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九龍建業有限公司

KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 34)

2013 INTERIM RESULTS ANNOUNCEMENT

HIGHLIGHTS

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

INTERIM RESULTS AND DIVIDEND

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

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

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

BUSINESS REVIEW

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

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

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

Property Sales

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

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

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

Property Development

As of 30 June 2013, the Group's landbank for development amounted to approximately 5 million sq m of attributable gross floor area ("GFA"). The Group's major property projects under planning and development are set out as follows:

Major Property Projects under Planning and Development

Property Project	District/City	Location	Usage	Approx. Total Site Area (sq m)	Approx. GFA (sq m)	Group's Interest	Status	Expected Date of Completion
Hong Kong								
Cadogan	Kennedy Town, Hong Kong	37A Cadogan Street	Residential & commercial	1,318	13,200	100%	Superstructural work in progress	2013/2014
Upper West	Tai Kok Tsui, Kowloon	18 Fuk Chak Street	Residential & commercial	781	6,600	100%	Foundation work in progress	March 2016
Macpherson	Mongkok, Kowloon	38 Nelson Street	Stadium, youth centre, residential & commercial	2,400	24,800	Joint venture with Urban Renewal Authority and Hong Kong Playground Association	Internal fitting-out work in progress	Obtained Occupation Permit on 31 December 2012
Pok Fu Lam Road	Sai Ying Pun, Hong Kong	45-65A Pok Fu Lam Road	Residential	1,388	11,100	100%	Design stage	To be determined
Hung Hom	Hung Hom, Kowloon	Wan On Street	Residential & commercial	4,038	33,900	95.06%	Acquisition of the remaining units in progress	To be determined
Clear Water Bay Road	Ngau Chi Wan, Kowloon	35 Clear Water Bay Road	Residential & commercial	19,335	196,400	100%	Part of foundation work completed	To be determined

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
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Mainland China

Le Cove City (Shenyang) 江灣城 (瀋陽)	Hun Nan Xin District, Shenyang	6 Hun Nan Er Road	Residential & commercial	165,303	712,000	100%	Construction work for third phase in progress	By phases from 2011 onwards
The Gardenia (Shenyang) 翠堤灣 (瀋陽)	Shenhe District, Shenyang	West of Daba Road	Residential & commercial	1,100,000	2,000,000	100%	Fitting-out work for first phase in progress	By phases from 2013 onwards
Le Cove City (Wuxi) 江灣城 (無錫)	Chong An District, Wuxi	Tongyun Road and Gongyun Road	Residential & commercial	68,833	404,400 [#]	80%	Fitting-out work for first phase in progress	By phases from 2014 onwards
Galaxy Heights (Zhongshan) 星際豪庭 (中山)	Shiqi District, Zhongshan	8 Xueyuan Road	Residential & commercial	18,334	129,000	70%	Fitting-out work in progress	2013
Jun Tai Garden (Dongguan) 君珩花園 (東莞)	Nancheng District, Dongguan	East of Hongwei Road, Xi Ping She Qu	Residential & commercial	32,521	79,700	40%	Construction work in progress	2014
The Lake (Foshan) 山語湖 (佛山)	Nanhai District, Foshan	Heshun Meijing Shuiku Sector, Lishui Town	Residential & commercial	4,020,743	1,600,000	50%	Construction work in progress	By phases from 2009 onwards
Hedong (Tianjin) 河東 (天津)	Hedong District, Tianjin	Lot No. Jin Dong Liu 2004-066, intersection of Shiyijing Road and Liuwei Road	Residential & commercial	135,540	930,000	49%	Foundation work for first phase in progress	To be determined

Macau

Pearl Horizon	Novos Aterros da Areia Preta	Lote P, The Orient Pearl District	Residential & commercial	68,000	699,700	58.8%	Architectural plan approved	2016/2017
Lotes T + T1	Novos Aterros da Areia Preta	Lotes T + T1, The Orient Pearl District	Residential & commercial	17,900	195,600	58.8%	Submitted application for work commencement	2016/2017

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

Property Investment

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

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

Oil Business

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

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

Post Balance Sheet Events

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

PROSPECTS

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

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

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

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

INTERIM RESULTS

The unaudited consolidated results of the Group for the six months ended 30 June 2013 together with the comparative figures of 2012 are as follows:

Consolidated Income Statement

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

Consolidated Statement of Comprehensive Income

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

Consolidated Balance Sheet

		At 30 June 2013		At 31 December 2012	
	<i>Note</i>	<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i> <i>(audited)</i>	<i>HK\$'000</i> <i>(audited)</i>
Non-current assets					
Fixed assets					
– Investment properties			9,953,917		9,626,134
– Leasehold land held for own use			219,790		222,360
– Other property, plant and equipment			1,334,254		1,319,468
			11,507,961		11,167,962
Oil exploitation assets			108,822		109,014
Interests in property development			10,310,423		10,198,258
Interest in joint ventures			2,448,689		2,247,554
Interest in associated companies			2,394,831		2,331,841
Financial investments			8,882		8,485
Loans and advances			33,657		32,069
Deferred tax assets			45,570		53,233
			26,858,835		26,148,416
Current assets					
Inventories		13,878,399		13,236,301	
Trade and other receivables	9	591,723		1,093,506	
Loans and advances		31,586		16,925	
Amounts due from joint ventures		76,348		86,524	
Financial investments		96,368		94,937	
Pledged bank deposits		18,518		35,396	
Cash and cash equivalents		793,548		564,889	
		15,486,490		15,128,478	

		At 30 June 2013		As at 31 December 2012	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(audited)	(audited)
Current liabilities					
Trade and other payables	10	3,687,998		2,601,946	
Amounts due to non-controlling interests		200,000		200,000	
Amount due to a joint venture		776,128		762,368	
Bank loans		4,542,519		1,603,863	
Current taxation		298,246		285,117	
		<u>9,504,891</u>		<u>5,453,294</u>	
Net current assets			<u>5,981,599</u>		<u>9,675,184</u>
Total assets less current liabilities			<u>32,840,434</u>		<u>35,823,600</u>
Non-current liabilities					
Loan from ultimate holding company		5,175,732		5,666,253	
Amount payable to ultimate holding company		1,456,552		842,884	
Bank loans		376,624		4,265,660	
Other payables		44,586		48,732	
Deferred tax liabilities		843,305		859,073	
			<u>7,896,799</u>		<u>11,682,602</u>
NET ASSETS			<u>24,943,635</u>		<u>24,140,998</u>
Capital and reserves					
Share capital			115,068		115,068
Reserves			21,714,354		20,939,664
Total equity attributable to the shareholders of the Company			<u>21,829,422</u>		<u>21,054,732</u>
Non-controlling interests			<u>3,114,213</u>		<u>3,086,266</u>
TOTAL EQUITY			<u>24,943,635</u>		<u>24,140,998</u>

1 Basis of preparation

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual accounts, except for the accounting policy changes that are expected to be reflected in the 2013 annual accounts. Details of these changes in accounting policies are set out in note 2.

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

2 Changes in accounting policies

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards (“HKFRSs”) and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s accounts:

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

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

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group’s assets and liabilities.

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

3 Segment reporting

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

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

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

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

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

3 Segment reporting (continued)

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

Six months ended 30 June 2013							
	Consolidated HK\$'000	Property development			Property investment HK\$'000	Oil HK\$'000	Others HK\$'000
		Hong Kong HK\$'000	Mainland China HK\$'000	Macau HK\$'000			
Turnover	358,012	26,000	101,953	190	153,264	19,009	57,596
Reportable segment profit	266,921	30,839	59,057	2,726	164,195	(29,839)	39,943
Other net income	237,467	5,218	-	-	232,249	-	-
Fair value changes on investment properties	509,483	-	-	-	509,483	-	-
Share of fair value changes on investment properties of a joint venture	95,920	-	-	-	95,920	-	-
Head office and corporate expenses	(40,627)						
Finance costs	(44,990)						
Profit before taxation	1,024,174						
Share of losses of associated companies	(157)	-	(3,170)	-	-	-	3,013
Share of profits of joint ventures	177,802	-	60,879	-	116,923	-	-
Six months ended 30 June 2012							
	Consolidated HK\$'000	Property development			Property investment HK\$'000	Oil HK\$'000	Others HK\$'000
		Hong Kong HK\$'000	Mainland China HK\$'000	Macau HK\$'000			
Turnover	838,105	153,383	221,115	1,656	147,003	259,637	55,311
Reportable segment profit	449,341	92,202	90,024	3,647	155,078	73,182	35,208
Other net income	95,227	-	-	21,805	73,422	-	-
Fair value changes on investment properties	506,278	-	-	-	506,278	-	-
Share of fair value changes on investment properties of a joint venture	39,600	-	-	-	39,600	-	-
Head office and corporate expenses	(51,060)						
Finance costs	(49,163)						
Profit before taxation	990,223						
Share of profits of associated companies	2,141	-	(1,142)	-	-	-	3,283
Share of profits of joint ventures	114,633	-	57,983	-	56,650	-	-

3 Segment reporting (continued)

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

4 Other net income

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

5 Finance costs

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

6 Income tax

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

The provision for Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2012 : 16.5%) of the estimated assessable profits for the six months ended 30 June 2013. Tax levied in jurisdictions outside Hong Kong is charged at the appropriate rates of taxation currently ruling in relevant jurisdictions.

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

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

(b) Diluted earnings per share

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

8 Dividends

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Interim dividend declared after the interim period of HK\$0.21 (six months ended 30 June 2012: HK\$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.

9 Trade and other receivables

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

	At 30 June	At 31 December
	2013	2012
	HK\$'000	HK\$'000
Current and less than 3 months	260,941	816,576
3 months to 6 months	754	1,496
More than 6 months	9,546	9,208
Trade receivables	271,241	827,280
Utility and other deposits	70,452	57,271
Other receivables and prepayments	250,030	208,955
	591,723	1,093,506

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

10 Trade and other payables

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

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

FINANCIAL REVIEW

Financial Resources and Bank Borrowings

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

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

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

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

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

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

In view of the Group's oil business in Kazakhstan, the Group has been exposed to the exchange fluctuations in the Kazakhstan Tenge ("KZT"), the local currency of Kazakhstan. While the majority of the operating expenses, as well as capital expenditure, of the Group's oil business are denominated in the KZT, over 80% of its revenue is denominated in USD. Due to the currency mismatch between its revenues and expenditures in Kazakhstan, the Group is closely monitoring the fluctuation in the KZT and evaluating the impact on its financial position. The Group will use appropriate currency hedging to minimise the currency risks associated with this business if necessary.

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

Capital Commitments

As at 30 June 2013, the Group had commitments in connection with the Group's fixed assets amounting to HK\$71 million.

Pledge of Assets

As at 30 June 2013, properties having a value of HK\$12,183 million and bank deposits of HK\$19 million were pledged to financial institutions mainly to secure credit facilities extended to the Group.

Contingent Liabilities

The Group has given several guarantees in respect of banking facilities granted to a joint venture in Mainland China. Guarantees have been provided to the joint venture amounting to HK\$423 million, representing a 50% proportional guarantee in respect of HK\$846 million term loan facilities. The facilities were fully utilised as at 30 June 2013.

OTHER INFORMATION

Review of Interim Results

The Audit Committee of the Company has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2013. The Group's independent auditors, KPMG, have carried out a review of the interim financial statements in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants.

Compliance with the Corporate Governance Code

During the six months ended 30 June 2013, the Company has complied with all code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception of code provisions A.2.1 and A.6.7 as explained below:

Code Provision A.2.1

Mr Or Wai Sheun, the Chairman, has performed the combined role as the chairman and the chief executive taking charge of overall operation of the Group, the reason for deviation of which was disclosed in the 2012 Annual Report.

Code Provision A.6.7

All Non-executive Directors and Independent Non-executive Directors attended the annual general meeting of the Company held on 26 June 2013 (the "AGM"), other than an Independent Non-executive Director who was unable to attend the AGM as he was overseas at the time.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2013.

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 2 October 2013 to Thursday, 3 October 2013, both dates inclusive. During which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 pm on Monday, 30 September 2013.

Publication of Interim Report

The 2013 Interim Report containing all the information as required by the Listing Rules will be published on the Company's website at www.kdc.com.hk and the website of Hong Kong Exchanges and Clearing Limited, while printed copies will be sent to shareholders on or about 25 September 2013.

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

Hong Kong, 28 August 2013

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