

INTERIM REPORT  
中期報告  
2022



九龍建業有限公司  
KOWLOON DEVELOPMENT COMPANY LIMITED

Stock Code 股份代號: 34



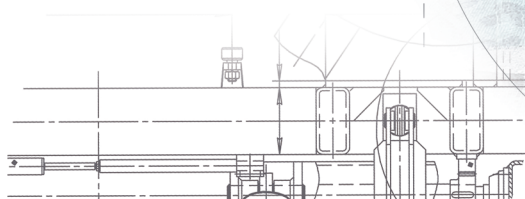
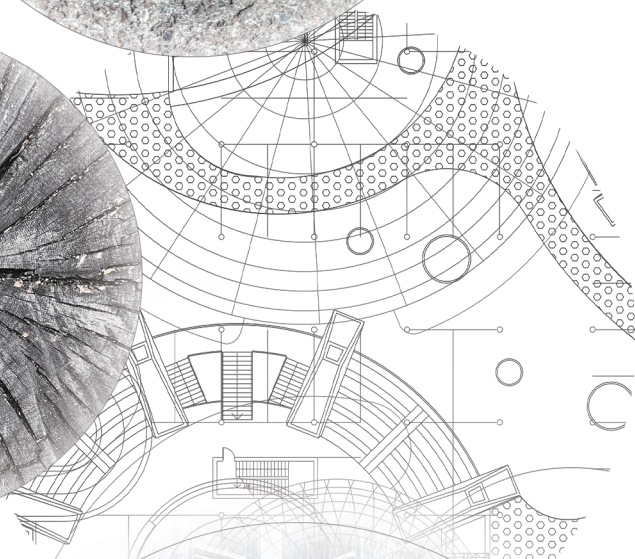
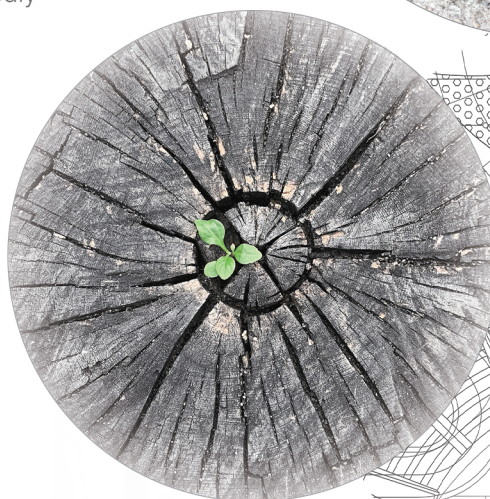


# Kowloon Development Company Limited

## 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 3.5 million sq m of attributable gross floor area in Hong Kong and Mainland China as at 30 June 2022. 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，截至二零二二年六月三十日，其於香港及中國大陸土地儲備之應佔總樓面面積約3,500,000平方米。集團亦從事金融投資及投資控股業務。





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

#### Nomination Committee

Mr Or Wai Sheun (*Chairman*)  
Mr Lok Kung Chin, Hardy  
Mr David John Shaw

#### 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 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  
Telephone: (852) 2396 2112  
Facsimile : (852) 2789 1370  
Website : [www.kdc.com.hk](http://www.kdc.com.hk)  
E-mail : [enquiry@kdc.com.hk](mailto:enquiry@kdc.com.hk)

### Stock Code

The Stock Exchange of Hong Kong Limited: 34

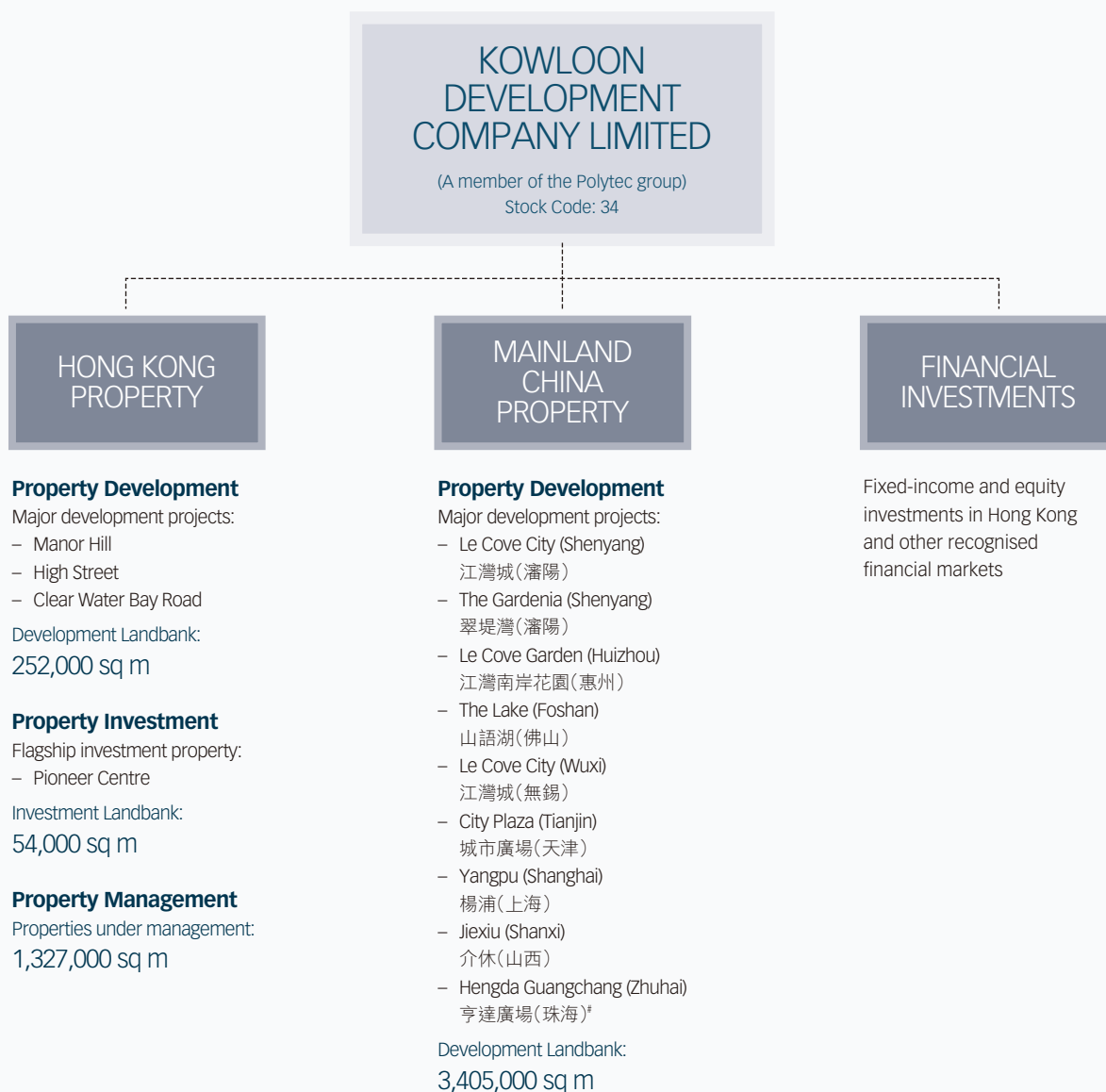
### Principal Bankers

Bank of China  
Bank of Communications  
Bank of East Asia  
China Construction Bank  
Chong Hing Bank  
DBS Bank  
Hang Seng Bank  
Shanghai Rural Commercial Bank  
United Overseas Bank

### Financial Calendar for Interim Results 2022

Interim results announcement	17 August 2022
Ex-dividend date for interim dividend	16 December 2022
Closure of register of members	20 December 2022 – 21 December 2022 (both dates inclusive)
Interim dividend payable	4 January 2023

# Group's Business Structure



\* The acquisition has been completed in July 2022 and the development of this project is under a co-investment agreement.



# Highlights

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



# Chairman's Statement

## INTERIM RESULTS AND DIVIDEND

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

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

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

## MARKET OVERVIEW AND BUSINESS REVIEW

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

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



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

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

### **Development Property Sales**

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

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

### **Property Development**

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

As at 30 June 2022, the Group's landbank for development amounted to approximately 3.5 million sq m of attributable GFA. The Group's major property projects under planning and development are set out as follows:

### Major Property Projects under Planning and Development

Property Project	District/City	Usage	Approx. Total Site Area (sq m)	Approx. GFA (sq m)	Approx. GFA Booked <sup>*</sup> (sq m)	Group's Interest	Project Status	Expected Date of Completion
<b>Hong Kong</b>								
Manor Hill	Tseung Kwan O, New Territories	Residential	9,600	48,200	–	100%	Superstructure works completed for Certificate of Compliance issuance	2022
High Street	Sai Ying Pun, Hong Kong	Residential & commercial	500	4,700	–	60%	Demolition works in progress	2025
Clear Water Bay Road	Ngau Chi Wan, Kowloon	Residential & commercial	22,400	201,000	–	100%	Site formation works in progress	2027
<b>Mainland China</b>								
Le Cove City (Shenyang) 江灣城(瀋陽)	Hun Nan Xin District, Shenyang	Residential & commercial	165,000	712,000	369,000	100%	Foundation works for Phase 5 (approx. GFA of 240,000 sq m) in progress	Phase 5 2025
The Gardenia (Shenyang) 翠堤灣(瀋陽)	Shenhe District, Shenyang	Residential & commercial	1,100,000	2,000,000	649,000	100%	Superstructure works for Phase 3A (approx. GFA of 74,000 sq m) completed	Phase 3A 2022
Le Cove Garden (Huizhou) 江灣南岸花園(惠州)	Huicheng District, Huizhou	Residential & commercial	146,000	520,000	335,000	60%	Planning works for Phase 3 (approx. GFA of 96,000 sq m) in progress	Phase 3 2025
The Lake (Foshan) 山語湖(佛山)	Nanhai District, Foshan	Residential & commercial	4,021,000	1,600,000	854,000	50%	Interior fitting-out works for Phase 3 (approx. GFA of 143,000 sq m) in progress	Phase 3 2022
Le Cove City (Wuxi) 江灣城(無錫)	Liangxi District, Wuxi	Residential & commercial	69,000	365,000	111,000	100%	Superstructure works for Phase 3 (approx. GFA of 73,000 sq m) and Phase 4 (approx. GFA of 170,000 sq m) in progress	Phase 3 2023; Phase 4 2024
City Plaza (Tianjin) 城市廣場(天津)	Hedong District, Tianjin	Residential & commercial	136,000	850,000	247,000	49%	Superstructure works for Phase 3A (approx. GFA of 300,000 sq m) in progress	Phase 3A 2022/2023
							Foundation works for Phase 3B (approx. GFA of 280,000 sq m) in progress	Phase 3B 2025
Yangpu (Shanghai) 楊浦(上海)	Yangpu District, Shanghai	Residential & commercial	21,000	75,000	–	100%	Master planning and design in progress	2026
Jiexiu (Shanxi) 介休(山西)	Jiexiu	Residential & commercial	181,000	463,000	–	100%	Superstructure works for Phase 1A (approx. GFA of 88,000 sq m) in progress	2023 – 2026
Hengda Guangchang (Zhuhai) 亨達廣場(珠海) <sup>#</sup>	Xiangzhou District, Zhuhai	Commercial, office & hotel apartment	38,000	199,000	–	70%	Foundation works for Phase 1 (approx. GFA of 66,000 sq m) in progress	2026

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

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



### Property Investment in Hong Kong

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

### Financial Investments

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

## PROSPECTS

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

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

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

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

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

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

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

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

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

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

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

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

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



**Or Wai Sheun**  
*Chairman*

Hong Kong, 17 August 2022



# Financial Review

## FINANCIAL RESOURCES AND BANK BORROWINGS

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

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

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

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

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

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

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

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

## CAPITAL COMMITMENTS

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

## PLEDGE OF ASSETS

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

## CONTINGENT LIABILITIES

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

# Consolidated Income Statement

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2022 \$'000 (unaudited)	2021 \$'000 (unaudited)
<b>Revenue</b>	3	<b>723,624</b>	995,623
Cost of sales		<b>(137,202)</b>	(169,547)
Other revenue		<b>29,808</b>	21,501
Other net expenses	4(a)	<b>(60,629)</b>	(41,285)
Depreciation and amortisation		<b>(10,547)</b>	(11,484)
Staff costs		<b>(321,451)</b>	(280,094)
Selling, marketing and distribution expenses		<b>(22,600)</b>	(45,696)
Other operating expenses		<b>(48,934)</b>	(59,099)
Fair value changes on investment properties	8	<b>35,674</b>	255,908
Fair value changes on interest in property development		<b>2,684</b>	51,028
<b>Profit from operations</b>		<b>190,427</b>	716,855
Finance costs	4(b)	<b>(19,070)</b>	(18,337)
Share of profits/(losses) of associated companies		<b>7,510</b>	(5,344)
Share of loss of a joint venture		<b>(5,785)</b>	(13,286)
<b>Profit before taxation</b>	4	<b>173,082</b>	679,888
Income tax	5	<b>(19,274)</b>	(57,537)
<b>Profit for the period</b>		<b>153,808</b>	622,351
<b>Attributable to:</b>			
Shareholders of the Company		<b>152,208</b>	619,289
Non-controlling interests		<b>1,600</b>	3,062
<b>Profit for the period</b>		<b>153,808</b>	622,351
<b>Earnings per share – Basic and diluted</b>	6	<b>\$0.13</b>	\$0.53

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

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 2022 \$'000 (unaudited)	At 31 December 2021 \$'000 (audited)
<b>Non-current assets</b>			
Investment properties	8	13,425,340	13,479,600
Property, plant and equipment		262,556	272,092
Interest in property development	9	1,872,714	1,870,030
Interest in a joint venture		2,019,850	2,111,642
Interest in associated companies		1,425,492	1,486,033
Other financial assets	10	61,263	445,036
Trade and other receivables	12	195,714	77,018
Loans and advances	12	312,042	373,030
Deferred tax assets		53,169	49,665
		<b>19,628,140</b>	<b>20,164,146</b>
<b>Current assets</b>			
Inventories	11	26,285,289	26,041,755
Trade and other receivables	12	674,188	674,711
Loans and advances	12	12,962	13,699
Other financial assets	10	456,313	66,892
Amount due from a joint venture		112,883	112,883
Cash and bank balances		1,206,927	1,043,140
		<b>28,748,562</b>	<b>27,953,080</b>
<b>Current liabilities</b>			
Trade and other payables	13	4,565,568	11,720,094
Amount due to a joint venture		477,905	491,071
Loan from an associated company		46,329	48,458
Bank loans	15	12,866,998	2,053,727
Current taxation		136,800	315,538
		<b>18,093,600</b>	<b>14,628,888</b>
<b>Net current assets</b>		<b>10,654,962</b>	<b>13,324,192</b>
<b>Total assets less current liabilities</b>		<b>30,283,102</b>	<b>33,488,338</b>

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

	Note	At 30 June 2022 \$'000 (unaudited)	At 31 December 2021 \$'000 (audited)
<b>Non-current liabilities</b>			
Loan from a related company	14	1,360,052	1,199,073
Bank loans	15	10,177,157	12,648,339
Deferred tax liabilities		570,107	566,492
		<b>12,107,316</b>	14,413,904
<b>NET ASSETS</b>		<b>18,175,786</b>	19,074,434
<b>Capital and reserves</b>			
Share capital		8,636,490	8,636,490
Reserves		9,419,286	10,316,598
<b>Total equity attributable to the shareholders of the Company</b>		<b>18,055,776</b>	18,953,088
<b>Non-controlling interests</b>		<b>120,010</b>	121,346
<b>TOTAL EQUITY</b>		<b>18,175,786</b>	19,074,434

Approved and authorised for issue by the board of directors on 17 August 2022.

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					Non-controlling interests \$'000	Total equity \$'000
		Share capital \$'000	Capital reserve \$'000	Exchange reserves \$'000	Retained profits \$'000	Total \$'000		
At 1 January 2021		8,636,490	(176,595)	385,556	8,624,276	17,469,727	118,466	17,588,193
Changes in equity for the six months ended 30 June 2021								
Profit for the period		–	–	–	619,289	619,289	3,062	622,351
Other comprehensive income		–	–	88,642	–	88,642	744	89,386
Total comprehensive income		–	–	88,642	619,289	707,931	3,806	711,737
Dividends approved in respect of the previous year	7(b)	–	–	–	(658,914)	(658,914)	–	(658,914)
At 30 June and 1 July 2021		8,636,490	(176,595)	474,198	8,584,651	17,518,744	122,272	17,641,016
Changes in equity for the six months ended 31 December 2021								
Profit for the period		–	–	–	1,589,792	1,589,792	(2,089)	1,587,703
Other comprehensive income		–	–	138,710	–	138,710	1,163	139,873
Total comprehensive income		–	–	138,710	1,589,792	1,728,502	(926)	1,727,576
Dividends approved in respect of the current year	7(a)	–	–	–	(294,158)	(294,158)	–	(294,158)
At 31 December 2021		8,636,490	(176,595)	612,908	9,880,285	18,953,088	121,346	19,074,434
<b>(unaudited)</b>								
<b>At 1 January 2022</b>		<b>8,636,490</b>	<b>(176,595)</b>	<b>612,908</b>	<b>9,880,285</b>	<b>18,953,088</b>	<b>121,346</b>	<b>19,074,434</b>
<b>Changes in equity for the six months ended 30 June 2022</b>								
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)
<b>At 30 June 2022</b>		<b>8,636,490</b>	<b>(176,595)</b>	<b>234,068</b>	<b>9,361,813</b>	<b>18,055,776</b>	<b>120,010</b>	<b>18,175,786</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	
	2022	2021
	\$'000	\$'000
	(unaudited)	(unaudited)
<b>Net cash used in operating activities</b>	<b>(7,637,426)</b>	(939,130)
<b>Investing activities</b>		
Purchase of debt investments	–	(417,395)
Proceeds from disposal of investment properties	<b>87,977</b>	–
Additions to investment properties	<b>(894,544)</b>	(388)
Increase in bank deposits with maturity more than 3 months	<b>(60,360)</b>	–
Other cash flows arising from investing activities	<b>29,465</b>	660
<b>Net cash used in investing activities</b>	<b>(837,462)</b>	(417,123)
<b>Financing activities</b>		
Drawdown of bank loans	<b>10,177,080</b>	2,434,716
Repayment of bank loans	<b>(1,720,162)</b>	(51,815)
Increase in loan from a related company	<b>145,875</b>	912,336
Dividend paid to shareholders of the Company	<b>(422)</b>	(656,010)
<b>Net cash generated from financing activities</b>	<b>8,602,371</b>	2,639,227
<b>Net increase in cash and cash equivalents</b>	<b>127,483</b>	1,282,974
<b>Cash and cash equivalents at 1 January</b>	<b>1,043,140</b>	1,133,841
<b>Effect of foreign exchange rate changes</b>	<b>(22,163)</b>	10,484
<b>Cash and cash equivalents at 30 June</b>	<b>1,148,460</b>	2,427,299
<b>Analysis of balances of cash and cash equivalents at 30 June</b>		
Cash and bank balances	<b>1,206,927</b>	2,427,299
Less: Bank deposits with maturity more than 3 months	<b>(58,467)</b>	–
<b>Cash and cash equivalents</b>	<b>1,148,460</b>	2,427,299

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 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

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



## 2 Changes in accounting policies

The HKICPA has issued certain amendments to HKFRSs that are first effective for the current accounting period of the Group.

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

None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3 Segment reporting

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

- Property development segment (Hong Kong/Mainland China): the development and sale of properties and interest in property development. Given the importance of the property development division to the Group, the Group’s property development business is segregated further into two reportable segments on a geographical basis.
- Property investment segment: the leasing of properties to generate rental income and to gain from the appreciation in the properties’ values in the long term.
- Other businesses segment: mainly includes the provision of property management services, financial investments, the provision of finance services and treasury operations.

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

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

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

### 3 Segment reporting *(Continued)*

#### (a) Disaggregation of revenue

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15:</b>		
Sale of properties	161,278	266,574
Property management service income	241,348	207,717
Others	51,833	52,724
	<b>454,459</b>	527,015
<b>Revenue from other sources:</b>		
Distribution from interest in property development	–	220,000
Rental income	148,334	151,170
Others	120,831	97,438
	<b>723,624</b>	995,623

#### (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 2022				
	Property development			Property investment	Others (Remark 1)
	Total	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 profit of associated companies	7,510	–	7,377	–	133
Share of loss of a joint venture	(5,785)	–	(5,785)	–	–

Remark 1: Others included revenue from property management services and financial investments of \$241,348,000 and \$106,791,000 (six months ended 30 June 2021: \$207,717,000 and \$77,162,000) respectively and the relevant segment profit of \$10,200,000 and \$78,131,000 (six months ended 30 June 2021: \$7,211,000 and \$34,174,000) respectively.



### 3 Segment reporting *(Continued)*

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

	Six months ended 30 June 2021				
	Property development			Property investment	Others (Remark 1)
	Total	Hong Kong	Mainland China		
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	995,623	217,655	268,919	151,170	357,879
Reportable segment profit	422,792	67,290	181,061	123,698	50,743
Fair value changes on investment properties	255,908	–	–	255,908	–
Fair value changes on interest in property development	51,028	–	51,028	–	–
Head office and corporate expenses	(31,503)				
Finance costs	(18,337)				
Profit before taxation	679,888				
Share of losses of associated companies	(5,344)	–	(5,344)	–	–
Share of loss of a joint venture	(13,286)	–	(13,286)	–	–

	At 30 June 2022				
	Property development			Property investment	Others (Remark 2)
	Total	Hong Kong	Mainland China		
	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	46,992,640	16,507,919	15,766,310	13,458,225	1,260,186
Deferred tax assets	53,169				
Cash and bank balances	1,206,927				
Head office and corporate assets	123,966				
Total assets	48,376,702				
Interest in associated companies	1,425,492	–	1,424,405	–	1,087
Interest in and amount due from a joint venture	2,132,733	–	2,132,733	–	–

Remark 2: Others included reportable segment assets of property management services and financial investments amounting to \$132,025,000 and \$517,576,000 (31 December 2021: \$106,439,000 and \$511,928,000) respectively.

### 3 Segment reporting *(Continued)*

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

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

### 4 Profit before taxation

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

#### (a) Other net expenses

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

#### (b) Finance costs

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

Remark: Borrowing costs were capitalised at rates of 0.76% – 5.70% (six months ended 30 June 2021: 1.02% – 5.70%) per annum.



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

##### (c) Other items

	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
Rentals receivable under operating leases less outgoings	(131,043)	(126,606)
Rental income	(148,334)	(151,170)
Less: Outgoings	17,291	24,564
Depreciation and amortisation	10,636	11,527
Interest income	(120,831)	(97,438)

#### 5 Income tax

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
Current tax		
Provision for Profits Tax		
– Hong Kong	8,853	39,253
– Outside Hong Kong	–	958
	8,853	40,211
Land appreciation tax ("LAT")	–	100
Deferred tax	10,421	17,226
	19,274	57,537

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

Under the Provisional Regulations on LAT in Mainland China, all gains arising from the transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditure including 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 \$152,208,000 (six months ended 30 June 2021: \$619,289,000) and the weighted average number of ordinary shares in issue during the period of 1,176,631,296 (six months ended 30 June 2021: 1,176,631,296).

### (b) Diluted earnings per share

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

## 7 Dividends

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

	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
Interim dividend declared after the interim period of \$0.26 (six months ended 30 June 2021: \$0.25) per share	305,924	294,158

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	
	2022	2021
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved during the interim period, of \$0.57 (six months ended 30 June 2021: \$0.56) per share	670,680	658,914

## 8 Investment properties

The investment properties of the Group were revalued at 30 June 2022 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 gain of \$35,674,000 (six months ended 30 June 2021: \$255,908,000) was recognised in profit or loss during the six months ended 30 June 2022.

## 9 Interest in property development

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

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



## 10 Other financial assets

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
<b>Non-current</b>		
Investments measured at amortised cost		
Listed debt securities outside Hong Kong	61,263	445,036
<b>Current</b>		
Investments measured at amortised cost		
Listed debt securities outside Hong Kong	415,950	–
Investments measured at fair value through profit or loss		
Listed equity securities in Hong Kong	14,471	18,770
Unlisted investment fund	25,892	48,122
	456,313	66,892
<b>Total</b>	<b>517,576</b>	<b>511,928</b>
Market value of listed debt securities	409,237	591,378

## 11 Inventories

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Land/Properties held for future development	5,139,920	5,213,903
Properties under development	19,944,316	19,436,671
Properties held for sale	1,196,994	1,387,224
Trading goods and consumables	4,059	3,957
	26,285,289	26,041,755

The amount of land/properties held for future development and properties under development expected to be recovered after more than one year is \$5,139,920,000 (31 December 2021: \$5,213,903,000) and \$15,947,223,000 (31 December 2021: \$15,615,883,000) 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):

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

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

Utility and other deposits of the Group of \$52,797,000 (31 December 2021: \$8,271,000) 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 receivables and loans and advances.

### 13 Trade and other payables

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

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

### 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:

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Within 1 year or on demand	12,866,998	2,053,727
After 1 year but within 2 years	9,722,717	4,948,339
After 2 years but within 5 years	454,440	7,700,000
	10,177,157	12,648,339
	23,044,155	14,702,066

## 15 Bank loans *(Continued)*

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

	<b>At 30 June 2022 \$'000</b>	At 31 December 2021 \$'000
Bank loans		
– secured	<b>21,174,283</b>	12,954,168
– unsecured	<b>1,869,872</b>	1,747,898
	<b>23,044,155</b>	14,702,066

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.

The Company and certain subsidiaries have provided undertakings to fulfil certain covenants under banking facilities which are commonly found in normal borrowing arrangements with financial institutions. As mentioned in Financial Review, the Group's gearing ratio has been increased due to the settlement of the land premium in respect of the acceptance of the land exchange offer for the land located at Ngau Chi Wan, Hong Kong and such ratio is expected to be gradually improved from second half of 2022 onwards. The Group has obtained consensus on the increased gearing ratio from bank and none of bank loans become payable on demand as at 30 June 2022.

## 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 2022 \$'000</b>	<b>At 31 December 2021 \$'000</b>
<b>Assets</b>		
Level 1		
Other financial assets		
– Listed equity securities in Hong Kong	<b>14,471</b>	18,770
Level 2		
Other financial assets		
– Unlisted investment fund	<b>25,892</b>	48,122
Level 3		
Interest in property development	<b>1,872,714</b>	1,870,030

During the six months ended 30 June 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2021: 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>2022 \$'000</b>	<b>2021 \$'000</b>
At 1 January	<b>1,870,030</b>	1,811,771
Distribution	–	(220,000)
Changes in fair value recognised in profit or loss	<b>2,684</b>	278,259
Net changes in fair value	<b>2,684</b>	58,259
At 30 June/31 December	<b>1,872,714</b>	1,870,030

Interest in property development is 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 interest 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 interest 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 a development project at Huizhou in Mainland China includes estimated selling prices of the underlying property which is derived from observable market data, including average market prices of residential 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 property. As at 30 June 2022, it is estimated that an increase/decrease of 5% in the expected/forecasted selling price of the underlying property at Huizhou of the Group's interest in property development, with all other variables held constant, would have increased/decreased the Group's retained profits by \$35,552,000/\$4,756,000 (31 December 2021: \$35,629,000/\$35,723,000).

## 17 Capital commitments

Capital commitments outstanding at the end of the reporting period contracted but not provided for in the financial statements amounted to \$21,688,000 (31 December 2021: \$21,955,000).

## 18 Contingent liabilities

As at 30 June 2022, the Group had given guarantees to financial institutions in respect of performance bonds entered into by a subsidiary to the extent of \$29,757,000 (31 December 2021: \$36,032,000).

## 19 Pledge of assets

As at 30 June 2022, properties having a value of approximately \$28,046,243,000 (31 December 2021: \$12,932,344,000) and deposits of \$17,612,000 (31 December 2021: \$12,689,000) 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 2022, 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 2021: \$3,007,000,000) and guaranteed by these subsidiaries.
- (b) As at 30 June 2022, loans to a joint venture of \$219,500,000 (31 December 2021: \$219,500,000) were unsecured, interest bearing at fixed rate and were not expected to be repaid within one year. As at 30 June 2022, the amount due from a joint venture of \$112,883,000 (31 December 2021: \$112,883,000) and the amount due to a joint venture of \$477,905,000 (31 December 2021: \$491,071,000) were unsecured, interest-free and recoverable/repayable on demand.
- (c) As at 30 June 2022, loan to an associated company of \$227,689,000 (31 December 2021: \$240,329,000) was unsecured, interest-free and was not expected to be repaid within one year. During the six months ended 30 June 2021, interest income of \$553,000 was recognised in profit or loss and included in the share of losses of associated companies. As at 30 June 2022, accumulated accrued interest income of approximately RMB1,151,000,000 (31 December 2021: RMB1,151,000,000) 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 (six months ended 30 June 2021: \$38,548,000) through a related company and use to partially settle a loan from a related company.
- (d) As at 30 June 2022, properties with an aggregate value of \$1,118,009,000 (31 December 2021: \$1,118,009,000) were held on trust by the subsidiaries of Polytec Holdings.
- (e) On 20 May 2022, the Group had entered into an agreement with Polytec Holdings for the proposed acquisition of 100% equity interest of a wholly owned subsidiary of Polytec Holdings at a consideration of \$816,600,000. The assets held by the subsidiary comprised of an interest in property development in Zhuhai, Mainland China. As at 30 June 2022, a deposit of \$81,660,000 had been paid to Polytec Holdings. The proposed acquisition was approved by the shareholders at the extraordinary general meeting held on 20 July 2022.

# *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 2022 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 2022 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, 17 August 2022



# Other Information

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2022, the Company has complied with all code provisions set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception of Code Provision C.2.1 as explained below:

### Code Provision C.2.1

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

## 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 of the Company required to be disclosed are set out below:

1. Mr Seto Gin Chung, John retired as an Independent Non-executive Director of the Company after the conclusion of the Annual General Meeting of the Company held on 8 June 2022 ("AGM"). Upon Mr Seto's retirement, he ceased to be the chairman of the Remuneration Committee of the Company and a member of the Audit Committee of the Company.
2. Mr Lok Kung Chin, Hardy, an Independent Non-executive Director of the Company, has been appointed as the chairman of the Remuneration Committee of the Company with effect from the conclusion of the AGM.
3. The monthly salary of the following Directors has been adjusted since 1 July 2022 and details are set out below:

	1 January 2022 to 30 June 2022	From 1 July 2022
Mr Or Pui Kwan	HK\$101,000	HK\$104,500
Mr Lam Yung Hei	HK\$101,000	HK\$104,500
Mr Lai Ka Fai	HK\$196,100	HK\$203,000

4. Mr Hsu Duff Karman has been appointed as an Independent Non-executive Director of the Company and a member of the Audit Committee and Remuneration Committee of the Company since 1 August 2022.

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 2022, 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 2022.

## DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30 June 2022, 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	831,047,624	70.63%	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 David John Shaw	Personal	200,500	0.02%	
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 2022.
- (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 2022, none of the Directors or the 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 2022, the shareholder (other than Directors and the 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 (Note 1)	Note
New Explorer Developments Limited	Corporate	831,047,624	70.63%	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 2022.
- (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 2022, the Company had not been notified by any persons (other than the Directors or the 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 2022, the Group had a total of 2,700 employees (31 December 2021: 2,854 employees), of which 2,567 were Hong Kong staff and 133 were Mainland China staff. During the period, total staff costs increased to HK\$333 million (30 June 2021: HK\$298 million) due to salary revisions in July 2021. 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, 20 December 2022 to Wednesday, 21 December 2022, both dates inclusive. During the aforementioned period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, for registration not later than 4:30 pm (Hong Kong time) on Monday, 19 December 2022.

## REVIEW OF INTERIM FINANCIAL REPORT

The Audit Committee of the Company has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2022. The Group's independent auditor, KPMG, Certified Public Accountants, has conducted a review of the interim financial report in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants, whose review report is contained on page 33 of this interim report.



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