

INTERIM REPORT  
中期報告  
2023



九龍建業有限公司  
KOWLOON DEVELOPMENT COMPANY LIMITED

Stock Code 股份代號: 34

# Kowloon Development Company Limited

## 九龍建業有限公司

Kowloon Development Company Limited (Stock Code: 34) has been engaged in property investment and investment holding with the operation of its business mainly in Hong Kong since its establishment. It has substantially broadened the areas of its business activity since the Polytec group gained the control of it in 2002. The Group is principally engaged in property development, property investment and property management in Hong Kong and Mainland China. It is determinedly committed to enhancing its competitive position, with its landbank amounting to approximately 3.4 million sq m of attributable gross floor area in Hong Kong and Mainland China as at 30 June 2023. The Group is also engaged in financial investments and investment holding.

九龍建業有限公司(股份代號：34)自成立以來一直從事物業投資及投資控股業務，其業務主要於香港營運。本公司自保利達集團於二零零二年入主起便大幅擴闊其業務範圍，集團主要於香港及中國大陸從事物業發展、物業投資及物業管理業務。集團致力提升本身之競爭優勢，截至二零二三年六月三十日，其於香港及中國大陸土地儲備之應佔總樓面面積約3,400,000平方米。集團亦從事金融投資及投資控股業務。



*Manor Hill (Hong Kong)*  
海茵莊園(香港)

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# Corporate Information

## BOARD OF DIRECTORS AND COMMITTEES

### Board of Directors

#### Executive Directors

Mr Or Wai Sheun (*Chairman*)  
Mr Lai Ka Fai  
Mr Or Pui Kwan  
Mr Lam Yung Hei

#### Non-executive Directors

Ms Ng Chi Man  
Mr Yeung Kwok Kwong

#### Independent Non-executive Directors

Mr Li Kwok Sing, Aubrey  
Mr Lok Kung Chin, Hardy  
Mr Hsu Duff Karman

### Committees

#### Executive Committee

Mr Or Wai Sheun (*Chairman*)  
Mr Lai Ka Fai  
Mr Or Pui Kwan  
Mr Lam Yung Hei  
Mr Yeung Kwok Kwong

#### Audit Committee

Mr Hsu Duff Karman (*Chairman*)  
Mr Li Kwok Sing, Aubrey  
Mr Lok Kung Chin, Hardy  
Mr Yeung Kwok Kwong

#### Nomination Committee

Mr Or Wai Sheun (*Chairman*)  
Mr Lok Kung Chin, Hardy  
Mr Hsu Duff Karman

#### Remuneration Committee

Mr Lok Kung Chin, Hardy (*Chairman*)  
Mr Li Kwok Sing, Aubrey  
Mr Hsu Duff Karman  
Mr Lai Ka Fai

## CORPORATE AND SHAREHOLDERS' INFORMATION

### Company Secretary

Ms Tse Wah Ting, Wendy

### Independent Auditor

KPMG

*Public Interest Entity Auditor*

*registered in accordance with*

*the Accounting and Financial Reporting Council Ordinance*

### Authorised Representatives

Mr Lai Ka Fai

Ms Tse Wah Ting, Wendy

### Legal Adviser

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

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E-mail : [enquiry@kdc.com.hk](mailto:enquiry@kdc.com.hk)

### Stock Code

The Stock Exchange of Hong Kong Limited: 34

### Principal Bankers

Bank of China

Bank of Communications

Bank of East Asia

China CITIC Bank

China Construction Bank

Chong Hing Bank

Dah Sing Bank

DBS Bank

Hang Seng Bank

Shanghai Rural Commercial Bank

Tai Fung Bank

United Overseas Bank

### Financial Calendar for Interim Results 2023

Interim results announcement 18 August 2023

Ex-dividend date for interim dividend 15 December 2023

Closure of register of members 19 December 2023 –  
20 December 2023  
(both dates inclusive)

Interim dividend payable 9 January 2024

# Group's Business Structure

## KOWLOON DEVELOPMENT COMPANY LIMITED

(A member of the Polytec group)  
Stock Code: 34

### HONG KONG PROPERTY

#### Property Development

Major development projects:

- High Street
- Clear Water Bay Road

Development Landbank:

204,000 sq m

#### Property Investment

Flagship investment property:

- Pioneer Centre

Investment Landbank:

54,000 sq m

#### Property Management

Properties under management:

1,214,000 sq m

### MAINLAND CHINA PROPERTY

#### Property Development

Major development projects:

- Le Cove City (Shenyang)  
江灣城(瀋陽)
- The Gardenia (Shenyang)  
翠堤灣(瀋陽)
- Le Cove Garden (Huizhou)  
江灣南岸花園(惠州)
- The Lake (Foshan)  
山語湖(佛山)
- Le Cove City (Wuxi)  
江灣城(無錫)
- City Plaza (Tianjin)  
城市廣場(天津)
- Yangpu (Shanghai)  
楊浦(上海)
- Polytec Luxury Mansion (Shanxi)  
保利達•貴府(山西)
- Hengda Guangchang (Zhuhai)  
亨達廣場(珠海)

Development Landbank:

3,195,000 sq m

### FINANCIAL INVESTMENTS

Fixed-income and equity investments in Hong Kong and other recognised financial markets

# Highlights

- For the six months ended 30 June 2023, the Group's unaudited profit attributable to shareholders of the Company rose to HK\$184 million from HK\$152 million in the corresponding period of 2022, an increase of 21.1%.
- Excluding revaluation changes from the Group's investment properties and fair value changes on its interests in the property development as well as fair value changes for financial investments, underlying profit attributable to shareholders of the Company for the first half of 2023 rose to HK\$288 million from HK\$149 million in the same period of 2022, an increase of 93.3%. The underlying interim earnings per share for 2023 were HK\$0.24 compared to HK\$0.13 for 2022.
- Interim dividend for 2023 amounts to HK\$0.26 per share (2022: HK\$0.26).

# Chairman's Statement

## INTERIM RESULTS AND DIVIDEND

For the six months ended 30 June 2023, the Group's unaudited profit attributable to shareholders of the Company rose to HK\$184 million from HK\$152 million in the corresponding period of 2022, an increase of 21.1%. The interim earnings per share for 2023 amounted to HK\$0.16 compared to HK\$0.13 for the same period in 2022.

Excluding revaluation changes from the Group's investment properties and fair value changes on its interests in the property development as well as fair value changes for financial investments, underlying profit attributable to shareholders of the Company for the first half of 2023 rose to HK\$288 million from HK\$149 million in the same period of 2022, an increase of 93.3%. The underlying interim earnings per share for 2023 were HK\$0.24 compared to HK\$0.13 for 2022.

The Board of Directors has declared an interim dividend of HK\$0.26 per share for 2023 (2022: HK\$0.26). The interim dividend will be payable on Tuesday, 9 January 2024 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 20 December 2023.

## MARKET OVERVIEW AND BUSINESS REVIEW

Since 2020, the various restrictive measures that were adopted internationally in response to the adverse impacts arising from the COVID-19 pandemic had caused severe global supply chain disruptions. In order to ease the economic downturn caused by the pandemic and stimulate the economy, most western countries have adopted proactive policies which led to a significant increase in money supply. Coupled with the volatility of food, crude oil and natural gas prices caused by the Russia-Ukraine war, inflation around the globe surged. Consequently, major western economies in the world have been forced to raise their respective interest rates aggressively to combat the uncontrolled inflation.

The Federal Reserve has raised its federal funds target rate significantly to 5% during the period from 2022 to end-June 2023. Due to the pegging system of HK dollar and the US currency, Hong Kong Interbank Offered Rate followed the upward trend in the US, causing mortgage cost to surge which also suppressed buyers' appetite. The property market in Hong Kong experienced a wave of rebound in February and March 2023. However, due to the pressure of continuous interest rate hikes, both transacted price and transaction volume have been declining since the second quarter of 2023.



In Mainland China, the impacts of previous macro-control measures have remained. Although the property market experienced a short-term rebound during the period of February and March this year, both transaction volume and transacted price have been declining constantly since April, and turnaround is yet to be seen.

### Development Property Sales

In Hong Kong, despite the unfavourable circumstances, over 200 residential units of the Group's wholly-owned high-end residential development project, namely Manor Hill, in Tseung Kwan O were sold, with sale proceeds of approximately HK\$1.2 billion being recorded for the six months ended 30 June 2023.

In Mainland China, total presales/sales of the Group's development projects exceeded RMB1.6 billion for the six months ended 30 June 2023, with presales/sales attributable to the Group of approximately RMB1.3 billion based on its interests.

### Property Development

As at 30 June 2023, the Group's landbank for development amounted to approximately 3.4 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. GFA (sq m) | Approx. GFA Booked* (sq m) | Group's Interest | Project Status               | Expected Date of Completion |
|----------------------|-------------------------|--------------------------|--------------------------------|--------------------|----------------------------|------------------|------------------------------|-----------------------------|
| <b>Hong Kong</b>     |                         |                          |                                |                    |                            |                  |                              |                             |
| High Street          | Sai Ying Pun, Hong Kong | Residential & commercial | 500                            | 4,700              | –                          | 60%              | Foundation works in progress | 2025/2026                   |
| Clear Water Bay Road | Ngau Chi Wan, Kowloon   | Residential & commercial | 22,400                         | 201,000            | –                          | 100%             | Foundation works in progress | 2026 – 2028                 |

**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* (sq m) | Group's Interest | Project Status  | Expected Date of Completion                 |
|---|--------------------------------|--------------------------------------|--------------------------------|--------------------|----------------------------|------------------|---|---|
| <b>Mainland China</b>                         |                                |                                      |                                |                    |                            |                  |   |   |
| Le Cove City (Shenyang)<br>江灣城(瀋陽)            | Hun Nan Xin District, Shenyang | Residential & commercial             | 165,000                        | 712,000            | 372,000                    | 100%             | Superstructure works for Phase 5A (approx. GFA of 40,000 sq m) in progress  | Phase 5A<br>2025/2026                       |
| The Gardenia (Shenyang)<br>翠堤灣(瀋陽)            | Shenhe District, Shenyang      | Residential & commercial             | 1,100,000                      | 2,000,000          | 672,000                    | 100%             | Modification for subsequent development plan in progress  | To be determined                            |
| Le Cove Garden (Huizhou)<br>江灣南岸花園(惠州)        | Huicheng District, Huizhou     | Residential & commercial             | 146,000                        | 520,000            | 357,000                    | 60%              | Planning works for Phase 3 (approx. GFA of 96,000 sq m) in progress   | Phase 3<br>2025/2026                        |
| The Lake (Foshan)<br>山語湖(佛山)                  | Nanhai District, Foshan        | Residential & commercial             | 4,021,000                      | 1,600,000          | 995,000                    | 50%              | Construction works for Phase 5 (approx. GFA of 83,000 sq m) in progress   | Phase 5<br>2024/2025                        |
| Le Cove City (Wuxi)<br>江灣城(無錫)                | Liangxi District, Wuxi         | Residential & commercial             | 69,000                         | 365,000            | 111,000                    | 100%             | Interior fitting-out 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<br>End-2023;<br>Phase 4<br>Mid-2024 |
| City Plaza (Tianjin)<br>城市廣場(天津)              | Hedong District, Tianjin       | Residential & commercial             | 136,000                        | 850,000            | 445,000                    | 49%              | Interior fitting-out works for office tower of Phase 3A (approx. GFA of 60,000 sq m) in progress                          | Phase 3A<br>Early-2024                      |
|   |                                |                                      |                                |                    |                            |                  | Construction works for Phase 3B (approx. GFA of 280,000 sq m) in progress   | Phase 3B<br>2025/2026                       |
| Yangpu (Shanghai)<br>楊浦(上海)                   | Yangpu District, Shanghai      | Residential & commercial office      | 21,000                         | 75,000             | –                          | 100%             | Master planning and design in progress  | 2026  |
| Polytec Luxury Mansion (Shanxi)<br>保利達•貴府(山西) | Jiexiu                         | Residential & commercial             | 181,000                        | 463,000            | –                          | 100%             | Superstructure works for Phase 1 (approx. GFA of 88,000 sq m) in progress   | Phase 1<br>End-2024                         |
| Hengda Guangchang (Zhuhai)<br>亨達廣場(珠海)        | Xiangzhou District, Zhuhai     | Commercial, office & hotel apartment | 38,000                         | 199,000            | –                          | 70%              | Foundation works for Phase 1 (approx. GFA of 66,000 sq m) completed   | Phase 1<br>2025                             |

\* Approx. GFA booked and recognised in the financial statements.

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

Gross rental income generated from the Group's investment property portfolio in Hong Kong was HK\$148 million in both the first six months of 2023 and the corresponding period of 2022. Gross rental income generated from the Pioneer Centre, the Group's wholly-owned flagship and core investment property in Hong Kong, rose to HK\$120 million in the first half of 2023 from HK\$116 million in the same period of 2022, an increase of 3.4%.

### **Financial Investments**

Total interest income generated from the Group's financial investment activities for the first six months of 2023 fell to HK\$58 million compared to HK\$107 million for the same period in 2022, a decrease of 45.8%.

## **PROSPECTS**

Hong Kong interest rates are expected to remain high for the rest of the year, which will have a negative impact on the property sales in the second half of the year.

In Mainland China, the market looks forward to introducing more vigorous measures by the Central Government to strengthen the confidence of the housing market, so as to improve the current decline in both property prices and transaction volume.

In Hong Kong, the Group will continue to focus on the sale of the remaining units of its wholly-owned residential development project in Tseung Kwan O, namely Manor Hill, in the second half of the year.

The foundation works for the Group's 60%-owned residential and commercial development project on High Street in Sai Ying Pun (Hong Kong) are well underway. It is expected that the presale will likely be launched in the first half of next year.

The land exchange procedure for the Clear Water Bay Road project located in Ngau Chi Wan (Hong Kong) was completed in January 2022 and the foundation and geotechnical works are well underway. The Group intends to develop the project into five high-end modern high-rise residential blocks over a shopping mall offering a one-stop destination with shopping, dining, entertainment and cultural preservation, with a GFA exceeding 2,000,000 sq ft, which will be the most important development plan of the Group for the next few years.

In Mainland China, the approval of the planning works for the Phase 3 residential development of Le Cove Garden in Huizhou was obtained in July this year and the construction is expected to commence later this year.

In Shenyang, the superstructure works for the Phase 5A development of Le Cove City are in progress.

In Wuxi, the construction of both Phase 3 and Phase 4 developments of Le Cove City is in progress and the presale was launched which was well received by the market. It is expected that the construction of both developments will be completed in end-2023 and mid-2024 respectively.

The sale of the remaining units of the Group's joint venture development projects in Foshan and Tianjin, namely The Lake and City Plaza, respectively, will continue during the year. The construction works for the Phase 5 development of The Lake are in progress and the presale was launched. With regard to City Plaza, the interior fitting-out works for the office tower of the Phase 3A development are underway and the Phase 3A development is expected to be completed in early next year while the construction works for the Phase 3B development are in progress.

In Shanghai, the foundation works for the Group's urban redevelopment project are expected to commence at the end of the year.

In Jiexiu, Shanxi, the superstructure works for the Phase 1 development of the Group are in progress. It is expected that the presale will be launched between September and October 2023 while the Phase 1 development will be completed at the end of 2024.


In Zhuhai, the foundation works for the Phase 1 development of Hengda Guangchang were completed and the superstructure works are expected to commence later this year which will be completed in 2025.

The sale of the Group's developing projects in Wuxi, Shenyang, Foshan and Tianjin in Mainland China will continue with sale proceeds being recognised gradually in this coming and following years. However, the contribution to the Group's earnings is expected to be limited since the property market is undergoing a deep adjustment.

Despite the current market conditions in Hong Kong are less than satisfactory, it is expected that the Group's development projects in Hong Kong, namely Manor Hill (completed) and the Clear Water Bay Road project (under construction), will contribute considerably to the Group's results and earnings in coming years, barring any unforeseen circumstances.

In view of the current weak housing markets in Hong Kong and Mainland China, the Group will take a cautious pace to replenish its landbank in the short run and strive to reduce its borrowings.

I would like to express my sincere gratitude to my fellow Directors for their guidance and advice during the period as well as our staff for their hard work and dedication.



**Or Wai Sheun**  
*Chairman*

Hong Kong, 18 August 2023

# Financial Review

## FINANCIAL RESOURCES AND BANK BORROWINGS

Total bank borrowings of the Group amounting to HK\$21,097 million as at 30 June 2023 (31 December 2022: HK\$21,860 million), comprising of HK\$20,114 million repayable within one year and HK\$983 million repayable after one year. Included in the short term bank borrowings with a bridging loan of HK\$9,658 million for settlement of the land premium of the Clear Water Bay Road project located in Ngau Chi Wan (Hong Kong) has already been re-financed by a 3.5 years syndicated loan in July 2023. Taking into account of cash and bank balances with an amount of HK\$738 million, the Group's net bank borrowings position was HK\$20,359 million as at 30 June 2023. Loan from a related company amounted to HK\$1,559 million as at 30 June 2023.

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 123.8% as at 30 June 2023 (31 December 2022: 125.3%). Following with the sale for the remaining unsold units of Manor Hill, Hong Kong and presale of Le Cove City, Wuxi in Mainland China, we expect that gearing ratio will be gradually improved subsequently.

During the period, sales for the property projects in Hong Kong contributed cash inflows of approximately HK\$588 million to the Group, mainly from sales of Manor Hill. Furthermore, the Group recorded approximately HK\$1,191 million cash inflows mainly from presales/sales of various development projects in Mainland China, mainly from presales of Le Cove City, Wuxi.

The Group continued to actively engage in the development projects in Hong Kong and Mainland China and expended a total of approximately HK\$1,086 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 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 2023, the Group had commitments mainly in connection with the Group's investment properties amounting to HK\$21 million.

## PLEDGE OF ASSETS

As at 30 June 2023, properties having a value of HK\$12,457 million and deposits of HK\$14 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 2023, 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.

# Consolidated Income Statement

(Expressed in Hong Kong dollars)

|   | Note | Six months ended 30 June      |                               |
|---|------|-------------------------------|-------------------------------|
|   |      | 2023<br>\$'000<br>(unaudited) | 2022<br>\$'000<br>(unaudited) |
| <b>Revenue</b>  | 3    | <b>1,275,963</b>              | 723,624                       |
| Cost of sales   |      | <b>(402,254)</b>              | (137,202)                     |
| Other revenue   |      | <b>25,903</b>                 | 29,808                        |
| Other net expenses                                      | 4(a) | <b>(57,643)</b>               | (60,629)                      |
| Depreciation and amortisation                           |      | <b>(10,471)</b>               | (10,547)                      |
| Staff costs   |      | <b>(291,830)</b>              | (321,451)                     |
| Selling, marketing and distribution expenses            |      | <b>(112,972)</b>              | (22,600)                      |
| Other operating expenses                                |      | <b>(67,556)</b>               | (48,934)                      |
| Fair value changes on investment properties             | 8    | <b>(36,972)</b>               | 35,674                        |
| Fair value changes on interests in property development |      | <b>(8,777)</b>                | 2,684                         |
| <b>Profit from operations</b>                           |      | <b>313,391</b>                | 190,427                       |
| Finance costs   | 4(b) | <b>(95,034)</b>               | (19,070)                      |
| Share of profits of associated companies                |      | <b>26,121</b>                 | 7,510                         |
| Share of profits/(losses) of joint ventures             |      | <b>16,519</b>                 | (5,785)                       |
| <b>Profit before taxation</b>                           | 4    | <b>260,997</b>                | 173,082                       |
| Income tax  | 5    | <b>(77,403)</b>               | (19,274)                      |
| <b>Profit for the period</b>                            |      | <b>183,594</b>                | 153,808                       |
| <b>Attributable to:</b>                                 |      |                               |                               |
| Shareholders of the Company                             |      | <b>184,481</b>                | 152,208                       |
| Non-controlling interests                               |      | <b>(887)</b>                  | 1,600                         |
| <b>Profit for the period</b>                            |      | <b>183,594</b>                | 153,808                       |
| <b>Earnings per share – Basic and diluted</b>           | 6    | <b>\$0.16</b>                 | \$0.13                        |

The notes on pages 18 to 32 form part of the interim financial report.

# Consolidated Statement of Comprehensive Income

(Expressed in Hong Kong dollars)

|   | Six months ended 30 June      |                               |
|---|-------------------------------|-------------------------------|
|   | 2023<br>\$'000<br>(unaudited) | 2022<br>\$'000<br>(unaudited) |
| <b>Profit for the period</b>  | <b>183,594</b>                | 153,808                       |
| <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 | <b>(129,063)</b>              | (232,036)                     |
| Share of other comprehensive income of joint ventures and associated companies                | <b>(100,431)</b>              | (149,740)                     |
|   | <b>(229,494)</b>              | (381,776)                     |
| <b>Total comprehensive income for the period</b>  | <b>(45,900)</b>               | (227,968)                     |
| <b>Attributable to:</b>   |                               |                               |
| Shareholders of the Company   | <b>(43,523)</b>               | (226,632)                     |
| Non-controlling interests   | <b>(2,377)</b>                | (1,336)                       |
| <b>Total comprehensive income for the period</b>  | <b>(45,900)</b>               | (227,968)                     |

The notes on pages 18 to 32 form part of the interim financial report.

# Consolidated Statement of Financial Position

(Expressed in Hong Kong dollars)

|  | Note | At 30 June 2023<br>\$'000<br>(unaudited) | At 31 December 2022<br>\$'000<br>(audited) |
|--|------|--|--|
| <b>Non-current assets</b>                    |      |  |  |
| Investment properties                        | 8    | 13,615,200                               | 13,618,270                                 |
| Property, plant and equipment                |      | 241,837                                  | 252,609                                    |
| Interests in property development            | 9    | 1,538,174                                | 1,997,849                                  |
| Interest in joint ventures                   |      | 1,911,713                                | 1,954,153                                  |
| Interest in associated companies             |      | 1,281,200                                | 1,294,496                                  |
| Other financial assets                       | 10   | 283,618                                  | 285,794                                    |
| Trade and other receivables                  | 12   | 105,392                                  | 112,133                                    |
| Loans and advances                           | 12   | 221,817                                  | 244,002                                    |
| Deferred tax assets                          |      | 37,665                                   | 36,569                                     |
|  |      | <b>19,236,616</b>                        | <b>19,795,875</b>                          |
| <b>Current assets</b>                        |      |  |  |
| Inventories                                  | 11   | 26,101,145                               | 25,549,725                                 |
| Interests in property development            | 9    | 140,099                                  | 689,201                                    |
| Trade and other receivables                  | 12   | 763,526                                  | 691,303                                    |
| Loans and advances                           | 12   | 18,783                                   | 18,617                                     |
| Other financial assets                       | 10   | 30,150                                   | 43,610                                     |
| Amount due from a joint venture              |      | 112,883                                  | 112,883                                    |
| Cash and bank balances                       |      | 737,990                                  | 864,590                                    |
|  |      | <b>27,904,576</b>                        | <b>27,969,929</b>                          |
| <b>Current liabilities</b>                   |      |  |  |
| Trade and other payables                     | 13   | 5,024,392                                | 3,692,787                                  |
| Amount due to a joint venture                |      | 559,385                                  | 560,374                                    |
| Loan from an associated company              |      | 42,972                                   | 44,353                                     |
| Bank loans                                   | 15   | 20,113,867                               | 14,488,973                                 |
| Current taxation                             |      | 448,028                                  | 404,345                                    |
|  |      | <b>26,188,644</b>                        | <b>19,190,832</b>                          |
| <b>Net current assets</b>                    |      | <b>1,715,932</b>                         | <b>8,779,097</b>                           |
| <b>Total assets less current liabilities</b> |      | <b>20,952,548</b>                        | <b>28,574,972</b>                          |



Consolidated Statement of Financial Position  
(Expressed in Hong Kong dollars)

|   | Note | At 30 June 2023<br>\$'000<br>(unaudited) | At 31 December 2022<br>\$'000<br>(audited) |
|---|------|--|--|
| <b>Non-current liabilities</b>                                      |      |  |  |
| Loan from a related company   | 14   | 1,558,979                                | 2,090,754                                  |
| Bank loans  | 15   | 983,304                                  | 7,371,180                                  |
| Deferred tax liabilities  |      | 591,146                                  | 577,339                                    |
|   |      | <b>3,133,429</b>                         | 10,039,273                                 |
| <b>NET ASSETS</b>   |      |  |  |
|   |      | <b>17,819,119</b>                        | 18,535,699                                 |
| <b>Capital and reserves</b>   |      |  |  |
| Share capital   |      | 8,636,490                                | 8,636,490                                  |
| Reserves  |      | 9,074,892                                | 9,789,095                                  |
| <b>Total equity attributable to the shareholders of the Company</b> |      |  |  |
|   |      | <b>17,711,382</b>                        | 18,425,585                                 |
| <b>Non-controlling interests</b>                                    |      |  |  |
|   |      | <b>107,737</b>                           | 110,114                                    |
| <b>TOTAL EQUITY</b>   |      |  |  |
|   |      | <b>17,819,119</b>                        | 18,535,699                                 |

Approved and authorised for issue by the board of directors on 18 August 2023.

The notes on pages 18 to 32 form part of the interim financial report.

# Consolidated Statement of Changes in Equity

(Expressed in Hong Kong dollars)

|   | Note | Attributable to shareholders of the Company |                              |                                |                               | Total<br>\$'000   | Non-<br>controlling<br>interests<br>\$'000 | Total<br>equity<br>\$'000 |
|---|------|---|------------------------------|--------------------------------|-------------------------------|-------------------|--|---------------------------|
|   |      | Share<br>capital<br>\$'000                  | Capital<br>reserve<br>\$'000 | Exchange<br>reserves<br>\$'000 | Retained<br>profits<br>\$'000 |                   |  |                           |
| At 1 January 2022   |      | 8,636,490                                   | (176,595)                    | 612,908                        | 9,880,285                     | 18,953,088        | 121,346                                    | 19,074,434                |
| Changes in equity for the six months ended 30 June 2022     |      |   |                              |                                |                               |                   |  |                           |
| Profit for the period                                       |      | -   | -                            | -                              | 152,208                       | 152,208           | 1,600                                      | 153,808                   |
| Other comprehensive income                                  |      | -   | -                            | (378,840)                      | -                             | (378,840)         | (2,936)                                    | (381,776)                 |
| Total comprehensive income                                  |      | -   | -                            | (378,840)                      | 152,208                       | (226,632)         | (1,336)                                    | (227,968)                 |
| Dividends approved in respect of the previous year          | 7(b) | -   | -                            | -                              | (670,680)                     | (670,680)         | -  | (670,680)                 |
| At 30 June and 1 July 2022                                  |      | 8,636,490                                   | (176,595)                    | 234,068                        | 9,361,813                     | 18,055,776        | 120,010                                    | 18,175,786                |
| Changes in equity for the six months ended 31 December 2022 |      |   |                              |                                |                               |                   |  |                           |
| Profit for the period                                       |      | -   | -                            | -                              | 1,062,726                     | 1,062,726         | (6,658)                                    | 1,056,068                 |
| Other comprehensive income                                  |      | -   | -                            | (386,993)                      | -                             | (386,993)         | (1,945)                                    | (388,938)                 |
| Total comprehensive income                                  |      | -   | -                            | (386,993)                      | 1,062,726                     | 675,733           | (8,603)                                    | 667,130                   |
| Dividends approved in respect of the current year           | 7(a) | -   | -                            | -                              | (305,924)                     | (305,924)         | -  | (305,924)                 |
| Dividends paid to non-controlling interests                 |      | -   | -                            | -                              | -                             | -                 | (1,293)                                    | (1,293)                   |
| At 31 December 2022   |      | 8,636,490                                   | (176,595)                    | (152,925)                      | 10,118,615                    | 18,425,585        | 110,114                                    | 18,535,699                |
| <b>(unaudited)</b>  |      |   |                              |                                |                               |                   |  |                           |
| At 1 January 2023   |      | <b>8,636,490</b>                            | <b>(176,595)</b>             | <b>(152,925)</b>               | <b>10,118,615</b>             | <b>18,425,585</b> | <b>110,114</b>                             | <b>18,535,699</b>         |
| Changes in equity for the six months ended 30 June 2023     |      |   |                              |                                |                               |                   |  |                           |
| Profit for the period                                       |      | -   | -                            | -                              | 184,481                       | 184,481           | (887)                                      | 183,594                   |
| Other comprehensive income                                  |      | -   | -                            | (228,004)                      | -                             | (228,004)         | (1,490)                                    | (229,494)                 |
| Total comprehensive income                                  |      | -   | -                            | (228,004)                      | 184,481                       | (43,523)          | (2,377)                                    | (45,900)                  |
| Dividends approved in respect of the previous year          | 7(b) | -   | -                            | -                              | (670,680)                     | (670,680)         | -  | (670,680)                 |
| At 30 June 2023   |      | <b>8,636,490</b>                            | <b>(176,595)</b>             | <b>(380,929)</b>               | <b>9,632,416</b>              | <b>17,711,382</b> | <b>107,737</b>                             | <b>17,819,119</b>         |

The notes on pages 18 to 32 form part of the interim financial report.

# Condensed Consolidated Cash Flow Statement

(Expressed in Hong Kong dollars)

|   | Six months ended 30 June      |                               |
|---|-------------------------------|-------------------------------|
|   | 2023<br>\$'000<br>(unaudited) | 2022<br>\$'000<br>(unaudited) |
| <b>Net cash generated from/(used in) operating activities</b>       | <b>465,301</b>                | (7,637,426)                   |
| <b>Investing activities</b>   |                               |                               |
| Proceeds from disposal of investment properties                     | –                             | 87,977                        |
| Additions to investment properties                                  | (8,557)                       | (894,544)                     |
| Increase in bank deposits with maturity more than 3 months          | (9,300)                       | (60,360)                      |
| Other cash flows arising from investing activities                  | 6,599                         | 29,465                        |
| <b>Net cash used in investing activities</b>                        | <b>(11,258)</b>               | (837,462)                     |
| <b>Financing activities</b>   |                               |                               |
| Drawdown of bank loans  | 1,766,564                     | 10,177,080                    |
| Repayment of bank loans   | (2,467,688)                   | (1,720,162)                   |
| Increase in loan from a related company                             | 431,426                       | 145,875                       |
| Dividends paid to shareholders of the Company                       | (305,607)                     | (422)                         |
| <b>Net cash (used in)/generated from financing activities</b>       | <b>(575,305)</b>              | 8,602,371                     |
| <b>Net (decrease)/increase in cash and cash equivalents</b>         | <b>(121,262)</b>              | 127,483                       |
| <b>Cash and cash equivalents at 1 January</b>                       | <b>837,790</b>                | 1,043,140                     |
| <b>Effect of foreign exchange rate changes</b>                      | <b>(14,638)</b>               | (22,163)                      |
| <b>Cash and cash equivalents at 30 June</b>                         | <b>701,890</b>                | 1,148,460                     |
| <b>Analysis of balances of cash and cash equivalents at 30 June</b> |                               |                               |
| Cash and bank balances  | 737,990                       | 1,206,927                     |
| Less: Bank deposits with maturity more than 3 months                | (36,100)                      | (58,467)                      |
| Cash and cash equivalents   | 701,890                       | 1,148,460                     |

The notes on pages 18 to 32 form part of the interim financial report.

# Notes to 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 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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.

This interim financial report contains condensed consolidated financial statements 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 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG 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 HKICPA. KPMG’s independent review report to the Board of Directors is included on page 33.

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report 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 2022 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 HKFRSs that are first effective for the current accounting period of the Group.

- HKFRS 17, “Insurance contracts”
- Amendments to HKAS 8, “Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates”
- Amendments to HKAS 12, “Income taxes: Deferred tax related to assets and liabilities arising from a single transaction”
- Amendments to HKAS 12, “Income taxes: International tax reform – Pillar Two model rules”

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.

The HKICPA has also issued a new HKICPA guidance on the accounting implications of the mandatory provident fund (“MPF”)-long service payment (“LSP”) offsetting mechanism in July 2023. As the Group is in the progress of making an assessment, further impacts may be identified in due course.

## 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 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 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 interests in property development, property management service income and interest income.

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

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

### 3 Segment reporting *(Continued)*

#### (a) Disaggregation of revenue

|  | Six months ended 30 June |                |
|--|--------------------------|----------------|
|  | 2023<br>\$'000           | 2022<br>\$'000 |
| <b>Revenue from contracts with customers within the scope of HKFRS 15:</b> |                          |                |
| Sale of properties   | 769,137                  | 161,278        |
| Property management service income   | 205,220                  | 241,348        |
| Others   | 79,146                   | 51,833         |
|  | <b>1,053,503</b>         | 454,459        |
| <b>Revenue from other sources:</b>   |                          |                |
| Rental income  | 148,114                  | 148,334        |
| Others   | 74,346                   | 120,831        |
|  | <b>1,275,963</b>         | 723,624        |

#### (b) 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 2023 |                      |                |                     |                      |
|---|-------------------------------|----------------------|----------------|---------------------|----------------------|
|   | Total                         | Property development |                |                     | Others<br>(Remark 1) |
|   |                               | Hong Kong            | Mainland China | Property investment |                      |
|   | \$'000                        | \$'000               | \$'000         | \$'000              | \$'000               |
| Revenue   | 1,275,963                     | 649,592              | 119,545        | 148,114             | 358,712              |
| Reportable segment profit                               | 419,413                       | 263,835              | 29,478         | 101,397             | 24,703               |
| Fair value changes on investment properties             | (36,972)                      | -                    | -              | (36,972)            | -                    |
| Fair value changes on interests in property development | (8,777)                       | -                    | (8,777)        | -                   | -                    |
| Head office and corporate expenses                      | (17,633)                      |                      |                |                     |                      |
| Finance costs   | (95,034)                      |                      |                |                     |                      |
| Profit before taxation                                  | 260,997                       |                      |                |                     |                      |
| Share of profits of associated companies                | 26,121                        | -                    | 26,121         | -                   | -                    |
| Share of profits of joint ventures                      | 16,519                        | -                    | 16,519         | -                   | -                    |

Remark 1: Others included revenue from property management services and financial investments of \$205,220,000 and \$57,945,000 (six months ended 30 June 2022: \$241,348,000 and \$106,791,000) respectively and the relevant segment profit of \$3,305,000 and \$3,787,000 (six months ended 30 June 2022: \$10,200,000 and \$78,131,000) respectively.

### 3 Segment reporting *(Continued)*

#### (b) Segment results and assets *(Continued)*

|  | Six months ended 30 June 2022 |                      |                   |                     |                             |
|--|-------------------------------|----------------------|-------------------|---------------------|-----------------------------|
|  | Total                         | Property development |                   | Property investment | Others<br><i>(Remark 1)</i> |
|  |                               | Hong Kong            | Mainland China    |                     |                             |
|  | \$'000                        | \$'000               | \$'000            | \$'000              | \$'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                                 | 173,082                       |                      |                   |                     |                             |
| Share of profits of associated companies               | 7,510                         | –                    | 7,377             | –                   | 133                         |
| Share of losses of joint ventures                      | (5,785)                       | –                    | (5,785)           | –                   | –                           |
|  |                               |                      |                   |                     |                             |
|  | At 30 June 2023               |                      |                   |                     |                             |
|  | Total                         | Property development |                   | Property investment | Others<br><i>(Remark 2)</i> |
|  |                               | Hong Kong            | Mainland China    |                     |                             |
|  | \$'000                        | \$'000               | \$'000            | \$'000              | \$'000                      |
| Reportable segment assets                              | <b>46,279,099</b>             | <b>15,543,984</b>    | <b>16,152,253</b> | <b>13,632,062</b>   | <b>950,800</b>              |
| Deferred tax assets                                    | <b>37,665</b>                 |                      |                   |                     |                             |
| Cash and bank balances                                 | <b>737,990</b>                |                      |                   |                     |                             |
| Head office and corporate assets                       | <b>86,438</b>                 |                      |                   |                     |                             |
| Total assets   | <b>47,141,192</b>             |                      |                   |                     |                             |
| Interest in associated companies                       | <b>1,281,200</b>              | –                    | <b>1,281,200</b>  | –                   | –                           |
| Interests in and amount due from joint ventures        | <b>2,024,596</b>              | –                    | <b>2,024,596</b>  | –                   | –                           |

Remark 2: Others included reportable segment assets of property management services and financial investments amounting to \$122,454,000 and \$313,768,000 (31 December 2022: \$123,351,000 and \$329,404,000) respectively.

### 3 Segment reporting *(Continued)*

#### (b) Segment results and assets *(Continued)*

|   | At 31 December 2022 |                      |                   |                     |                             |
|---|---------------------|----------------------|-------------------|---------------------|-----------------------------|
|   | Total               | Property development |                   | Property investment | Others<br><i>(Remark 2)</i> |
|   |                     | Hong Kong            | Mainland<br>China |                     |                             |
|   | \$'000              | \$'000               | \$'000            | \$'000              | \$'000                      |
| Reportable segment assets                         | 46,773,407          | 15,551,966           | 16,592,004        | 13,637,350          | 992,087                     |
| Deferred tax assets                               | 36,569              |                      |                   |                     |                             |
| Cash and bank balances                            | 864,590             |                      |                   |                     |                             |
| Head office and corporate assets                  | 91,238              |                      |                   |                     |                             |
| <b>Total assets</b>                               | <b>47,765,804</b>   |                      |                   |                     |                             |
| Interest in associated companies                  | 1,294,496           | –                    | 1,294,496         | –                   | –                           |
| Interest in and amount due<br>from joint ventures | 2,067,036           | –                    | 2,067,036         | –                   | –                           |

### 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 represent impairment and fair value losses on other financial assets of \$57,643,000 (six months ended 30 June 2022: \$35,593,000).

#### (b) Finance costs

|  | Six months ended 30 June |                |
|--|--------------------------|----------------|
|  | 2023<br>\$'000           | 2022<br>\$'000 |
| Interest on bank loans                   | <b>483,723</b>           | 160,056        |
| Interest on loan from a related company  | <b>45,362</b>            | 9,617          |
| Less: Amount capitalised <i>(Remark)</i> | <b>(434,051)</b>         | (150,603)      |
|  | <b>95,034</b>            | 19,070         |

Remark: Borrowing costs were capitalised at rates of 2.42% – 6.29% (six months ended 30 June 2022: 0.76% – 5.70%) per annum.



#### 4 Profit before taxation *(Continued)*

##### (c) Other items

|  | Six months ended 30 June |           |
|--|--------------------------|-----------|
|  | 2023                     | 2022      |
|  | \$'000                   | \$'000    |
| Rentals receivable from investment properties less outgoings | <b>(115,269)</b>         | (131,043) |
| Rental income  | <b>(148,114)</b>         | (148,334) |
| Less: Outgoings  | <b>32,845</b>            | 17,291    |
| Depreciation and amortisation                                | <b>10,471</b>            | 10,547    |
| Interest income  | <b>(74,346)</b>          | (120,831) |

#### 5 Income tax

Taxation in the consolidated income statement represents:

|                               | Six months ended 30 June |        |
|-------------------------------|--------------------------|--------|
|                               | 2023                     | 2022   |
|                               | \$'000                   | \$'000 |
| Current tax                   |                          |        |
| Provision for Profits Tax     |                          |        |
| – Hong Kong                   | <b>53,605</b>            | 8,853  |
| – Outside Hong Kong           | <b>(473)</b>             | –      |
|                               | <b>53,132</b>            | 8,853  |
| Land appreciation tax ("LAT") | <b>9,139</b>             | –      |
| Deferred tax                  | <b>15,132</b>            | 10,421 |
|                               | <b>77,403</b>            | 19,274 |

The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2022: 16.5%) of the estimated assessable profits for the six months ended 30 June 2023. 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 the 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 are based on the profit attributable to shareholders of the Company of \$184,481,000 (six months ended 30 June 2022: \$152,208,000) and the weighted average number of ordinary shares in issue during the period of 1,176,631,296 (six months ended 30 June 2022: 1,176,631,296).

### (b) Diluted earnings per share

There were no dilutive potential shares in existence during the six months ended 30 June 2023 and 2022.

## 7 Dividends

### (a) Dividends attributable to the interim period

|   | Six months ended 30 June |         |
|---|--------------------------|---------|
|   | 2023                     | 2022    |
|   | \$'000                   | \$'000  |
| Interim dividend declared after the interim period of \$0.26<br>(six months ended 30 June 2022: \$0.26) per share | <b>305,924</b>           | 305,924 |

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 |         |
|---|--------------------------|---------|
|   | 2023                     | 2022    |
|   | \$'000                   | \$'000  |
| Final dividend in respect of the previous financial year,<br>approved during the interim period, of \$0.57<br>(six months ended 30 June 2022: \$0.57) per share | <b>670,680</b>           | 670,680 |

## 8 Investment properties

The investment properties of the Group were revalued at 30 June 2023 by Vigers Appraisal and Consulting Limited, an external 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 revalued semi-annually by using the income capitalisation approach with reference to comparable sales transactions as available in the market. The Group's investment properties under development are revalued 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.

A revaluation loss of \$36,972,000 (six months ended 30 June 2022: revaluation gain of \$35,674,000) was recognised in profit or loss during the six months ended 30 June 2023.

## 9 Interests in property development

Interests in property development represent the Group's interests in the development of various properties located at Huizhou and Zhuhai in Mainland China under co-investment agreements with a related company, Polytec Holdings International Limited ("Polytec Holdings"). Details of the funding arrangement and other key terms of the co-investment agreements were disclosed in the Company's Circulars dated 30 October 2013 and 30 June 2022. Interests in property development are stated at fair value at the end of the reporting period.

During the six months ended 30 June 2023, pursuant to one of the co-investment agreements, return of investment in relation to the property project at Huizhou of \$1,000,000,000 (six months ended 30 June 2022: Nil) was made by Polytec Holdings and settled through the loan from a related company (non-cash transaction).

As at 30 June 2023, interests in property development of \$140,099,000 (31 December 2022: \$689,201,000) was expected to be recoverable within one year and was classified as current assets.

## 10 Other financial assets

|   | At 30 June<br>2023<br>\$'000 | At 31 December<br>2022<br>\$'000 |
|---|------------------------------|----------------------------------|
| <b>Non-current</b>  |                              |                                  |
| Investments measured at amortised cost                    |                              |                                  |
| Listed debt securities outside Hong Kong                  | <b>283,618</b>               | 285,794                          |
| <b>Current</b>  |                              |                                  |
| Investments measured at fair value through profit or loss |                              |                                  |
| Listed equity securities in Hong Kong                     | <b>13,684</b>                | 14,628                           |
| Unlisted investment fund                                  | <b>16,466</b>                | 28,982                           |
|   | <b>30,150</b>                | 43,610                           |
| <b>Total</b>  | <b>313,768</b>               | 329,404                          |
| Market value of listed debt securities                    | <b>275,010</b>               | 351,382                          |

## 11 Inventories

|   | At 30 June<br>2023<br>\$'000 | At 31 December<br>2022<br>\$'000 |
|---|------------------------------|----------------------------------|
| Land/Properties held for future development | <b>4,718,180</b>             | 4,760,041                        |
| Properties under development                | <b>18,047,233</b>            | 17,051,884                       |
| Properties held for sale                    | <b>3,332,929</b>             | 3,733,896                        |
| Trading goods and consumables               | <b>2,803</b>                 | 3,904                            |
|   | <b>26,101,145</b>            | 25,549,725                       |

The amount of land/properties held for future development and properties under development expected to be recovered after more than one year is \$4,718,180,000 (31 December 2022: \$4,760,041,000) and \$13,162,416,000 (31 December 2022: \$17,051,884,000) respectively. All of the other inventories are expected to be recovered within one year.

## 12 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):

|  | <b>At 30 June<br/>2023<br/>\$'000</b> | At 31 December<br>2022<br>\$'000 |
|--|---------------------------------------|----------------------------------|
| Current                                  | <b>545,099</b>                        | 539,286                          |
| Within 3 months                          | <b>23,966</b>                         | 46,819                           |
| 3 months to 6 months                     | <b>6,232</b>                          | 5,875                            |
| More than 6 months                       | <b>19,822</b>                         | 16,113                           |
| Trade receivables and loans and advances | <b>595,119</b>                        | 608,093                          |
| Utility and other deposits               | <b>16,910</b>                         | 14,825                           |
| Prepaid tax                              | <b>95,344</b>                         | 102,770                          |
| Other receivables and prepayments        | <b>402,145</b>                        | 340,367                          |
|  | <b>1,109,518</b>                      | 1,066,055                        |
| Representing:                            |                                       |                                  |
| Non-current assets                       | <b>327,209</b>                        | 356,135                          |
| Current assets                           | <b>782,309</b>                        | 709,920                          |
|  | <b>1,109,518</b>                      | 1,066,055                        |

Utility and other deposits of the Group of \$9,077,000 (31 December 2022: \$7,761,000) are expected to be recovered after more than one year.

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 the receivables and loans and advances.

### 13 Trade and other payables

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

|  | <b>At 30 June<br/>2023<br/>\$'000</b> | At 31 December<br>2022<br>\$'000 |
|--|---------------------------------------|----------------------------------|
| Not yet due or on demand                                       | <b>2,073,535</b>                      | 2,249,483                        |
| Within 3 months  | <b>3,320</b>                          | 6,397                            |
| 3 months to 6 months   | –                                     | 121                              |
| More than 6 months   | –                                     | 43                               |
| Trade payables   | <b>2,076,855</b>                      | 2,256,044                        |
| Rental and other deposits                                      | <b>75,720</b>                         | 73,351                           |
| Other payables and accrued expenses                            | <b>1,130,386</b>                      | 641,181                          |
| Contract liabilities – deposits received on sale of properties | <b>1,741,431</b>                      | 722,211                          |
|  | <b>5,024,392</b>                      | 3,692,787                        |

### 14 Loan from a related company

Loan from a related company is unsecured, interest bearing at Hong Kong Interbank Offered Rate (“HIBOR”) plus a margin per annum and is not expected to be repaid within one year.

### 15 Bank loans

At the end of the reporting period, bank loans were repayable as follows:

|                                  | <b>At 30 June<br/>2023<br/>\$'000</b> | At 31 December<br>2022<br>\$'000 |
|----------------------------------|---------------------------------------|----------------------------------|
| Within 1 year or on demand       | <b>20,113,867</b>                     | 14,488,973                       |
| After 1 year but within 2 years  | <b>409,662</b>                        | 6,618,713                        |
| After 2 years but within 5 years | <b>573,642</b>                        | 752,467                          |
|                                  | <b>983,304</b>                        | 7,371,180                        |
|                                  | <b>21,097,171</b>                     | 21,860,153                       |

## 15 Bank loans *(Continued)*

At the end of the reporting period, bank loans were secured and unsecured as follows:

|             | <b>At 30 June<br/>2023<br/>\$'000</b> | At 31 December<br>2022<br>\$'000 |
|-------------|---------------------------------------|----------------------------------|
| Bank loans  |                                       |                                  |
| – secured   | <b>10,061,396</b>                     | 10,460,803                       |
| – unsecured | <b>11,035,775</b>                     | 11,399,350                       |
|             | <b>21,097,171</b>                     | 21,860,153                       |

Interest on bank loans is charged at HIBOR plus a margin per annum in Hong Kong or by reference to interest rates for term loans published by the People's Bank of China.

As mentioned in Financial Review, the Group has refinanced a bank loan of \$9,658,000,000 which is repayable within 1 year or on demand as at 30 June 2023 by a 3.5 years syndicated loan in July 2023.

## 16 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 the 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

16 Fair values measurement of financial instruments *(Continued)***Financial assets and liabilities measured at fair value** *(Continued)*

|   | <b>At 30 June<br/>2023<br/>\$'000</b> | At 31 December<br>2022<br>\$'000 |
|---|---------------------------------------|----------------------------------|
| <b>Assets</b>                           |                                       |                                  |
| Level 1                                 |                                       |                                  |
| Other financial assets                  |                                       |                                  |
| – Listed equity securities in Hong Kong | <b>13,684</b>                         | 14,628                           |
| Level 2                                 |                                       |                                  |
| Other financial assets                  |                                       |                                  |
| – Unlisted investment fund              | <b>16,466</b>                         | 28,982                           |
| Level 3                                 |                                       |                                  |
| Interests in property development       | <b>1,678,273</b>                      | 2,687,050                        |

During the six months ended 30 June 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2022: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of unlisted investment fund was determined with reference to the fair value of underlying investment portfolio and adjustments of related transaction costs.

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

|   | <b>At 30 June<br/>2023<br/>\$'000</b> | At 31 December<br>2022<br>\$'000 |
|---|---------------------------------------|----------------------------------|
| At 1 January  | <b>2,687,050</b>                      | 1,870,030                        |
| Changes in fair value recognised in profit or loss                  | <b>(8,777)</b>                        | 420                              |
| Settlement during the period/year                                   | <b>(1,000,000)</b>                    | –                                |
| Addition through acquisition of a subsidiary during the period/year | –                                     | 816,600                          |
| <b>At 30 June/31 December</b>                                       | <b>1,678,273</b>                      | 2,687,050                        |

Interests in property development are stated at their fair value measured using a discounted cash flow model. In preparing the discounted cash flow model, management 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 market development and terms provided under the co-investment agreement. Any adverse change in the key assumptions could decrease the fair value.



## 16 Fair values measurement of financial instruments *(Continued)*

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

The Group has a team reporting to the top management which performs the valuation of the interests in property development required for financial 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 model of development projects at Huizhou and Zhuhai in Mainland China includes estimated selling prices of the underlying properties which are derived from observable market data, including average market prices of properties in Mainland China, with certain adjustments to reflect the impacts of those factors on the development. The adjustments to the average market selling price range from -10% to +10%.

The fair value measurement is positively correlated to adjustments to the selling prices of the underlying properties. As at 30 June 2023, it is estimated that an increase/decrease of 5% in the expected/forecasted selling price of the underlying properties at Huizhou and Zhuhai of the Group's interests in property development, with all other variables held constant, would have increased/decreased the Group's retained profits by \$63,437,000/\$63,433,000 (31 December 2022: \$66,926,000/\$66,920,000).

## 17 Capital commitments

Capital commitments outstanding at the end of the reporting period contracted but not provided for in the financial statements amounted to \$20,922,000 (31 December 2022: \$27,018,000).

## 18 Contingent liabilities

As at 30 June 2023, the Group had given guarantees to financial institutions in respect of performance bonds entered into by a subsidiary to the extent of \$29,757,000 (31 December 2022: \$29,757,000).

## 19 Pledge of assets

As at 30 June 2023, properties having a value of approximately \$12,457,228,000 (31 December 2022: \$12,950,958,000) and deposits of \$13,999,000 (31 December 2022: \$17,612,000) were pledged to banks and insurance companies mainly to secure general banking facilities granted to the Group.

## 20 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) As at 30 June 2023, certain bank loans were secured by properties and shares of subsidiaries of Polytec Holdings having a total value of \$3,007,000,000 (31 December 2022: \$3,007,000,000) and guaranteed by these subsidiaries.
- (b) As at 30 June 2023, loan to a joint venture of \$219,500,000 (31 December 2022: \$219,500,000) were unsecured, interest bearing at fixed rate and were not expected to be repaid within one year. As at 30 June 2023, the amount due from a joint venture of \$112,883,000 (31 December 2022: \$112,883,000) and the amount due to a joint venture of \$559,385,000 (31 December 2022: \$560,374,000) were unsecured, interest-free and recoverable/repayable on demand.
- (c) As at 30 June 2023, loan to an associated company of \$777,531,000 (31 December 2022: \$772,248,000) was unsecured, interest-free and was not expected to be repaid within one year. During the six months ended 30 June 2023, interest income of \$30,592,000 was recognised in profit or loss and included in the share of profits of associated companies. As at 30 June 2023, accumulated accrued interest income of approximately RMB159,000,000 (31 December 2022: RMB186,000,000) due from an associated company had not been recognised as the Group considered it is not probable that the economic benefits will flow to the Group as at the end of the reporting period. During the six months ended 30 June 2022, the Group had received repayment of a loan to an associated company and related interest income amounting to \$2,190,000 through a related company and use to partially settle a loan from a related company.
- (d) As at 30 June 2023, properties with an aggregate value of \$1,118,009,000 (31 December 2022: \$1,118,009,000) were held on trust by the subsidiaries of Polytec Holdings.

# 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 32 which comprises the consolidated statement of financial position of Kowloon Development Company Limited (the “Company”) and its subsidiaries (the “Group”) as of 30 June 2023 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 2023 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, 18 August 2023

# Other Information

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2023, 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 was disclosed in the Annual Report 2022.

## SECURITIES TRADING POLICY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") (Appendix 10 to the Listing Rules) as a code of conduct regarding Directors' securities transactions. 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 blackout period.

## CHANGES IN INFORMATION OF DIRECTORS

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

1. Mr David John Shaw retired as an Independent Non-executive Director after the conclusion of the Annual General Meeting of the Company held on 7 June 2023 ("AGM"). Upon Mr Shaw's retirement, he ceased to be a member of the Nomination Committee of the Company (the "Nomination Committee").
2. Mr Li Kwok Sing, Aubrey, an Independent Non-executive Director, ceased as the chairman of the Audit Committee of the Company (the "Audit Committee") but remained as a member of the Audit Committee with effect from the conclusion of the AGM.
3. Mr Hsu Duff Karman, an Independent Non-executive Director, has been appointed as a member of the Nomination Committee and has been re-designated as the chairman of the Audit Committee with effect from the conclusion of the AGM.
4. The monthly salary of the following Directors has been adjusted since 1 July 2023 and details are set out below:

|                 | 1 January 2023 to<br>30 June 2023 | From 1 July 2023 |
|-----------------|-----------------------------------|------------------|
| Mr Or Pui Kwan  | HK\$104,500                       | HK\$108,200      |
| Mr Lam Yung Hei | HK\$104,500                       | HK\$108,200      |
| Mr Lai Ka Fai   | HK\$203,000                       | HK\$210,100      |

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 2023, 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 2023.

## DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30 June 2023, the interests of the Directors in the shares of the Company as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong), 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:

### Long positions in the shares of the Company

| Name                    | Nature of interest                | Number of ordinary shares | Percentage of shareholding (Note 1) | Note |
|-------------------------|-----------------------------------|---------------------------|-------------------------------------|------|
| Mr Or Wai Sheun         | Corporate                         | 840,254,624               | 71.41%                              | 2    |
| Mr Lok Kung Chin, Hardy | Founder and beneficiary of trusts | 1,425,000                 | 0.12%                               | 3    |
| Mr Lai Ka Fai           | Personal                          | 751,000                   | 0.06%                               |      |
| Mr Yeung Kwok Kwong     | Personal                          | 180,000                   | 0.02%                               |      |
| Mr Or Pui Kwan          | Personal                          | 43,500                    | 0.00%                               |      |

Notes:

- (1) The percentage of shareholding is calculated based on 1,176,631,296 shares, being the total number of issued ordinary shares of the Company as at 30 June 2023.
- (2) Such interest in shares is held by Intellinsight Holdings Limited ("Intellinsight"), a wholly-owned subsidiary of New Explorer Developments Limited which is wholly-owned by Mr Or Wai Sheun.
- (3) Such interest in shares is owned by discretionary trusts of which Mr Lok Kung Chin, Hardy is the founder and a beneficiary respectively.

Save as disclosed above, as at 30 June 2023, none of the Directors and chief executives 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 SHAREHOLDER'S INTEREST

As at 30 June 2023, the shareholder (other than the Directors and chief executives of the Company) who had an interest or short position in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO is set out below:

| Name                              | Nature of interest | Number of ordinary shares | Percentage of shareholding<br>(Note 1) | Note |
|-----------------------------------|--------------------|---------------------------|--|------|
| New Explorer Developments Limited | Corporate          | 840,254,624               | 71.41%                                 | 2    |

Notes:

(1) The percentage of shareholding is calculated based on 1,176,631,296 shares, being the total number of issued ordinary shares of the Company as at 30 June 2023.

(2) Such interest in shares is held by Intellinsight as described in note (2) under the section headed "Directors' Interests and Short Positions".

The interest disclosed above represents long position in the shares of the Company.

Save as disclosed above, as at 30 June 2023, the Company had not been notified by any persons (other than the Directors and chief executives of the Company) who had any 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 2023, the Group had a total of 2,598 employees (31 December 2022: 2,668 employees), of which 2,460 were Hong Kong staff and 138 were Mainland China staff. During the period, total staff costs decreased to HK\$300 million (30 June 2022: HK\$333 million). Salary levels of employees are competitive. Discretionary bonuses are granted based on the performance of the Group as well as the performance of individuals to attract, motivate and retain talented people.

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

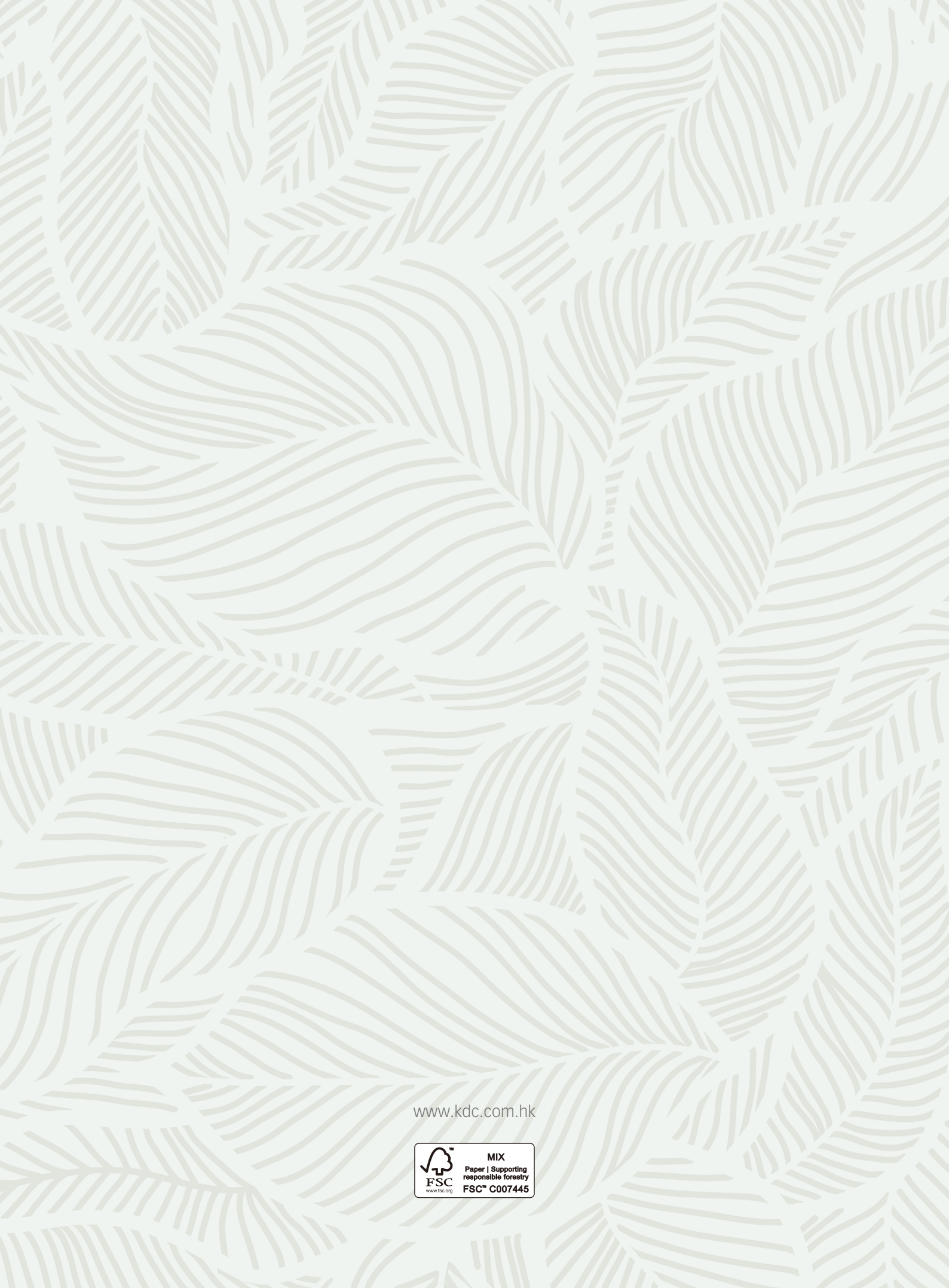
In addition, the Group established a recreation club which organises events for employees to promote team spirit and loyalty and encourage communication among departments.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 19 December 2023 to Wednesday, 20 December 2023, 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, for registration not later than 4:30 pm (Hong Kong time) on Monday, 18 December 2023.

## REVIEW OF INTERIM FINANCIAL REPORT

The Audit Committee has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2023. 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, whose review report is contained on page 33 of this interim report.



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