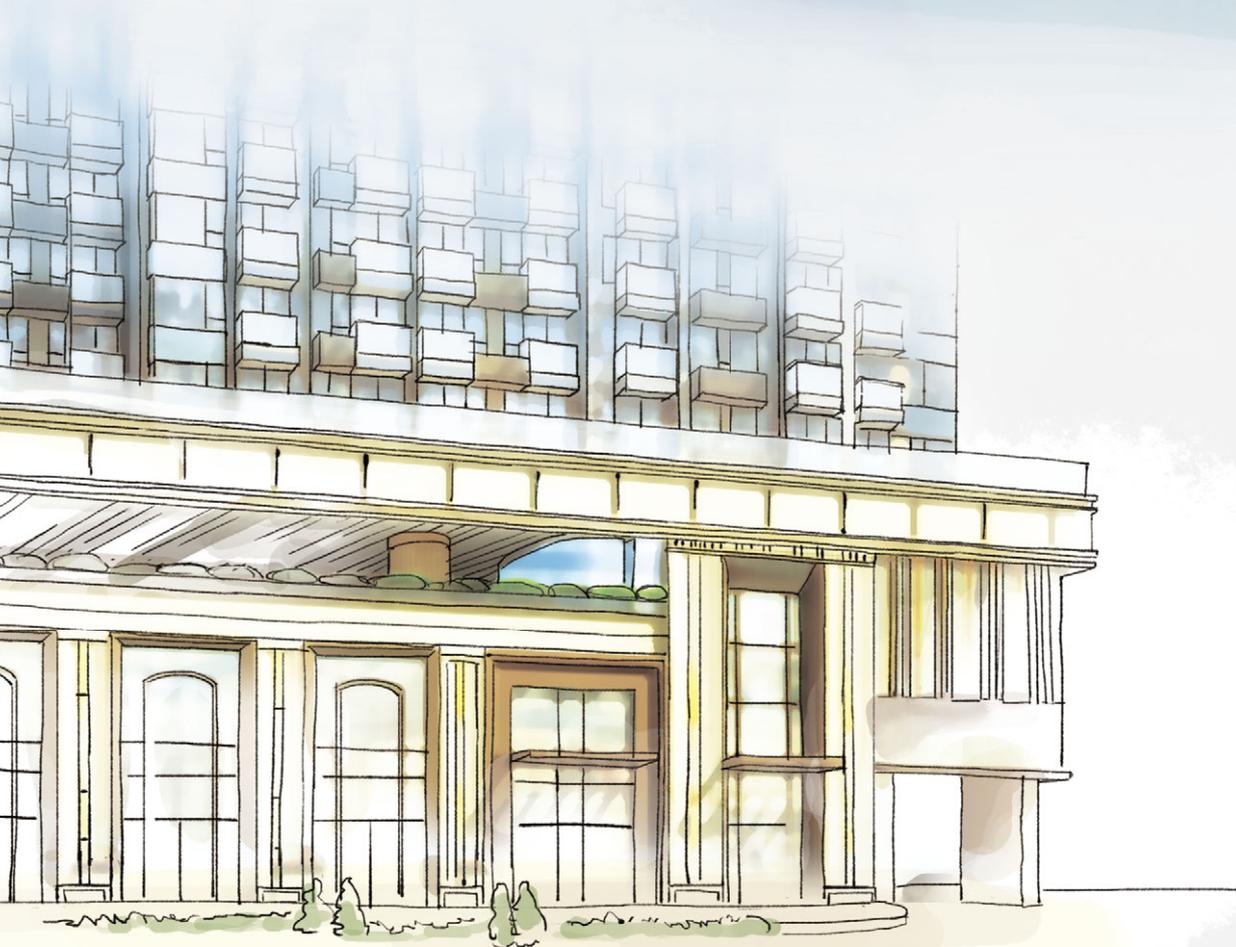
Stock Code 股份代號: 34

interim report
中期報告

2015

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Artist's Impression
of Upper East (Hong Kong)
環海·東岸(香港)之構想圖

Kowloon Development Company Limited

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 exceeding 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.

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*Artist's Impression
of Upper East (Hong Kong)*

Corporate Information

BOARD OF DIRECTORS AND COMMITTEES

Board of Directors

Executive Directors

Or Wai Sheun (*Chairman*)

Lai Ka Fai

Or Pui Kwan

Non-executive Directors

Ng Chi Man

Yeung Kwok Kwong

Independent Non-executive Directors

Li Kwok Sing, Aubrey

Lok Kung Chin, Hardy

Seto Gin Chung, John

David John Shaw

Committees

Executive Committee

Or Wai Sheun (*Chairman*)

Lai Ka Fai

Or Pui Kwan

Yeung Kwok Kwong

Audit Committee

Li Kwok Sing, Aubrey (*Chairman*)

Lok Kung Chin, Hardy

Seto Gin Chung, John

Yeung Kwok Kwong

Nomination Committee

Or Wai Sheun (*Chairman*)

Lok Kung Chin, Hardy

David John Shaw

Remuneration Committee

Seto Gin Chung, John (*Chairman*)

Lai Ka Fai

Li Kwok Sing, Aubrey

Lok Kung Chin, Hardy

CORPORATE AND SHAREHOLDERS' INFORMATION

Company Secretary

Lee Kuen Chiu

Independent Auditor

KPMG

Certified Public Accountants

Authorised Representatives

Lai Ka Fai

Lee Kuen Chiu

Legal Advisers

Sidley Austin

Share Registrar

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

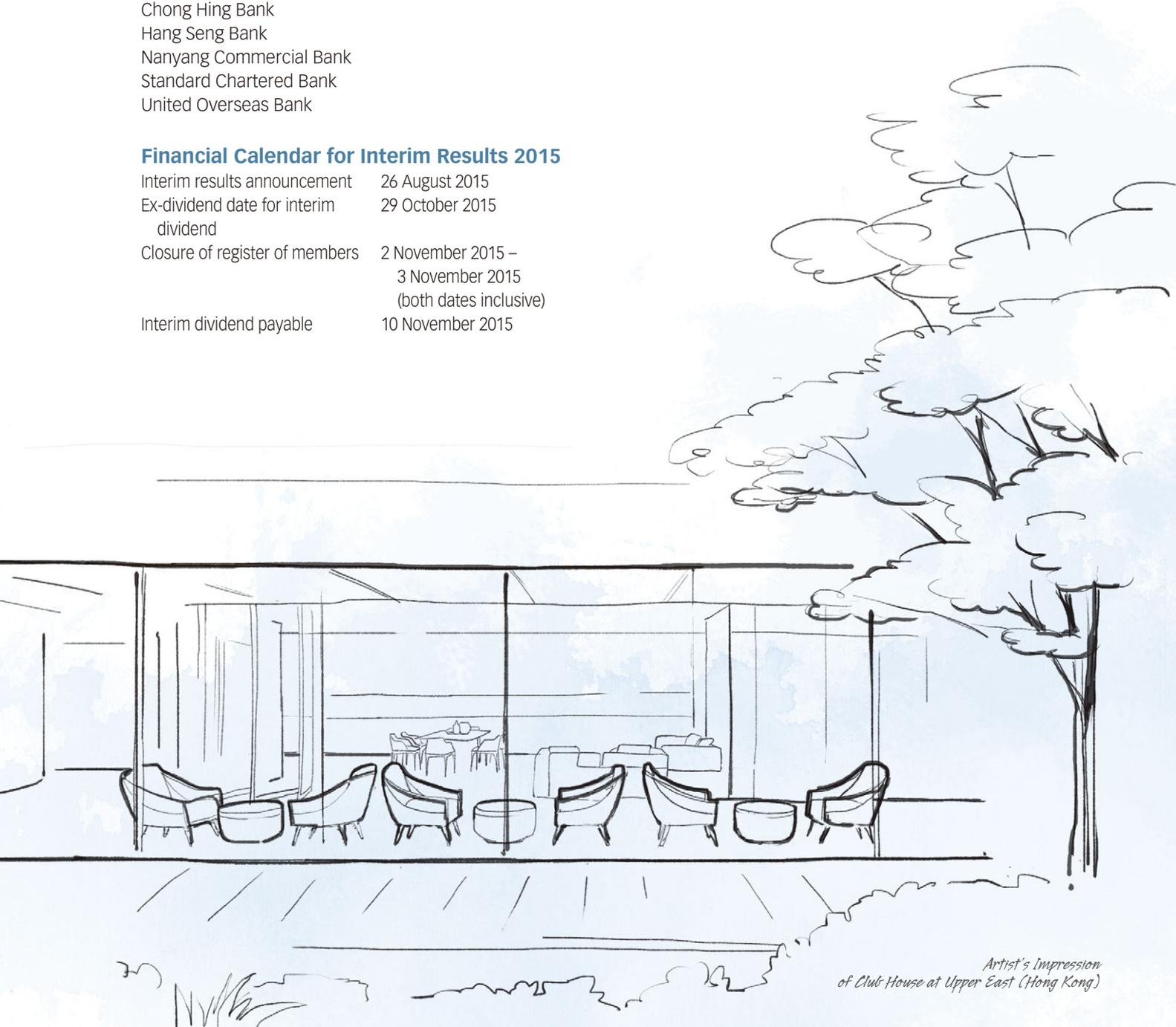
CORPORATE AND SHAREHOLDERS' INFORMATION *(CONTINUED)*

Principal Bankers

ANZ Bank
Bank of China
Bank of Communications
China Construction Bank
Chiyu Banking Corporation
Chong Hing Bank
Hang Seng Bank
Nanyang Commercial Bank
Standard Chartered Bank
United Overseas Bank

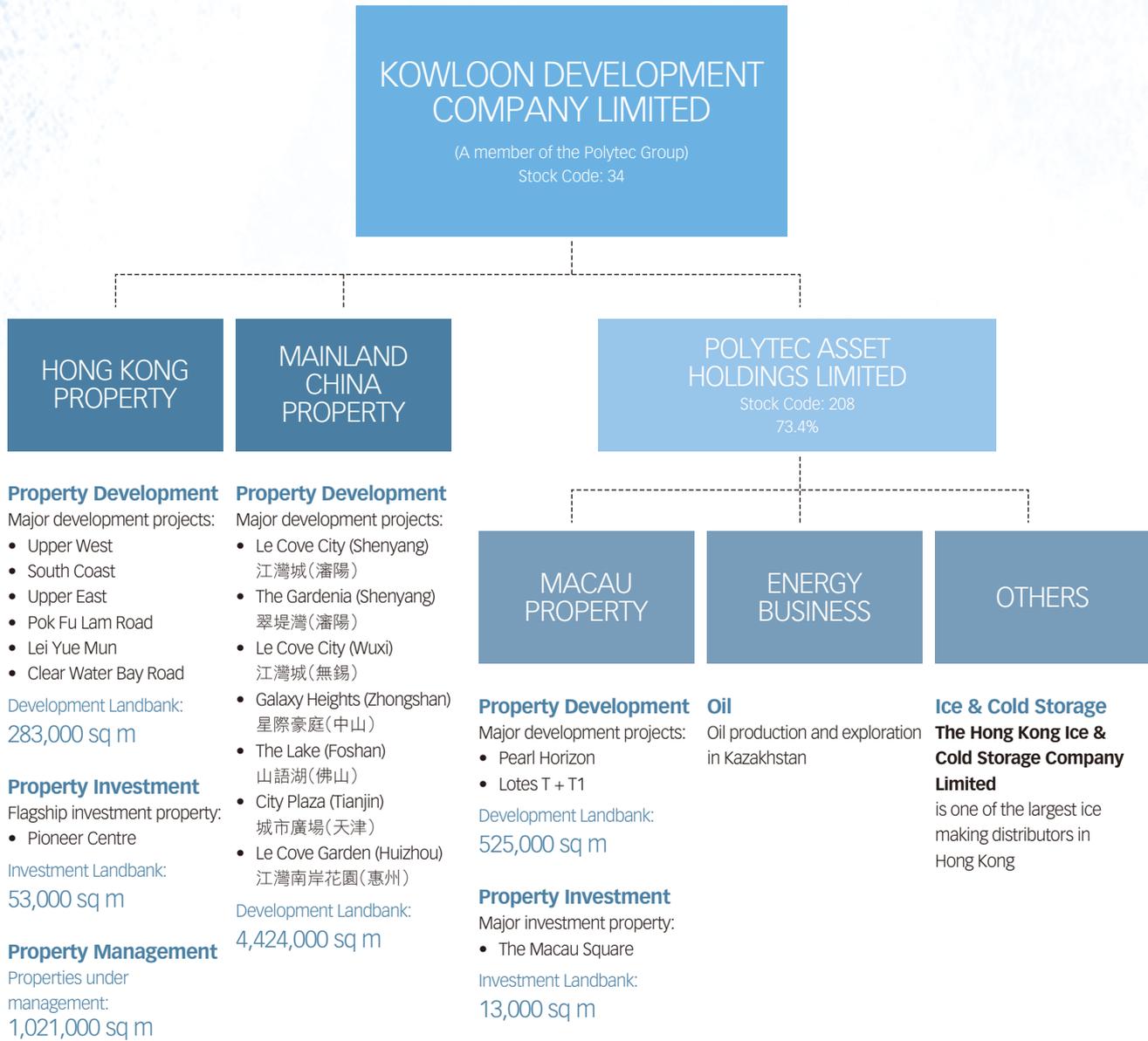
Financial Calendar for Interim Results 2015

Interim results announcement	26 August 2015
Ex-dividend date for interim dividend	29 October 2015
Closure of register of members	2 November 2015 – 3 November 2015 (both dates inclusive)
Interim dividend payable	10 November 2015



*Artist's Impression
of Club House at Upper East (Hong Kong)*

Group's Business Structure



Highlights

- For the six months ended 30 June 2015, the Group's unaudited net profit attributable to shareholders of the Company amounted to HK\$476 million compared to HK\$299 million for the corresponding period in 2014, an increase of 59.2%.
- Excluding revaluation gains from the Group's investment properties, underlying net profit for the first half of 2015 rose to HK\$253 million, an increase of 40.6% over the same period in 2014. The underlying net interim earnings per share for 2015 were HK\$0.22 compared to HK\$0.16 for 2014.
- Interim dividend per share for 2015 amounted to HK\$0.21 (2014: HK\$0.21).



*Artist's Impression
of South Coast (Hong Kong)*

Chairman's Statement

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 June 2015, the Group's unaudited net profit attributable to shareholders of the Company amounted to HK\$476 million compared to HK\$299 million for the corresponding period in 2014, an increase of 59.2%. The interim earnings per share for 2015 amounted to HK\$0.41 compared to HK\$0.26 for the same period in 2014.

Excluding revaluation gains from the Group's investment properties, underlying net profit for the first half of 2015 rose to HK\$253 million, an increase of 40.6% over the same period in 2014. The underlying net interim earnings per share for 2015 were HK\$0.22 compared to HK\$0.16 for 2014.

The Board of Directors has declared an interim dividend per share for 2015 of HK\$0.21 (2014: HK\$0.21). The interim dividend will be payable on Tuesday, 10 November 2015 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 3 November 2015.

BUSINESS REVIEW

The strong momentum in the primary residential market in Hong Kong, which has largely been driven by persistently-low mortgage interest rates and solid latent demand, continued into the first half of 2015. Overall transaction volumes in the primary residential market remained resilient during the first six months of 2015 despite various restrictive measures remained in place and further credit tightening for properties imposed by the Hong Kong Monetary Authority in February 2015.

Following four interest rate cuts by the central bank and a number of home purchase restrictions being eased recently in most cities across the nation, the property market sentiment in Mainland China appears to be improving considerably in the first-tier and some individual cities where both sales volume and prices have been rising throughout the first half of 2015. However, other cities continued to face challenges from the oversupply problem and a slowing economy.

In Macau, the recession deepened, with real gross domestic product contracting over 24% year-on-year in the first quarter of 2015 after falling approximately 10% in the second half of 2014. The economic downturn was largely attributable to the badly hit gaming industry, with gaming revenue posting persistent declines and it also continued to weigh heavily on the performance of the property market, with sales activity remaining sluggish throughout the first half of 2015.

Development Property Sales

For the period under review, a majority of the Group's recognised property development profit was generated from two residential development projects in Hong Kong, namely MacPherson Residence and Cadogan. Total sales combined from these two development projects amounted to approximately HK\$1.3 billion for the first six months of 2015.

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 RMB663 million in the first half of 2015. Together with the presale of various properties in Mainland China, including the Group's joint venture project in Foshan, a 40%-owned project in Dongguan and a 60% interest project in Huizhou, the Group's total attributable presales/sales amounted to approximately RMB1.5 billion for the first six months of 2015.

BUSINESS REVIEW (CONTINUED)**Property Development**

As announced on 24 July 2015, the Company entered into a letter of intent with Fulleagle Limited, a connected person, regarding the possible acquisition of the proposed new lot to be known as Tseung Kwan O Town Lot No. 121. This acquisition, if it proceeds, will enhance the Group's landbank in Hong Kong.

As of 30 June 2015, 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

Property Project	District/City	Usage	Approx. Total Site Area (sq m)	Approx. Total GFA (sq m)	Approx. Remaining GFA* (sq m)	Group's Interest	Status	Expected Date of Completion
Hong Kong								
Upper West	Tai Kok Tsui, Kowloon	Residential & retail	780	6,600	6,600	100%	Superstructure work in progress	2015/2016
South Coast	Aberdeen, Hong Kong	Residential	723	5,900	5,900	100%	Superstructure work in progress	2016/2017
Upper East	Hung Hom, Kowloon	Residential & commercial	4,038	34,100	34,100	100%	Foundation work in progress	2018/2019
Pok Fu Lam Road	Sai Ying Pun, Hong Kong	Residential & retail	1,388	11,100	11,100	100%	Foundation work in progress	2019/2020
Lei Yue Mun	Lei Yue Mun, Kowloon	Residential & commercial	3,240	29,200	29,200	100%	Preparing for commencement of foundation work	2019
Clear Water Bay Road	Ngau Chi Wan, Kowloon	Residential & commercial	19,335	196,400	196,400	100%	Land premium negotiation in progress	To be determined



BUSINESS REVIEW (CONTINUED)

Property Development (Continued)

Major Property Projects under Planning and Development (Continued)

Property Project	District/City	Usage	Approx. Total Site Area (sq m)	Approx. Total GFA (sq m)	Approx. Remaining 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	Residential & commercial	165,303	712,000	544,800	100%	Construction work for the third and the fourth phases in progress	Third phase 2015; Fourth phase 2018
The Gardenia (Shenyang) 翠堤灣(瀋陽)	Shenhe District, Shenyang	Residential & commercial	1,100,000	2,000,000	2,000,000	100%	Construction work for the second phase in progress	Second phase: IIA 2015 IIB 2016/2017
Le Cove City (Wuxi) 江灣城(無錫)	Chong An District, Wuxi	Residential & commercial	68,833	404,400	400,500	80%	Construction work for the second phase in progress	Second phase 2017
Galaxy Heights (Zhongshan) 星際豪庭(中山)	Shiqi District, Zhongshan	Residential & commercial	18,334	129,000	129,000	70%	Fitting-out work in progress	2015
The Lake (Foshan) 山語湖(佛山)	Nanhai District, Foshan	Residential & commercial	4,020,743	1,600,000	1,158,400	50%	Construction work for the third phase of high rise residential towers in progress	Third phase of high rise residential towers 2016
City Plaza (Tianjin) 城市廣場(天津)	Hedong District, Tianjin	Residential & commercial	135,540	850,000*	850,000*	49%	Construction work for the first and the second phases in progress	First phase 2015/2016; Second phase 2017
Le Cove Garden (Huizhou) 江灣南岸花園(惠州)	Huicheng District, Huizhou	Residential & commercial	146,056	519,900	519,900	60%	Superstructure work for the first phase in progress; foundation work for the second phase in progress	First phase 2016; Second phase 2017/2018
Macau								
Pearl Horizon	Novos Aterros da Areia Preta	Residential & commercial	68,000	697,600	697,600	58.8%	Foundation work in progress	End-December 2018
Lotes T + T1	Novos Aterros da Areia Preta	Residential & commercial	17,900	195,600	195,600	58.8%	Foundation work in progress	End-December 2018

* Refers to approx. total GFA less GFA sold and recognised in the accounts.

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

BUSINESS REVIEW *(CONTINUED)*

Property Investment

Gross rental income generated from the Group's property investment portfolio in Hong Kong for the first six months of 2015 rose to HK\$177 million, an increase of 6.9% over the corresponding period in 2014. Gross rental income generated from Pioneer Centre, the Group's wholly-owned flagship and core investment property in Hong Kong, rose 6.1% to HK\$152 million; both retail spaces and offices were nearly fully let as of 30 June 2015.

Oil Business

For the six months ended 30 June 2015, the segment recorded a profit of HK\$8.1 million. Excluding a reversal of provision for property taxes for the Group's oilfield in Kazakhstan, the sector registered a net loss of HK\$6.6 million from its operations in the first half of 2015 compared to an operating loss of HK\$15.2 million for the same period in 2014. While the Group resumed normal oil production in Kazakhstan in late September 2014, the net segment operating loss for the period under review was due to the persistently low oil prices in the first half of 2015. As previously mentioned, Management has been taking all necessary steps to seek a long-term solution for the gas flaring requirements for its South Alibek Oilfield in Kazakhstan. While various options are currently under consideration, the Group has submitted the application for renewal of its current gas flaring permit which will expire on 31 August 2015.

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

PROSPECTS

As there has been growing demand for small-sized residential units in Hong Kong, the Group is accelerating the pace for launching such type of residential projects. It will launch the presale of Upper East, its wholly-owned high-end residential development project in Hung Hom shortly, with total residential units amounting to 1,008 units and the average saleable area of approximately 25 sq m per unit. The Group will then launch the presale of its residential project in Aberdeen, namely South Coast, with total residential units of 150 units and the average saleable area of approximately 30 sq m per unit.

In Mainland China, the slowing economy will likely further postpone the recovery of its overall property markets. Although the Group is facing an increasingly challenging market environment, its overall property sales are rising steadily. The Group intends to explore good development projects in the first-tier cities.

In Macau, as the current downturn in the gaming industry will likely persist in the second half of 2015, the Macau economy is expected to stay weak and hence the property market is unlikely to recover in the short term. Nevertheless, as previously mentioned, the Group has presold over 3,000 residential units of its two major high-end residential development projects in the Orient Pearl District over the past few years, with contracted presales exceeding HK\$20 billion. Therefore, the short-term fluctuations in the residential property market do not adversely affect the Group's two development projects under construction. The Group will continue to expedite construction work of its two development projects, aiming for completion and handover to home buyers in 2018.

Looking ahead, the Group's operating income for the second half of 2015 will be mainly generated from its various development projects in Hong Kong. In addition, the Group expects its property investment portfolios in Hong Kong and Macau, as well as its cold storage and ice manufacturing business operated by Polytec Asset, will continue to provide stable income to the Group in the second half of 2015. The Group's oil business in Kazakhstan is expected to record a slight net operating loss for 2015 as oil prices will likely stay at the current exceptionally low levels for the remaining of 2015.

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



Or Wai Sheun
Chairman

Hong Kong, 26 August 2015

Financial Review

FINANCIAL RESOURCES AND BANK BORROWINGS

As at 30 June 2015, the Group had total bank borrowings of HK\$7,900 million (31 December 2014: HK\$7,918 million), with HK\$213 million being repayable within one year and HK\$7,687 million being repayable after one year. After taking into account cash and cash equivalents of HK\$443 million, the Group's net borrowings position was HK\$7,457 million as at 30 June 2015, which increased by HK\$696 million compared to 31 December 2014. Loans from ultimate holding company increased by HK\$416 million since 31 December 2014 and amounted to HK\$7,195 million as at 30 June 2015.

The Group's gearing ratio (calculated on the basis of net bank borrowings and loans from ultimate holding company over equity attributable to shareholders of the Company) was 64.0% as at 30 June 2015 (31 December 2014: 59.3%).

During the period under review, the Group continued to boost the sale of two completed projects in Hong Kong, namely MacPherson Residence and Cadogan, which contributed substantial cash inflows to the Group. For the six months ended 30 June 2015, the Group has recorded cash inflows mainly from sales/presales from various development projects in Hong Kong and Mainland China of approximately HK\$937 million and HK\$781 million respectively.

The Group continued to actively engage in the development projects in Hong Kong and Mainland China and expended a total of HK\$856 million for construction costs during the period. Furthermore, the Group has settled the remaining balance of the land premium of HK\$1,557 million for the successful tender of the land situated at Lei Yue Mun, Hong Kong. The handover of the land was completed in mid-January 2015 which has further enhanced the land portfolio of the Group in Hong Kong.

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 considered 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. However, the recent significant depreciation of KZT, which was allowed to float freely on 20 August 2015, and hence a possible reduction of local expenses may help partially offset the expected loss incurred during the year. As at 30 June 2015, 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 the financial support from the ultimate holding company, the Group has sufficient financial resources to satisfy its commitments and future funding requirements.

CAPITAL COMMITMENTS

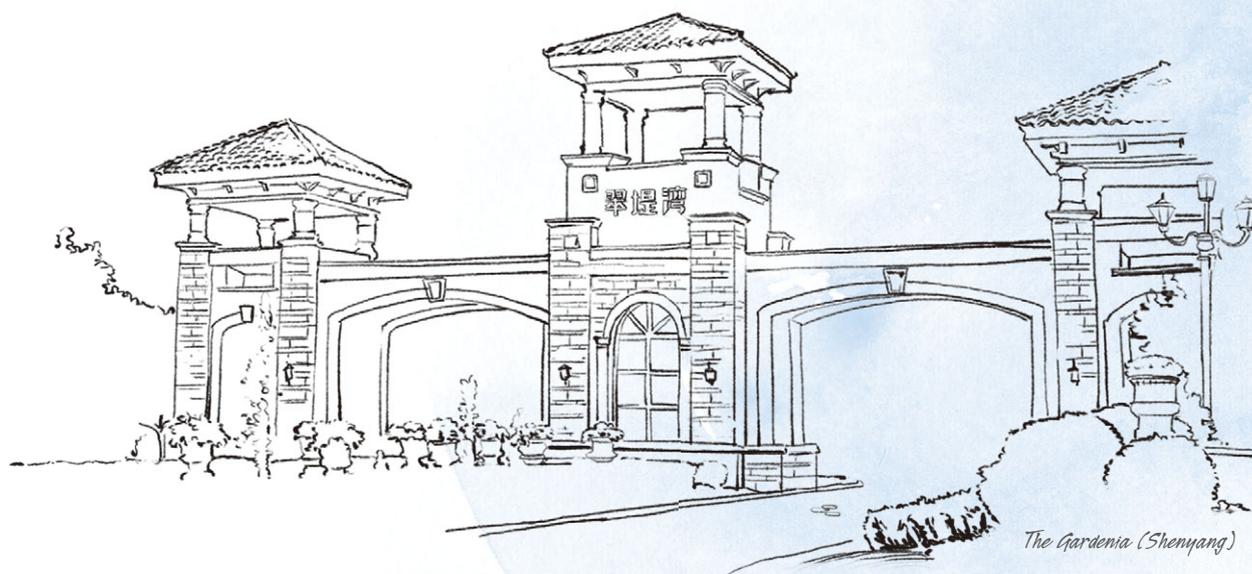
As at 30 June 2015, the Group had commitments in connection with the Group's fixed assets amounting to HK\$70 million.

PLEDGE OF ASSETS

As at 30 June 2015, properties having a value of HK\$12,143 million and bank deposits of HK\$15 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\$722 million, representing a 50% proportional guarantee in respect of HK\$1,444 million term loan facilities. The facilities were utilised to the extent of HK\$1,316 million as at 30 June 2015.



Consolidated Income Statement

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2015 \$'000 (unaudited)	2014 \$'000 (unaudited)
Turnover	3	1,759,214	906,713
Cost of sales		(1,092,163)	(452,373)
Other revenue		10,091	20,281
Other net loss	4(a)	–	(4,533)
Depreciation and amortisation		(8,969)	(8,480)
Staff costs		(95,465)	(84,560)
Selling, marketing and distribution expenses		(186,416)	(67,867)
Other operating expenses		(38,473)	(44,092)
Fair value changes on investment properties	8	301,389	106,163
Profit from operations		649,208	371,252
Finance costs	4(b)	(85,308)	(73,029)
Share of profits/(losses) of associated companies	4(d)	12,723	(4,940)
Share of profits of joint ventures	4(e)	59,690	67,828
Profit before taxation	4	636,313	361,111
Income tax	5	(145,361)	(58,604)
Profit for the period		490,952	302,507
Attributable to :			
Shareholders of the Company		476,046	298,753
Non-controlling interests		14,906	3,754
Profit for the period		490,952	302,507
Earnings per share – Basic/Diluted	6	\$0.41	\$0.26

The notes on pages 18 to 31 form part of the interim financial report.

Consolidated Statement of Comprehensive Income

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2015 \$'000 (unaudited)	2014 \$'000 (unaudited)
Profit for the period	490,952	302,507
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of accounts of overseas subsidiaries	1,258	(37,269)
Changes in fair value of available-for-sale investments	–	(1,589)
Changes in fair value of interests in property development	95	313,903
Share of other comprehensive income of joint ventures and associated companies	1,282	(36,458)
	2,635	238,587
Total comprehensive income for the period	493,587	541,094
Attributable to :		
Shareholders of the Company	476,343	459,381
Non-controlling interests	17,244	81,713
Total comprehensive income for the period	493,587	541,094

The notes on pages 18 to 31 form part of the interim financial report.

Consolidated Statement of Financial Position

(Expressed in Hong Kong dollars)

	Note	At 30 June 2015 \$'000 (unaudited)	At 31 December 2014 \$'000 (audited)
Non-current assets			
Fixed assets			
– Investment properties	8	10,971,969	10,646,498
– Leasehold land held for own use		206,582	209,884
– Other property, plant and equipment		802,340	837,103
		11,980,891	11,693,485
Oil exploitation assets		64,093	66,257
Interests in property development	9	12,227,515	12,227,420
Interest in joint ventures		2,991,308	2,953,007
Interest in associated companies		2,289,389	2,282,764
Loans and advances		94,106	54,221
Deferred tax assets		112,630	109,309
		29,759,932	29,386,463
Current assets			
Inventories	10	16,925,020	17,079,825
Trade and other receivables	11	1,202,933	744,482
Loans and advances		15,973	15,985
Amount due from a joint venture		48,042	40,009
Financial investments		–	21,945
Pledged bank deposit		15,000	15,000
Cash and cash equivalents		443,320	1,157,340
		18,650,288	19,074,586
Current liabilities			
Trade and other payables	12	4,729,239	5,375,265
Amounts due to non-controlling interests		200,000	200,000
Amount due to a joint venture		788,093	787,838
Bank loans		213,400	1,343,400
Current taxation		377,331	332,703
		6,308,063	8,039,206
Net current assets		12,342,225	11,035,380
Total assets less current liabilities		42,102,157	40,421,843

Consolidated Statement of Financial Position

(Expressed in Hong Kong dollars)

	Note	At 30 June 2015 \$'000 (unaudited)	At 31 December 2014 \$'000 (audited)
Non-current liabilities			
Loans from ultimate holding company	13	7,194,605	6,778,980
Bank loans		7,687,344	6,574,346
Other payables		37,075	38,679
Deferred tax liabilities		1,030,499	950,651
		15,949,523	14,342,656
NET ASSETS		26,152,634	26,079,187
Capital and reserves			
Share capital		8,417,472	8,417,472
Reserves		14,483,199	14,421,101
Total equity attributable to the shareholders of the Company		22,900,671	22,838,573
Non-controlling interests		3,251,963	3,240,614
TOTAL EQUITY		26,152,634	26,079,187

Approved and authorised for issue by the board of directors on 26 August 2015.

The notes on pages 18 to 31 form part of the interim financial report.

Consolidated Statement of Changes in Equity

(Expressed in Hong Kong dollars)

	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 2014	115,068	8,302,404	1,673	2,031,198	955,288	10,845,078	22,250,709	3,183,159	25,433,868
Changes in equity for the six months ended 30 June 2014									
Profit for the period	-	-	-	-	-	298,753	298,753	3,754	302,507
Other comprehensive income	-	-	-	231,006	(70,378)	-	160,628	77,959	238,587
Total comprehensive income	-	-	-	231,006	(70,378)	298,753	459,381	81,713	541,094
Dividends approved in respect of the previous year	-	-	-	-	-	(414,245)	(414,245)	-	(414,245)
Dividend paid/payable to non-controlling interests	-	-	-	-	-	-	-	(32,976)	(32,976)
Transition to no-par value regime on 3 March 2014	8,302,404	(8,302,404)	-	-	-	-	-	-	-
At 30 June and 1 July 2014	8,417,472	-	1,673	2,262,204	884,910	10,729,586	22,295,845	3,231,896	25,527,741
Changes in equity for the six months ended 31 December 2014									
Profit for the period	-	-	-	-	-	741,964	741,964	8,607	750,571
Other comprehensive income	-	-	-	(2,897)	46,561	-	43,664	2,469	46,133
Total comprehensive income	-	-	-	(2,897)	46,561	741,964	785,628	11,076	796,704
Dividends approved in respect of the current year	-	-	-	-	-	(241,643)	(241,643)	-	(241,643)
Dividend paid/payable to non-controlling interests	-	-	-	-	-	-	-	(2,358)	(2,358)
Disposal of subsidiaries	-	-	(1,257)	-	-	-	(1,257)	-	(1,257)
At 31 December 2014	8,417,472	-	416	2,259,307	931,471	11,229,907	22,838,573	3,240,614	26,079,187
(unaudited)									
At 1 January 2015	8,417,472	-	416	2,259,307	931,471	11,229,907	22,838,573	3,240,614	26,079,187
Changes in equity for the six months ended 30 June 2015									
Profit for the period	-	-	-	-	-	476,046	476,046	14,906	490,952
Other comprehensive income	-	-	-	(2,125)	2,422	-	297	2,338	2,635
Total comprehensive income	-	-	-	(2,125)	2,422	476,046	476,343	17,244	493,587
Dividends approved in respect of the previous year	-	-	-	-	-	(414,245)	(414,245)	-	(414,245)
Dividend paid/payable to non-controlling interests	-	-	-	-	-	-	-	(5,895)	(5,895)
At 30 June 2015	8,417,472	-	416	2,257,182	933,893	11,291,708	22,900,671	3,251,963	26,152,634

As at 30 June 2015, loans from non-controlling interests of \$2,522,000 (at 31 December 2014: \$2,523,000) are classified as equity being the capital contributions on subsidiaries by the non-controlling interests.

The notes on pages 18 to 31 form part of the interim financial report.

Condensed Consolidated Cash Flow Statement

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2015 \$'000 (unaudited)	2014 \$'000 (unaudited)
Net cash (used in)/generated from operating activities	(689,222)	236,914
Net cash (used in)/generated from investing activities	(4,573)	24,443
Net cash used in financing activities	(20,267)	(162,160)
Net (decrease)/increase in cash and cash equivalents	(714,062)	99,197
Cash and cash equivalents at 1 January	1,157,340	623,966
Effect of foreign exchange rate changes	42	(1,236)
Cash and cash equivalents at 30 June	443,320	721,927

The notes on pages 18 to 31 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 2014 annual accounts, except for the accounting policy changes that are expected to be reflected in the 2015 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 2014 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”).

2 Changes in accounting policies

The HKICPA has issued certain amendments to HKFRSs 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 sale 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 sale of properties and 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 2015							
	Consolidated \$'000	Property development				Property investment \$'000	Oil \$'000	Others \$'000
		Hong Kong \$'000	Mainland China \$'000	Macau \$'000				
Turnover	1,759,214	1,261,101	91,658	-	177,349	132,002	97,104	
Reportable segment profit	446,900	247,668	(28,495)	2,317	194,790	8,096	22,524	
Fair value changes on investment properties	301,389	-	-	-	301,389	-	-	
Share of fair value changes on investment properties of a joint venture	19,360	-	-	-	19,360	-	-	
Head office and corporate expenses	(46,028)							
Finance costs	(85,308)							
Profit before taxation	636,313							
Share of profits of associated companies	12,723	-	12,558	-	-	-	165	
Share of profits of joint ventures	59,690	-	14,461	-	45,229	-	-	

	Six months ended 30 June 2014							
	Consolidated \$'000	Property development				Property investment \$'000	Oil \$'000	Others \$'000
		Hong Kong \$'000	Mainland China \$'000	Macau \$'000				
Turnover	906,713	439,122	190,767	12,000	165,836	35,209	63,779	
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	361,111							
Share of losses of associated companies	(4,940)	-	(5,514)	-	-	-	574	
Share of profits of joint ventures	67,828	-	27,150	-	40,678	-	-	

3 Segment reporting *(Continued)*

	At 30 June 2015						
	Consolidated \$'000	Property development			Property investment \$'000	Oil \$'000	Others \$'000
		Hong Kong \$'000	Mainland China \$'000	Macau \$'000			
Reportable segment assets	47,811,390	8,782,854	14,510,303	10,994,751	12,229,960	880,278	413,244
Deferred tax assets	112,630						
Pledged bank deposit	15,000						
Cash and cash equivalents	443,320						
Head office and corporate assets	27,880						
Consolidated total assets	48,410,220						
Interest in associated companies	2,289,389	-	2,262,617	-	-	-	26,772
Interest in and amount due from joint ventures	3,039,350	-	1,798,119	-	1,241,231	-	-
	At 31 December 2014						
	Consolidated \$'000	Property development			Property investment \$'000	Oil \$'000	Others \$'000
		Hong Kong \$'000	Mainland China \$'000	Macau \$'000			
Reportable segment assets	47,153,636	9,115,172	13,867,599	10,985,703	11,882,063	910,064	393,035
Deferred tax assets	109,309						
Pledged bank deposit	15,000						
Cash and cash equivalents	1,157,340						
Head office and corporate assets	25,764						
Consolidated total assets	48,461,049						
Interest in associated companies	2,282,764	-	2,256,158	-	-	-	26,606
Interest in and amount due from joint ventures	2,993,016	-	1,775,101	-	1,217,915	-	-

4 Profit before taxation

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

- (a) Other net loss for the six months ended 30 June 2014 represented a fair value loss on held for trading listed investments of \$4,533,000.

(b) Finance costs

	Six months ended 30 June	
	2015 \$'000	2014 \$'000
Interest on bank loans and overdrafts	67,334	53,702
Interest on loans from ultimate holding company	57,418	71,707
Less: Amount capitalised (Remark)	(39,444)	(52,380)
	85,308	73,029

Remark: Borrowing costs were capitalised at rates of 1.46% – 1.64% (six months ended 30 June 2014: 1.35% – 1.77%) per annum in Hong Kong and 6.00% – 6.77% (six months ended 30 June 2014: 6.27% – 7.04%) per annum in Mainland China.

(c) Other items

	Six months ended 30 June	
	2015 \$'000	2014 \$'000
Rentals receivable under operating leases less outgoings	(165,682)	(157,041)
Rental income	(177,349)	(165,836)
Less: Outgoings	11,667	8,795
Depreciation and amortisation (Remark)	50,404	15,952
Interest income	(14,366)	(12,852)

Remark: Cost of sales includes \$41,435,000 (six months ended 30 June 2014: \$7,472,000) relating to depreciation and amortisation expenses.

- (d) The Group's share of profits of associated companies for the period, after non-controlling interests, dividends and taxation, attributable to shareholders of the Company was \$12,723,000 (six months ended 30 June 2014: losses of \$4,940,000).
- (e) The Group's share of profits of joint ventures for the period, after non-controlling interest, dividends and taxation, attributable to shareholders of the Company was \$31,585,000 (six months ended 30 June 2014: \$57,024,000).

5 Income tax

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2015 \$'000	2014 \$'000
Current tax		
Provision for profits tax		
– Hong Kong	65,448	42,568
– Outside Hong Kong	2,380	14,647
Land appreciation tax ("LAT")	67,828	57,215
Deferred tax	1,068	2,395
	76,465	(1,006)
	145,361	58,604

The provision for Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2014: 16.5%) of the estimated assessable profits for the six months ended 30 June 2015. Tax levied in jurisdictions outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

Under the Provisional Regulations on LAT in Mainland China, all gains arising from the 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 sale of properties less deductible expenditure including cost of land use rights, borrowings costs and all property development expenditure.

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 \$476,046,000 (six months ended 30 June 2014: \$298,753,000) and the weighted average number of ordinary shares in issue during the period of 1,150,681,275 (six months ended 30 June 2014: 1,150,681,275).

(b) Diluted earnings per share

There were no dilutive potential shares in existence during the six months ended 30 June 2015 and 2014.

7 Dividends

(a) Dividends attributable to the interim period

	Six months ended 30 June	
	2015 \$'000	2014 \$'000
Interim dividend declared after the interim period of \$0.21 (six months ended 30 June 2014: \$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.

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

	Six months ended 30 June	
	2015 \$'000	2014 \$'000
Final dividend in respect of the previous financial year, approved during the interim period, of \$0.36 (six months ended 30 June 2014: \$0.36) per share	414,245	414,245

8 Investment properties

The investment properties of the Group were revalued at 30 June 2015 by Vigers Appraisal and Consulting Limited, an independent qualified professional valuer, who has appropriate qualifications and experience in the valuation of similar properties in the relevant locations. The Group's investment properties are valued semi-annually by using the income capitalisation approach with reference to sales transactions as convertible in the market. The income capitalisation approach is the sum of the term value and the reversionary value calculated by discounting the contracted annual rent at the capitalisation rate over the existing lease period; and the sum of average unit market rent at the capitalisation rate after the existing lease period. The Group's investment properties under development are valued semi-annually by estimating the fair value of such properties as if they were completed in accordance with relevant development plan, which makes reference to the average selling prices based on certain comparable sales transactions in the market and adjusted for differences such as location, size, timing and other factors collectively, and then deducting the estimated cost 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 2015, investment properties under development stated at fair value amounted to \$2,614,229,000 (at 31 December 2014: \$2,416,258,000).

A revaluation gain of \$301,389,000 (six months ended 30 June 2014: \$106,163,000) and deferred tax thereon of \$84,326,000 (six months ended 30 June 2014: \$1,546,000) were recognised in the consolidated income statement for the six months ended 30 June 2015.

9 Interests in property development

Interests in property development represent the Group's interests in the development of various properties in Macau and Mainland China under the co-investment agreements with the ultimate holding company, Polytec Holdings International Limited ("Polytec Holdings") and two of its wholly owned subsidiaries. Pursuant to the terms of the co-investment agreements, the Group will provide funding to cover any shortfall in the funding of the development projects which is subject to an aggregate maximum amount. In return, Polytec Holdings and its two wholly owned subsidiaries will pay to the Group cash flows from the development projects according to the formulas set out in the co-investment agreements. Interests in property development are stated at fair value at the end of reporting period.

10 Inventories

	At 30 June 2015 \$'000	At 31 December 2014 \$'000
Land held for future development	12,915	1,594,915
Properties under development	14,099,681	12,923,957
Properties held for sale	2,795,252	2,544,470
Trading goods and consumables	17,172	16,483
	16,925,020	17,079,825

The amount of properties held for future development and under development expected to be recovered after more than one year is \$12,915,000 (at 31 December 2014: \$1,594,915,000) and \$9,550,628,000 (at 31 December 2014: \$8,275,653,000) 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 2015 \$'000	At 31 December 2014 \$'000
Current and less than 3 months	786,120	426,592
3 months to 6 months	19	178
More than 6 months	7,420	6,239
Trade receivables	793,559	433,009
Utility and other deposits	41,255	42,527
Other receivables and prepayments	368,119	268,946
	1,202,933	744,482

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.

12 Trade and other payables

The following is an ageing analysis of trade payables:

	At 30 June 2015 \$'000	At 31 December 2014 \$'000
Not yet due or on demand	1,196,549	2,576,310
Within 3 months	22,074	35,308
3 months to 6 months	315	226
More than 6 months	28,752	28,743
Trade payables	1,247,690	2,640,587
Rental and other deposits	79,179	78,268
Other payables and accrued expenses	613,531	559,018
Deposits received on sale of properties	2,788,839	2,097,392
	4,729,239	5,375,265

13 Loans from ultimate holding company

Loans from ultimate holding company are unsecured, interest bearing at Hong Kong Interbank Offer Rate plus a margin per annum and is not expected to be repaid within one year.

14 Fair values measurement of financial instruments

Financial assets and liabilities measured at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of reporting period across the three levels of the fair value hierarchy defined in HKFRS 13, "Fair value measurement", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data

	At 30 June 2015			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Assets				
Interests in property development	–	–	12,227,515	12,227,515
	–	–	12,227,515	12,227,515

	At 31 December 2014			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Assets				
Financial investments	21,945	–	–	21,945
Interests in property development	–	–	12,227,420	12,227,420
	21,945	–	12,227,420	12,249,365

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

14 Fair values measurement of financial instruments *(Continued)*

Financial assets and liabilities measured at fair value *(Continued)*

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	At 30 June 2015 \$'000	At 31 December 2014 \$'000
At 1 January	12,227,420	11,920,103
Net gain recognised in other comprehensive income	95	309,601
Distributions	–	(695)
Disposal	–	(1,589)
At 30 June / 31 December	12,227,515	12,227,420

Interests in property development are stated at their fair value measured using a discounted cash flow model. In preparing the discounted cash flow model, the Group estimates the future cash flows expected to arise from the interests in property development and a suitable discount rate based on the past performance, current market conditions, development and building plans, sale and marketing plans and management's expectations for the market development and terms provided under the co-investment agreements. Any adverse change in the key assumption could decrease the fair value.

The Group has a team reporting to the top management which performs the valuation of the interests in property development required for financing reporting purposes. Discussions of valuation processes and results are held between the top management and the team at least once every six months, in line with the Group's half-yearly reporting dates. The key unobservable market data used in the valuation model include estimated selling prices of the underlying properties which are derived from observable market data, including the average market price of residential properties in Macau and Mainland China, with certain adjustments to reflect the impacts of those factors on the development. The adjustments to the selling price range from -10% to +10%. The fair value measurement is positively correlated to adjustments to the selling price of the underlying properties. As at 30 June 2015, it is estimated that an increase/decrease of 5% in the selling price of the underlying properties of the Group's interests in property development classified as non-current assets, with all other variables held constant, would have increased/decreased the Group's fair value reserve by \$1,087,617,000/\$1,088,423,000 (at 31 December 2014: \$1,095,471,000/\$1,099,204,000).

15 Capital commitments

Capital commitments outstanding at the end of reporting period not provided but contracted for in the accounts amounted to \$69,693,000 (at 31 December 2014: \$70,056,000).

16 Contingent liabilities

As at 30 June 2015, the Group has provided guarantees of \$721,520,000 (at 31 December 2014: \$570,438,000) representing a 50% proportional guarantee in respect of an aggregate of \$1,443,041,000 (at 31 December 2014: \$1,140,876,000) term loan facilities to a joint venture in Mainland China. The facilities were utilised to the extent of \$1,316,236,000 (at 31 December 2014: \$671,849,000) at 30 June 2015.

17 Pledge of assets

As at 30 June 2015, properties of the Group with an aggregate carrying value of approximately \$12,142,828,000 (at 31 December 2014: \$10,984,521,000) and bank deposits of \$15,000,000 (at 31 December 2014: \$15,000,000) were pledged to banks under fixed charges mainly to secure general banking facilities granted to the Group.

18 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) As at 30 June 2015, the Group has given guarantees to insurance companies in respect of performance bonds entered into by associated companies to the extent of \$15,084,000 (at 31 December 2014: \$16,388,000).
- (c) As at 30 June 2015, loan to a joint venture of \$219,500,000 (at 31 December 2014: \$219,500,000) is unsecured, interest bearing at fixed rate with reference to bank lending rate and is not expected to be repaid within one year. As at 30 June 2015, amount due from a joint venture of \$48,042,000 (at 31 December 2014: \$40,009,000) and amount due to a joint venture of \$788,093,000 (at 31 December 2014: \$787,838,000) are unsecured, interest free and repayable on demand.
- (d) As at 30 June 2015, loan to associated companies of \$1,861,258,000 (at 31 December 2014: \$1,868,102,000) are unsecured, interest free and are not expected to be repaid within one year, except for an amount of approximately RMB1,620,000,000 (at 31 December 2014: RMB1,540,000,000) which is interest bearing at a rate determined by the shareholders. As at 30 June 2015, accumulated accrued interest income of approximately RMB800,000,000 (at 31 December 2014: RMB703,000,000) due from an associate has not been recognised as the Group considers it is not probable that the economic benefits will flow to the Group as at the end of the reporting period.

19 Oil production assets and oil exploitation assets

As at 30 June 2015, the Group has oil production assets of \$747,391,000 (at 31 December 2014: \$778,116,000) (included in fixed assets) and oil exploitation assets of \$64,093,000 (at 31 December 2014: \$66,257,000). Oil production assets and oil exploitation assets are stated at cost less accumulated depreciation/amortisation and impairment losses.

Oil production and exploitation assets are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amounts may exceed the recoverable amounts, which is considered to be the higher of the fair value less costs of disposal and value in use. The fair value of oil production and exploitation assets is determined based on the present value of estimated future cash flows arising from the continued use of the assets. Cash flows are discounted to their present value using a discount rate that reflects the time value of money and the risks specific to the assets. Determination as to whether and how much an asset is impaired involves management estimates and judgements such as the future crude oil price, discount rate used in discounting the projected cash flows and production profile. The impairment reviews and calculations are based on assumptions that are consistent with the Group's business plan and on the assumptions that all relevant licences and permits are obtained. However, the business environment, such as the crude oil price, is affected by a wide range of global and domestic factors, which are all beyond the control of the Group. Any adverse change in the key assumptions could increase the impairment provision.

As at 30 June 2015, the Group reassessed the operation and the risk exposures of its oil exploration and production business as a whole. As the recoverable amounts of the oil production and exploitation assets exceeded their carrying values, no impairment loss is considered necessary for the period ended 30 June 2015. The recoverable amount of oil production and exploitation assets was determined based on the value in use calculations applying a discount rate of 12.5% (31 December 2014: 12.5%).

Crude oil price assumptions were based on market expectations. At 30 June 2015, it is estimated that an increase/decrease of 20% (31 December 2014: 20%) in the estimated crude oil price used in the assessment, with all other variables held constant would have increased/decreased the carrying amounts of the oil production and exploitation assets by \$354,154,000/\$468,302,000 (31 December 2014: \$391,618,000/\$495,854,000). The discount rate used represents the rate to reflect the time value of money and the risks specific to the assets. It is estimated that an increase/decrease of 200 basis points (31 December 2014: 50 basis points) in the discount rate used in the assessment, with all other variables held constant would have decreased/increased the carrying amounts of the oil production and exploitation assets by \$76,079,000/\$85,483,000 (31 December 2014: \$19,877,000/\$20,462,000).

The gas flaring permit to flare associated gas for conducting normal crude oil production in the South Alibek Oilfield of Caspi Neft TME, a wholly owned subsidiary of Polytec Asset Holdings Limited (73.4% owned by the Group) in Kazakhstan will expire on 31 August 2015. Caspi Neft TME has been taking all necessary steps to obtain a gas flaring permit valid for a certain period so as to enable it to continue to conduct normal crude oil production and is also currently considering several alternatives to resolve the issue regarding the treatment and utilisation of the associated gas permanently, including obtaining approvals from the relevant authorities of the Kazakhstan Government and engaging in active communication with other external parties in order to substantiate the other alternatives. Based on advice received from its technical experts and external legal advisor and the alternatives under consideration, the Group considers that there is no indication that the new gas flaring permits will not be obtained.

Up to the date of approval of this financial report, Caspi Neft TME has obtained the approvals from the Ecology Committee and the Geology Committee of the Kazakhstan Government which are necessarily required for applying for the gas flaring permit. Further approvals from other local authorities are also needed to obtain the gas flaring permit which allows the Group to continue normal crude oil production after 31 August 2015.

Independent Review Report of the Auditor



**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 31 which comprises the consolidated statement of financial position of Kowloon Development Company Limited (the "Company") and its subsidiaries (the "Group") as of 30 June 2015 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 2015 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, 26 August 2015

Other Information

Compliance with the Corporate Governance Code

During the six months ended 30 June 2015, 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 the overall operations of the Group. The reason for deviation from the code provision was disclosed in the 2014 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 27 May 2015 (the "AGM"), other than two Independent Non-executive Directors who were unable to attend the AGM as they had other business engagements 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 all the Directors have confirmed that they had fully complied with the required standard set out in the Model Code. The Company has also established written guidelines on employees' securities transactions. Relevant employees are required to obtain written preclearance before initiating a securities transaction during the black-out period.

Changes in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company required to be disclosed are set out below:

1. Mr Keith Alan Holman retired as the Deputy Chairman and a Non-executive Director of the Company after the conclusion of the AGM.
2. The monthly salary of the following Directors have been adjusted with effect from 1 July 2015 and details of which are set out below:

	1 January 2015 to 30 June 2015	From 1 July 2015
Or Pui Kwan	HK\$64,800	HK\$68,700
Lai Ka Fai	HK\$154,800	HK\$164,100
Yeung Kwok Kwong	HK\$169,300	HK\$179,500

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 2015, the Company had no disclosure obligation pursuant to Rule 13.21 of the Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2015.

Directors' Interests and Short Positions

As at 30 June 2015, the interests of the Directors in the shares of the Company and Polytec Asset Holdings Limited ("Polytec Asset") as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code, are set out below:

1. Long positions in the shares of the Company

Name	Nature of interests	Number of ordinary shares	Percentage of shareholding (Note 1)	Note
Or Wai Sheun	Founder and beneficiary of a trust Corporate	830,770,124		2
		<u>277,500</u>		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 Personal	830,770,124		2
		<u>43,500</u>		
		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%	
David John Shaw	Personal Family	133,500		5
		<u>67,000</u>		
		200,500	0.02%	
Yeung Kwok Kwong	Personal	180,000	0.02%	

Directors' Interests and Short Positions (Continued)

2. Long positions in the shares of Polytec Asset

Name	Nature of interests	Number of ordinary shares	Percentage of shareholding (Note 6)	Note
Or Wai Sheun	Founder and beneficiary of a trust	3,260,004,812	73.44%	7
Ng Chi Man	Beneficiary of a trust	3,260,004,812	73.44%	7
Or Pui Kwan	Beneficiary of a trust	3,260,004,812	73.44%	7
Yeung Kwok Kwong	Personal	2,000,000	0.05%	
Lai Ka Fai	Personal	430,000	0.01%	

Notes:

- (1) The percentage of shareholding is calculated based on 1,150,681,275 shares, being the total number of issued ordinary shares of the Company as at 30 June 2015.
- (2) Such interest in shares is held by Intellinsight Holdings Limited ("Intellinsight"), a wholly-owned subsidiary of Polytec Holdings International Limited ("Polytec Holdings") which is wholly-owned by Ors Holdings Limited ("OHL"). OHL is in turn wholly-owned by a discretionary trust, the trustee of which is HSBC International Trustee Limited.
- As Mr Or Wai Sheun is the founder of the trust and the discretionary objects of the trust include Mr Or Wai Sheun, Ms Ng Chi Man (his wife) and Mr Or Pui Kwan (his son), they are taken to be interested in the same block of shares held by the trust.
- (3) Such interest in shares is held by China Dragon Limited which is wholly-owned by Mr Or Wai Sheun.
- (4) Such interest in shares is owned by discretionary trusts of which Mr Lok Kung Chin, Hardy is the founder and a beneficiary respectively.
- (5) Such interest in shares is held by the spouse of Mr David John Shaw.
- (6) The percentage of shareholding is calculated based on 4,438,967,838 shares, being the total number of issued ordinary shares of Polytec Asset as at 30 June 2015. Polytec Asset is an associated corporation of the Company.
- (7) The three references to 3,260,004,812 shares in Polytec Asset relate to the same block of shares held by Marble King International Limited, a wholly-owned subsidiary of the Company. By virtue of the deemed interest in the shares of the Company as described in note (2) above, Mr Or Wai Sheun, Ms Ng Chi Man and Mr Or Pui Kwan are taken to be interested in the shares of Polytec Asset.

Directors' Interests and Short Positions *(Continued)*

Save as disclosed above, as at 30 June 2015, 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 2015, shareholders (other than Directors and the chief executive of the Company) who had interests or short positions in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO are set out below:

Name	Nature of interests	Number of ordinary shares	Percentage of shareholding (Note 1)	Note
HSBC International Trustee Limited	Trustee	832,016,474	72.30%	2
Ors Holdings Limited	Corporate	830,770,124	72.19%	3

Notes:

- (1) The percentage of shareholding is calculated based on 1,150,681,275 shares, being the total number of issued ordinary shares of the Company as at 30 June 2015.
- (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 2015. HSBC International Trustee Limited was then taken to be interested in 831,417,074 shares of the Company. Such interest included the shares owned by a company as described in note (2) under the section headed "Directors' Interests and Short Positions".
- (3) Such interest in shares is held by Intellinsight as described 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 2015, the Company had not been notified by any persons (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Human Resources and Remuneration Policy

As at 30 June 2015, the Group had a total of 911 employees (31 December 2014: 894 employees), of which 494 were Hong Kong staff, 190 were Mainland China staff and 227 were staff in other regions. The increase in headcount is mainly due to matching of business growth. Salary levels of employees are competitive. Discretionary bonuses are granted based on the performance of the Group as well as the performance of individual to attract, motivate and retain talented people.

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

In addition, the Group established a recreation club and held an annual dinner for employees during the period to promote team spirit and loyalty and to promote communication between departments.

Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 2 November 2015 to Tuesday, 3 November 2015, 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 registrar, Computershare Hong Kong Investor Services Limited, for registration not later than 4:30 pm on Friday, 30 October 2015.

Corporate Citizenship

The Company is committed to enhance corporate citizenship and has become a corporate member of WWF-Hong Kong since 2007. We continue to support their conservation and education works.

Besides making charitable donations, we have also taken part in "Earth Hour 2015" and "Charity Cookies" held by WWF-Hong Kong and Madam Hong's Bakery (established by Ngai Shing Workshop of Fu Hong Society) respectively.



In addition, the Company was awarded "5 Years Plus Caring Company" Logo 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 2015. The Group's independent auditor, KPMG, has 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 32 of this interim financial report.



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Company Limited (Stock Code 38)
the Greater China region (with a
of over 100 Mainland China markets.
Our property business spans across
the

Alpha East

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Kowloon Hong Kong



This interim report is printed on environmental friendly paper
本中期報告由環保紙張印製