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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)**

## **2022 INTERIM RESULTS ANNOUNCEMENT**

### **HIGHLIGHTS**

- For the six months ended 30 June 2022, the Group's unaudited profit attributable to shareholders of the Company fell to HK\$152 million from HK\$619 million in the corresponding period of 2021, a decrease of 75%.
- Excluding revaluation changes from the Group's investment properties and fair value changes on its interest in the property development and provision and fair value changes for financial investments, underlying profit attributable to shareholders of the Company for the first half of 2022 fell to HK\$149 million from HK\$312 million in the same period of 2021, a decrease of 52%. The decline in underlying profit was mainly due to the substantial decrease in property sales being recognised from the development projects for the period under review. The underlying interim earnings per share for 2022 were HK\$0.13 compared to HK\$0.27 for 2021.
- Interim dividend for 2022 amounts to HK\$0.26 per share (2021: HK\$0.25).

### **INTERIM RESULTS AND DIVIDEND**

For the six months ended 30 June 2022, the Group's unaudited profit attributable to shareholders of the Company fell to HK\$152 million from HK\$619 million in the corresponding period of 2021, a decrease of 75%. The interim earnings per share for 2022 amounted to HK\$0.13 compared to HK\$0.53 for the same period in 2021.

Excluding revaluation changes from the Group's investment properties and fair value changes on its interest in the property development and provision and fair value changes for financial investments, underlying profit attributable to shareholders of the Company for the first half of 2022 fell to HK\$149 million from HK\$312 million in the same period of 2021, a decrease of 52%. The decline in underlying profit was mainly due to the substantial decrease in property sales being recognised from the development projects for the period under review. The underlying interim earnings per share for 2022 were HK\$0.13 compared to HK\$0.27 for 2021.

The Board of Directors has declared an interim dividend of HK\$0.26 per share for 2022 (2021: HK\$0.25). The interim dividend will be payable on Wednesday, 4 January 2023 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 21 December 2022.

## **MARKET OVERVIEW AND BUSINESS REVIEW**

The Russia-Ukraine conflict started in late February 2022 has further worsened the global supply chain disruptions due to the on-going COVID-19 epidemic, causing prices of major commodities (including petroleum products) to surge globally.

In fact, in the early stages of the outbreak in 2020, major western countries around the globe aggressively reduced their interest rates and implemented quantitative easing as well as massive fiscal stimulus in response to the adverse impacts arising from the pandemic on their respective economies. These aggressive monetary and fiscal policies in general have inevitably led to excess liquidity in the markets, causing goods and asset prices to surge. In order to bring the worst inflation in nearly four decades under control, these countries now need to forcefully tighten their monetary policies by raising interest rates and implementing quantitative tightening.

In Hong Kong, the pace of overall interest rate hikes was slower than that in the United States for the first half of 2022. However, the Hong Kong dollar interbank rates have kept rising in response to the Fed's on-going rate hikes. In addition, the transaction volumes in both the primary and secondary residential markets have slowed considerably amidst the fifth wave of COVID-19 pandemic, which also suppressed housing price increases.

In Mainland China, due to the Central Government's nationwide zero-COVID policy, the local governments implemented intermittent lockdowns and control measures in response to the outbreak, which have had considerable negative impacts on overall economic growth. The tightening measures imposed on the real estate market since the second half of 2021 have resulted in a decline in transaction volumes and transacted prices. These measures have gradually been relaxed and housing policies have become more supportive over the past few months, which hopefully will boost the current weak housing market.

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

In Hong Kong, during the first six months of 2022, the Group has been focusing on promoting the presale of Manor Hill (Tseung Kwan O), which has been well received by the market since its presale launched in October 2021, with over 500 units being presold and accumulated presale proceeds of exceeding HK\$3.3 billion being recorded as of end-June 2022.

In Mainland China, total presales/sales attributable to the Group exceeded RMB752 million (approximately HK\$879 million) for the six months ended 30 June 2022.

## Property Development

As announced on 20 May 2022, the Company entered into an agreement with a related company, pursuant to which it has conditionally agreed to purchase for a total consideration of HK\$816,600,000 the entire issued share capital in the company holding 70% interest in a property development project in Zhuhai with a total site area of 38,416.01 sq m and an aggregate gross floor area (“GFA”) of 198,775.90 sq m. The site is intended to be developed into a commercial complex comprising office towers and commercial podiums. The acquisition was completed on 25 July 2022 which will further strengthen the Group’s landbank in Mainland China.

As at 30 June 2022, the Group’s landbank for development amounted to approximately 3.5 million sq m of attributable 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. GFA (sq m)	Approx. GFA Booked** (sq m)	Group’s Interest	Project Status	Expected Date of Completion
<b>Hong Kong</b>								
Manor Hill	Tseung Kwan O, New Territories	Residential	9,600	48,200	—	100%	Superstructure works completed for Certificate of Compliance issuance	2022
High Street	Sai Ying Pun, Hong Kong	Residential & commercial	500	4,700	—	60%	Demolition works in progress	2025
Clear Water Bay Road	Ngau Chi Wan, Kowloon	Residential & commercial	22,400	201,000	—	100%	Site formation works in progress	2027
<b>Mainland China</b>								
Le Cove City (Shenyang) 江灣城 (瀋陽)	Hun Nan Xin District, Shenyang	Residential & commercial	165,000	712,000	369,000	100%	Foundation works for Phase 5 (approx. GFA of 240,000 sq m) in progress	Phase 5 2025
The Gardenia (Shenyang) 翠堤灣 (瀋陽)	Shenhe District, Shenyang	Residential & commercial	1,100,000	2,000,000	649,000	100%	Superstructure works for Phase 3A (approx. GFA of 74,000 sq m) completed	Phase 3A 2022
Le Cove Garden (Huizhou) 江灣南岸花園 (惠州)	Huicheng District, Huizhou	Residential & commercial	146,000	520,000	335,000	60%	Planning works for Phase 3 (approx. GFA of 96,000 sq m) in progress	Phase 3 2025

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

Property Project	District/City	Usage	Approx. Total Site Area (sq m)	Approx. GFA (sq m)	Approx. GFA Booked <sup>**</sup> (sq m)	Group's Interest	Project Status	Expected Date of Completion
<b>Mainland China (Continued)</b>								
The Lake (Foshan) 山語湖 (佛山)	Nanhai District, Foshan	Residential & commercial	4,021,000	1,600,000	854,000	50%	Interior fitting-out works for Phase 3 (approx. GFA of 143,000 sq m) in progress	Phase 3 2022
Le Cove City (Wuxi) 江灣城 (無錫)	Liangxi District, Wuxi	Residential & commercial	69,000	365,000	111,000	100%	Superstructure works for Phase 3 (approx. GFA of 73,000 sq m) and Phase 4 (approx. GFA of 170,000 sq m) in progress	Phase 3 2023; Phase 4 2024
City Plaza (Tianjin) 城市廣場 (天津)	Hedong District, Tianjin	Residential & commercial	136,000	850,000	247,000	49%	Superstructure works for Phase 3A (approx. GFA of 300,000 sq m) in progress  Foundation works for Phase 3B (approx. GFA of 280,000 sq m) in progress	Phase 3A 2022/2023  Phase 3B 2025
Yangpu (Shanghai) 楊浦 (上海)	Yangpu District, Shanghai	Residential & commercial	21,000	75,000	—	100%	Master planning and design in progress	2026
Jiexiu (Shanxi) 介休 (山西)	Jiexiu	Residential & commercial	181,000	463,000	—	100%	Superstructure works for Phase 1A (approx. GFA of 88,000 sq m) in progress	2023 – 2026
Hengda Guangchang (Zhuhai) 亨達廣場 (珠海) <sup>#</sup>	Xiangzhou District, Zhuhai	Commercial, office & hotel apartment	38,000	199,000	—	70%	Foundation works for Phase 1 (approx. GFA of 66,000 sq m) in progress	2026

<sup>\*\*</sup> Approx. GFA booked and recognised in the financial statements.

<sup>#</sup> The acquisition has been completed in July 2022 and the development of this project is under a co-investment agreement.

### ***Property Investment in Hong Kong***

Gross rental income generated from the Group's investment property portfolio in Hong Kong fell slightly to HK\$148 million in the first six months of 2022 from HK\$151 million in the corresponding period of 2021, a decrease of 2.0%.

### ***Financial Investments***

Total interest income generated from the Group's financial investment activities for the first six months of 2022 rose to HK\$107 million compared to HK\$77 million for the same period in 2021, an increase of 39.0%.

## **PROSPECTS**

In Hong Kong, it is generally expected that the property market may be affected by the on-going interest rate hikes in the second half of 2022. That said, it is noticeable that several sizeable new development projects launched recently have been very well received by the market, which indicated that the residential market in Hong Kong remains fairly resilient.

The Group obtained the Occupation Permit for Manor Hill (Hong Kong), its wholly-owned residential development project in Tseung Kwan O, in early 2022 and it is expected that the Certificate of Compliance for the project will be issued by the authority in the second half of 2022 and the presold residential units will then be delivered to the buyers. This development project will become an important source of income for the Group in 2022.

The demolition works for the Group's 60%-owned residential and commercial development project on High Street in Sai Ying Pun (Hong Kong) are underway. It is expected that the foundation works for the project will be commenced in the fourth quarter of 2022 while the presale will likely be launched in 2023 at the earliest.

The land exchange procedure for the Clear Water Bay Road project (Hong Kong) located in Ngau Chi Wan was completed in January 2022 and part of the site formation works is well underway. The site is favourably located in the vicinity of the Choi Hung MTR Station and the Group intends to develop it into a residential and commercial complex comprising five high-end modern residential towers over a sizeable shopping mall offering a one-stop destination with shopping, dining and entertainment.

In Mainland China, the Phase 3 residential development of Le Cove Garden in Huizhou is pending approval from the authorities.

The presale of the remaining units of the Group's development projects in Foshan and Tianjin, namely The Lake and City Plaza respectively, will continue during the year. The Phase 3 development of The Lake is expected to be completed in 2022 while the Phase 3A development of City Plaza is expected to be completed in 2022/2023.

In Shanghai, the overall planning and design for the Group's redevelopment project is in progress.

In Jiexiu, Shanxi, the superstructure works for the Phase 1A development of the Group are in progress.

In Shenyang, the remaining portion of the Phase 3A development of The Gardenia is expected to be completed in the fourth quarter of 2022 and the sold residential units will be delivered to the buyers by then. The foundation works for the Phase 5 development of Le Cove City are underway.

In Wuxi, the superstructure works for both Phase 3 and Phase 4 developments of Le Cove City are in progress. The presale of the Phase 3 development was launched in the second quarter of 2022.

It is expected that the development projects in Shenyang and Wuxi will contribute to the Group's earnings in stages during 2023 and 2024.

Overall, the Group's existing development landbank in Hong Kong and Mainland China possesses important competitive advantages, in terms of both locations and costs. Therefore, barring any unforeseen circumstances, it is expected to contribute satisfactorily to the Group's results in the coming years.

I would like to express my sincere gratitude to my fellow Directors for their strong support and our staff for their dedication.

## INTERIM RESULTS

The unaudited consolidated results of the Group for the six months ended 30 June 2022 together with the comparative figures for 2021 are as follows:

### Consolidated Income Statement

	Note	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
<b>Revenue</b>	3	<b>723,624</b>	995,623
Cost of sales		(137,202)	(169,547)
Other revenue		29,808	21,501
Other net expenses	4(a)	(60,629)	(41,285)
Depreciation and amortisation		(10,547)	(11,484)
Staff costs		(321,451)	(280,094)
Selling, marketing and distribution expenses		(22,600)	(45,696)
Other operating expenses		(48,934)	(59,099)
Fair value changes on investment properties		35,674	255,908
Fair value changes on interest in property development		2,684	51,028
<b>Profit from operations</b>		<b>190,427</b>	716,855
Finance costs	4(b)	(19,070)	(18,337)
Share of profits/(losses) of associated companies		7,510	(5,344)
Share of loss of a joint venture		(5,785)	(13,286)
<b>Profit before taxation</b>	4	<b>173,082</b>	679,888
Income tax	5	(19,274)	(57,537)
<b>Profit for the period</b>		<b>153,808</b>	622,351
<b>Attributable to:</b>			
Shareholders of the Company		152,208	619,289
Non-controlling interests		1,600	3,062
<b>Profit for the period</b>		<b>153,808</b>	622,351
<b>Earnings per share</b>			
Basic and diluted	6	<b>HK\$0.13</b>	HK\$0.53

## Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
<b>Profit for the period</b>	<b>153,808</b>	<b>622,351</b>
<b>Other comprehensive income for the period</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	(232,036)	50,663
Share of other comprehensive income of a joint venture and associated companies	(149,740)	38,723
	<b>(381,776)</b>	<b>89,386</b>
<b>Total comprehensive income for the period</b>	<b>(227,968)</b>	<b>711,737</b>
<b>Attributable to:</b>		
Shareholders of the Company	(226,632)	707,931
Non-controlling interests	(1,336)	3,806
<b>Total comprehensive income for the period</b>	<b>(227,968)</b>	<b>711,737</b>



## Consolidated Statement of Financial Position

	<i>Note</i>	At 30 June 2022 <i>HK\$'000</i> <i>(unaudited)</i>	At 31 December 2021 <i>HK\$'000</i> <i>(audited)</i>
<b>Non-current assets</b>			
Investment properties		13,425,340	13,479,600
Property, plant and equipment		262,556	272,092
Interest in property development	8	1,872,714	1,870,030
Interest in a joint venture		2,019,850	2,111,642
Interest in associated companies		1,425,492	1,486,033
Other financial assets		61,263	445,036
Trade and other receivables	9	195,714	77,018
Loans and advances	9	312,042	373,030
Deferred tax assets		53,169	49,665
		<hr/>	<hr/>
		<b>19,628,140</b>	20,164,146
<b>Current assets</b>			
Inventories		26,285,289	26,041,755
Trade and other receivables	9	674,188	674,711
Loans and advances	9	12,962	13,699
Other financial assets		456,313	66,892
Amount due from a joint venture		112,883	112,883
Cash and bank balances		1,206,927	1,043,140
		<hr/>	<hr/>
		<b>28,748,562</b>	27,953,080
		<hr/>	<hr/>

## Consolidated Statement of Financial Position (continued)

	<i>Note</i>	At 30 June 2022 <i>HK\$'000</i> <i>(unaudited)</i>	At 31 December 2021 <i>HK\$'000</i> <i>(audited)</i>
<b>Current liabilities</b>			
Trade and other payables	10	4,565,568	11,720,094
Amount due to a joint venture		477,905	491,071
Loan from an associated company		46,329	48,458
Bank loans		12,866,998	2,053,727
Current taxation		136,800	315,538
		<u>18,093,600</u>	<u>14,628,888</u>
<b>Net current assets</b>		<u>10,654,962</u>	<u>13,324,192</u>
<b>Total assets less current liabilities</b>		<b>30,283,102</b>	<b>33,488,338</b>
<b>Non-current liabilities</b>			
Loan from a related company		1,360,052	1,199,073
Bank loans		10,177,157	12,648,339
Deferred tax liabilities		570,107	566,492
		<u>12,107,316</u>	<u>14,413,904</u>
<b>NET ASSETS</b>		<u>18,175,786</u>	<u>19,074,434</u>
<b>Capital and reserves</b>			
Share capital		8,636,490	8,636,490
Reserves		9,419,286	10,316,598
<b>Total equity attributable to the shareholders of the Company</b>		<b>18,055,776</b>	<b>18,953,088</b>
<b>Non-controlling interests</b>		<u>120,010</u>	<u>121,346</u>
<b>TOTAL EQUITY</b>		<u>18,175,786</u>	<u>19,074,434</u>

## 1 BASIS OF PREPARATION

The interim results set out in the announcement do not constitute the Group's interim report for the six months ended 30 June 2022 but are extracted from that report.

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 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. 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.

The financial information relating to the financial year ended 31 December 2021 that is included in this announcement of interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

## 2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain amendments to Hong Kong Financial Reporting Standards that are first effective for the current accounting period of the Group.

- Amendments to HKAS 16, "Property, plant and equipment: Proceeds before intended use"
- Amendments to HKAS 37, "Provisions, contingent liabilities and contingent assets: Onerous contracts - cost of fulfilling a contract"

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 reportable segments.

- Property development segment (Hong Kong/Mainland China): the development and sale of properties and interest in property development. Given the importance of the property development division to the Group, the Group's property development business is segregated further into two 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.
- Other businesses segment: mainly includes the provision of property management services, financial investments, the provision of finance services and treasury operations.

Revenue comprises mainly rental income from properties, gross proceeds from sale of properties, income from interest in property development, property management service income and interest income.

Reportable segment profit represents profit before taxation by excluding fair value changes on interest in property development and investment properties, finance costs and head office and corporate income/expenses.

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

#### (a) Segment results and assets

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

	Six months ended 30 June 2022				
	Property development			Property investment	Others (Remark 1)
	Total	Hong Kong	Mainland China		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	723,624	28,900	132,378	148,334	414,012
Reportable segment profit/(loss)	189,709	(1,441)	(7,902)	110,267	88,785
Fair value changes on investment properties	35,674	–	–	35,674	–
Fair value changes on interest in property development	2,684	–	2,684	–	–
Head office and corporate expenses	(35,915)				
Finance costs	(19,070)				
Profit before taxation	<b>173,082</b>				
Share of profits of associated companies	7,510	–	7,377	–	133
Share of loss of a joint venture	(5,785)	–	(5,785)	–	–

*Remark 1:*

Others included revenue from property management services and financial investments of HK\$241,348,000 and HK\$106,791,000 (six months ended 30 June 2021: HK\$207,717,000 and HK\$77,162,000) respectively and the relevant segment profit of HK\$10,200,000 and HK\$78,131,000 (six months ended 30 June 2021: HK\$7,211,000 and HK\$34,174,000) respectively.



### 3 SEGMENT REPORTING (CONTINUED)

#### (a) Segment results and assets (continued)

	At 31 December 2021				
	Total	Property development			Others (Remark 2)
		Hong Kong	Mainland China	Property investment	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	46,935,391	16,267,554	15,878,554	13,496,872	1,292,411
Deferred tax assets	49,665				
Cash and bank balances	1,043,140				
Head office and corporate assets	89,030				
<b>Total assets</b>	<b>48,117,226</b>				
Interest in associated companies	1,486,033	–	1,485,079	–	954
Interest in and amount due from a joint venture	2,224,525	–	2,224,525	–	–

### 4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting) the amounts as set out below:

#### (a) Other net expenses

Other net expenses mainly represent the provision and fair value loss on other financial assets of HK\$35,593,000 (six months ended 30 June 2021: HK\$42,984,000).

#### (b) Finance costs

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Interest on bank loans	160,056	112,007
Interest on loan from a related company	9,617	3,183
Less: Amount capitalised	(150,603)	(96,853)
	<b>19,070</b>	<b>18,337</b>

#### (c) Other items

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Depreciation and amortisation	10,636	11,527
Interest income	(120,831)	(97,438)

## 5 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
<b>Current tax</b>		
Provision for profits tax		
– Hong Kong	8,853	39,253
– Outside Hong Kong	–	958
	<hr/>	<hr/>
	8,853	40,211
<b>Land appreciation tax (“LAT”)</b>	–	100
<b>Deferred tax</b>	10,421	17,226
	<hr/>	<hr/>
	19,274	57,537
	<hr/>	<hr/>

The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2021: 16.5%) of the estimated assessable profits for the six months ended 30 June 2022. Tax levied in jurisdictions outside Hong Kong is charged at the appropriate current rates of taxation ruling in 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, borrowing costs and all property development expenditure.

## 6 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share are based on the profit attributable to shareholders of the Company of HK\$152,208,000 (six months ended 30 June 2021: HK\$619,289,000) and the weighted average number of ordinary shares in issue during the period of 1,176,631,296 (six months ended 30 June 2021: 1,176,631,296).

### (b) Diluted earnings per share

There were no dilutive potential shares in existence during the six months ended 30 June 2022 and 2021.

## 7 DIVIDENDS

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Interim dividend declared after the interim period of HK\$0.26 (six months ended 30 June 2021: HK\$0.25) per share	305,924	294,158
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The interim dividend declared after the interim period has not been recognised as a liability at the interim period end date.

## 8 INTEREST IN PROPERTY DEVELOPMENT

Interest in property development represents the Group's interest in the development property located at Huizhou in Mainland China under co-investment agreement with a related company, Polytec Holdings International Limited ("Polytec Holdings"). Details of the funding arrangement and other key terms of the co-investment agreement were disclosed in the Company's Circular dated 30 October 2013.

During the six months ended 30 June 2022, pursuant to the co-investment agreement, distribution of Nil (2021: HK\$220,000,000) was made by Polytec Holdings to the Group, in relation to the property development project at Huizhou and was recognised in profit or loss.

## 9 TRADE AND OTHER RECEIVABLES/LOANS AND ADVANCES

The following is an ageing analysis (based on the due date) of trade receivables and loans and advances (net of loss allowance):

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Current	535,288	582,432
Within 3 months	56,391	40,060
3 months to 6 months	6,462	5,230
More than 6 months	15,423	11,930
	<hr/>	<hr/>
Trade receivables and loans and advances	613,564	639,652
Utility and other deposits	101,084	19,068
Prepaid tax	122,859	92,610
Other receivables and prepayments	357,399	387,128
	<hr/>	<hr/>
	1,194,906	1,138,458
	<hr/>	<hr/>
Representing:		
Non-current assets	507,756	450,048
Current assets	687,150	688,410
	<hr/>	<hr/>
	1,194,906	1,138,458
	<hr/>	<hr/>

As at 30 June 2022, included in utility and other deposits was deposit paid to Polytec Holdings for the proposed acquisition of entire share of a wholly owned subsidiary of Polytec Holdings for an amount of HK\$81,660,000 (31 December 2021: Nil). Details of the acquisition was disclosed in the announcement of the Company dated 29 June 2022. The proposed acquisition was approved by the shareholders at the extraordinary general meeting held on 20 July 2022.

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



## 10 TRADE AND OTHER PAYABLES

The following is an ageing analysis (based on the due date) of trade payables:

	<b>At 30 June</b>	At 31 December
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not yet due or on demand	<b>2,008,170</b>	10,897,687
Within 3 months	<b>2,209</b>	8,384
3 months to 6 months	–	40
More than 6 months	<b>15</b>	–
	<hr/>	<hr/>
Trade payables	<b>2,010,394</b>	10,906,111
Rental and other deposits	<b>72,261</b>	73,712
Other payables and accrued expenses	<b>941,501</b>	295,071
Contract liabilities – deposits received on sale of properties	<b>1,541,412</b>	445,200
	<hr/>	<hr/>
	<b>4,565,568</b>	11,720,094
	<hr/>	<hr/>

## FINANCIAL REVIEW

### *Financial resources and bank borrowings*

Total bank borrowings of the Group amounting to HK\$23,044 million as at 30 June 2022 (31 December 2021: HK\$14,702 million), comprising of HK\$12,867 million repayable within one year and HK\$10,177 million repayable after one year. Taking into account of cash and bank balances with an amount of HK\$1,207 million, the Group's net bank borrowings position was HK\$21,837 million as at 30 June 2022. Loan from a related company amounted to HK\$1,360 million as at 30 June 2022.

The Group's gearing ratio (calculated on the basis of net bank borrowings and loan from a related company over equity attributable to shareholders of the Company) was 128.5% as at 30 June 2022 (31 December 2021: 78.4%). The significant increase of gearing ratio during the period is mainly due to the settlement of the land premium in respect of the acceptance of the land exchange offer for the land located at No. 35 Clear Water Bay Road, Ngau Chi Wan, Hong Kong of HK\$9,658 million. The gearing ratio is expected to be gradually improved upon recognised sale of Manor Hill (Tseung Kwan O project), Hong Kong from second half of 2022 onwards.

During the period, presales/sales for the property projects in Hong Kong contributed cash inflows of approximately HK\$1,008 million to the Group. Furthermore, the Group recorded approximately HK\$284 million cash inflows mainly from presales/sales of various development projects in Mainland China.

On 20 May 2022, the Group has entered into an agreement with Polytec Holdings International Limited, a related company of the Company, for the acquisition of the entire issued share capital in the company holding 70% interest in a property development project in Zhuhai at a consideration of HK\$817 million. Deposit of HK\$81.7 million has been paid in June 2022 and the acquisition has been approved by independent shareholders and completed in late July 2022.

The Group continued to actively engage in the development projects in Hong Kong and Mainland China and expended a total of approximately HK\$885 million for construction costs during the period.

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

With the investments in Mainland China, the Group is exposed to exchange fluctuations in Renminbi ("RMB"). Using revenue and cash generated from the development projects in Mainland China and/or external borrowings in RMB, serves as a natural hedge against the exchange rate risk of RMB.

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

### ***Capital commitments***

As at 30 June 2022, the Group had commitments mainly in connection with the Group's investment properties amounting to HK\$22 million.

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

As at 30 June 2022, properties having a value of HK\$28,046 million and deposits of HK\$18 million were pledged to banks and insurance companies mainly to secure banking facilities and performance bonds extended to the Group.

### ***Contingent liabilities***

As at 30 June 2022, the Group had given guarantees to financial institutions in respect of performance bonds entered into by a subsidiary to the extent of HK\$30 million.

## **OTHER INFORMATION**

### ***Review of Interim Financial Report***

The Audit Committee of the Company has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2022. The Group's independent auditor, KPMG, Certified Public Accountants, has conducted 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.

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

Throughout the six months ended 30 June 2022, the Company has complied with all code provisions set out in Part 2 of 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 Provision C.2.1 as explained below:

#### **Code Provision C.2.1**

Mr Or Wai Sheun has performed the combined role as the chairman of the Board and the chief executive taking charge of the overall operations of the Group. The reason for deviation from the code provision (numbered A.2.1 set out in Appendix 14 to the Listing Rules in force during the year ended 31 December 2021) was disclosed in the Annual Report 2021.

### ***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 2022.

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

The Register of Members of the Company will be closed from Tuesday, 20 December 2022 to Wednesday, 21 December 2022, both dates inclusive. During the aforementioned 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, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 pm (Hong Kong time) on Monday, 19 December 2022.

### ***Publication of Interim Report***

The Interim Report 2022 containing all the information as required by the Listing Rules will be published on the Company's website at [www.kdc.com.hk](http://www.kdc.com.hk) and the website of Hong Kong Exchanges and Clearing Limited, while printed copies will be sent to shareholders by the end of September 2022.

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

Hong Kong, 17 August 2022

*As at the date of this announcement, the Directors of the Company are Mr Or Wai Sheun (Chairman), Mr Lai Ka Fai, Mr Or Pui Kwan and Mr Lam Yung Hei as Executive Directors; 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 David John Shaw and Mr Hsu Duff Karman as Independent Non-executive Directors.*