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**九龍建業有限公司**  
**KOWLOON DEVELOPMENT COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 34)**

**ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**HIGHLIGHTS**

- With substantially less sale proceeds from its development projects being recognised for the year under review, the Group's net profit attributable to shareholders of the Company amounted to HK\$801 million compared to HK\$2,450 million in 2019, a decrease of 67.3%.
- Excluding revaluation changes from the Group's investment properties net of tax and fair value changes on its interests in the property development projects, underlying net profit attributable to shareholders of the Company for 2020 fell to HK\$1,299 million from HK\$2,600 million in 2019, a decrease of 50.0%. The underlying net earnings per share for 2020 were HK\$1.10 compared to HK\$2.21 in 2019.
- Final dividend in cash of HK\$0.56 per share is proposed. Full year dividend in cash for 2020 amounts to HK\$0.80 per share. In addition, the Special Interim Dividend in Kind of 2.67 ordinary shares of Polytec Asset (Stock Code: 208) per share was distributed on 30 October 2020.

**GROUP RESULTS AND DIVIDENDS**

For the year ended 31 December 2020, the Group's net profit attributable to shareholders of the Company amounted to HK\$801 million compared to HK\$2,450 million in 2019, a decrease of 67.3%. Excluding revaluation changes from the Group's investment properties net of tax and fair value changes on its interests in the property development projects, underlying net profit attributable to shareholders of the Company for 2020 fell to HK\$1,299 million from HK\$2,600 million in 2019, a decrease of 50.0%. The underlying net earnings per share for 2020 were HK\$1.10 compared to HK\$2.21 in 2019.

The Board of Directors has recommended the payment of a final dividend in cash of HK\$0.56 (2019: HK\$0.54) per share for the year ended 31 December 2020. Together with the 2020 interim dividend in cash of HK\$0.24 (2019: HK\$0.24) per share and a special interim dividend by way of distribution in specie (the “Special Interim Dividend in Kind”) distributed on the basis of 2.67 ordinary shares of Polytec Asset Holdings Limited (“Polytec Asset”) (Stock Code: 208) for every 1 ordinary share of the Company held, the full year dividend in cash for 2020 amounts to HK\$0.80 (2019: HK\$0.78) per share plus the Special Interim Dividend in Kind (2019: Nil).

Note that the Special Interim Dividend in Kind would represent a total of HK\$4.00 per share in cash, based on the payment of the cancellation price of HK\$1.50 per share of Polytec Asset proposed by its controlling shareholder for privatising Polytec Asset, which was stated in the announcement of Polytec Asset dated 21 January 2021, subject to completion of the privatisation of Polytec Asset.

The final dividend will be payable on Friday, 25 June 2021 to shareholders whose names appear on the Register of Members of the Company on Thursday, 10 June 2021, subject to the approval of shareholders at the 2021 Annual General Meeting (the “2021 AGM”).

## **MARKET OVERVIEW AND BUSINESS REVIEW**

The property markets in Hong Kong and Mainland China were adversely affected to varying degrees by the outbreak of the coronavirus in early 2020. The pandemic was largely contained in Mainland China in the middle of 2020 and the residential market regained strength in the second half of 2020, with transaction volume having rebounded substantially.

In Hong Kong, as the epidemic has not fully been contained so far, the social distancing, border control and associated quarantine measures are still in place and therefore there is still no sign of a meaningful economic recovery. However, due to the prevailing ultra-low borrowing costs, the overall property sales activity picked up considerably in the second half following a deep slump in the first half of 2020. Nevertheless, both the full-year overall transaction volume and the average transaction price in the residential property market remained stable in 2020.

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

In Hong Kong, the Group’s wholly-owned high-end residential development project, namely 63 Pokfulam, was completed in February 2020, with over 90% of the residential units being sold and total sale proceeds of approximately HK\$2.70 billion being recognised for the year ended 31 December 2020.

In Mainland China, there was only a small portion of sale proceeds from the remaining units of various development projects being recognised in 2020.

### ***Property Development***

As announced on 23 October 2020, the Group entered into the cooperation agreement with Mr Or Pui Kwan, an Executive Director of the Company, pursuant to which the Group and Mr Or Pui Kwan will cooperate in connection with the redevelopment of 2B, 2C, 4, 4B, 6 and 6A High Street, Sai Ying Pun, Hong Kong which covers a total site area of approximately 508 sq m.

In October 2020, the Group successfully acquired four parcels of land located in Jiexiu, Shanxi Province through public tender. The four parcels of land combined covers a total site area of approximately 181,013 sq m.

As at 31 December 2020, the Group's landbank for development amounted to approximately 3.7 million sq m of attributable gross floor area ("GFA"). The Group's major property projects under planning and development are set out as follows:

*Major Property Projects under Planning and Development*

Property Project	District/City	Usage	Approx. Total Site Area (sq m)	Approx. Total GFA (sq m)	Approx. Total GFA Booked <sup>a</sup> (sq m)	Group's Interest	Project Status	Expected Date of Completion
<b>Hong Kong</b>								
Tseung Kwan O	Tseung Kwan O, New Territories	Residential	9,635	48,200	—	100%	Superstructure works in progress	End-2021/ Early-2022
High Street <sup>22</sup>	Sai Ying Pun, Hong Kong	Residential & commercial	508	4,267 <sup>23</sup>	—	60%	Acquired over 90% units and compulsory sale for remaining units in progress	To be determined
Clear Water Bay Road	Ngau Chi Wan, Kowloon	Residential & commercial	19,335	196,400	—	100%	Land premium negotiation in progress	To be determined
<b>Mainland China</b>								
Le Cove City (Shenyang) 江灣城 (瀋陽)	Hun Nan Xin District, Shenyang	Residential & commercial	165,303	712,000	368,554	100%	Planning and design works for Phase 5 in progress	Phase 5 2023
The Gardenia (Shenyang) 翠堤灣 (瀋陽)	Shenhe District, Shenyang	Residential & commercial	1,100,000	2,000,000	603,827	100%	Superstructure works for Phase 3A (South Block) in progress	Phase 3A (South Block) 2021/2022
Le Cove Garden (Huizhou) 江灣南岸花園 (惠州) <sup>#</sup>	Huicheng District, Huizhou	Residential & commercial	146,056	519,900	245,800	60%	Superstructure works for Phase 2 in progress	Phase 2 2021; Phase 3 2023
The Lake (Foshan) 山語湖 (佛山)	Nanhai District, Foshan	Residential & commercial	4,020,743	1,600,000	852,346	50%	Superstructure works for Phase 3 in progress	Phase 3 2022
Le Cove City (Wuxi) 江灣城 (無錫)	Chong An District, Wuxi	Residential & commercial	68,833	365,000	110,510	100%	Foundation works for Phase 3 and Phase 4 in progress	Phase 3 and Phase 4 2023 – 2025

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

Property Project	District/City	Usage	Approx. Total Site Area (sq m)	Approx. Total GFA (sq m)	Approx. Total GFA Booked* (sq m)	Group's Interest	Project Status	Expected Date of Completion
<b>Mainland China (Continued)</b>								
City Plaza (Tianjin) 城市廣場 (天津)	Hedong District, Tianjin	Residential & commercial	135,540	850,000	243,476	49%	Foundation works for Phase 3B in progress	Phase 3A 2023; Phase 3B 2025
Yangpu (Shanghai) 楊浦 (上海)	Yangpu District, Shanghai	Residential & commercial	21,427	113,600 <sup>△</sup>	—	100%	Master planning in progress	2023/2024
Jiexiu (Shanxi) 介休 (山西)	Jiexiu	Residential & commercial	181,013	463,100	—	100%	Development in multi-phase; foundation works in progress	2023 – 2026

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

☆ The redevelopment of this project is under the cooperation agreement with Mr Or Pui Kwan.

⊕ Calculation based on the plot ratio of 8.4.

# The development of this project is under the co-investment agreement with Polytec Holdings International Limited.

△ Including underground GFA of approximately 39,035 sq m.

Note: Following the distribution of the Special Interim Dividend in Kind on 30 October 2020, the Group no longer has any interest in Zhongshan project located in South District, Zhongshan.

## Property Investment in Hong Kong

Due to the outbreak of the coronavirus, total retail sales in Hong Kong plummeted by a record 24.3% in value for 2020. The impacts of the pandemic on the economy were broad-based. In particular, the retail sector was severely hit, with a record-low tourist arrivals and social distancing and related measures significantly dampening consumer sentiment. The Group's income from its investment property portfolio was adversely affected for the year under review.

Gross rental income generated from the Group's investment property portfolio in Hong Kong for 2020 fell to HK\$293 million from HK\$357 million in 2019, a decrease of 17.9%, with a decline in the overall occupancy rate. The decrease in rental income was partly due to the rent concessions granted to tenants during this difficult time over the past year.

## Financial Investments

Total net income generated from the Group's financial investment activities amounted to HK\$74 million for the year ended 31 December 2020, including net income of HK\$43 million generated by Polytec Asset, which has ceased to be a subsidiary of the Company since 30 October 2020.

## **DISCONTINUED BUSINESS OPERATIONS – POLYTEC ASSET**

Following the distribution of the Special Interim Dividend in Kind on 30 October 2020, the Group no longer has any interest in Polytec Asset, the then 70.79%-owned listed subsidiary of the Company, and the underlying net profit attributable to the Group from Polytec Asset amounted to approximately HK\$193 million for the period up to the distribution in 2020.

## **PROSPECTS**

It appears that the outbreak of the coronavirus started in early 2020 has not been effectively contained so far in most parts of the world and the outlook for the global economy remains uncertain. It remains to be seen if major economies are able to gradually recover in the rest of this year, which would mainly depend on the effectiveness of the vaccines and their vaccination rates.

In Hong Kong, the superstructure works for the Group's wholly-owned residential development project in Tseung Kwan O are well underway and the Group intends to launch the presale in the fourth quarter of 2021.

In Mainland China, the overall property market regained strength in the third quarter following a considerable decline in the transaction volume in the first half of 2020 due to the pandemic. With favourable market sentiment, the presale of the Phase 2 residential development of Le Cove Garden in Huizhou and the Phase 3A (South Block) residential development of The Gardenia in Shenyang have been launched respectively and they were well received by the market. The construction works for the Phase 4 development of Le Cove City in Wuxi are in progress and the presale of a portion of residential units is expected to be launched in the second half of 2021. The overall planning for the Group's redevelopment project in Shanghai is in progress, with the relocation works and demolition works having been completed.

For the year under review, the Group acquired two development projects in Hong Kong and Mainland China respectively. In Hong Kong, the Group acquired 60% interests in a residential and commercial redevelopment project on High Street in Sai Ying Pun, covering a total site area of approximately 508 sq m which is intended to be developed into a high-end residential tower with a few retail shops.

In Mainland China, the Group acquired four parcels of land for residential and commercial uses in Jiexiu, Shanxi Province through a public tender, with a total site area of approximately 181,013 sq m. The combined site is intended to be developed into a landmark residential and commercial complex or community in the area of Jiexiu, covering a total GFA exceeding 400,000 sq m. The presale of the first phase of development is expected to be launched in the middle of 2021.

Following the distribution of the Special Interim Dividend in Kind on 30 October 2020, the Group no longer has any interests in the assets and businesses operated by Polytec Asset. The Group will continue to focus on its core property and property-related businesses in Hong Kong and Mainland China, aiming to replenish its quality landbank in the coming year.

On behalf of the Board, I would like to express my sincere gratitude to all of our staff for the dedication and contributions.

## CONSOLIDATED RESULTS

The consolidated results of the Group for the year ended 31 December 2020 together with the comparative figures of 2019 are as follows:

### Consolidated Income Statement for the year ended 31 December 2020

		2020	2019
	<i>Note</i>	<b>HK\$'000</b>	(restated) HK\$'000
<b>Continuing operations</b>			
<b>Revenue</b>	3	<b>4,706,037</b>	10,837,484
Cost of sales		<b>(2,184,685)</b>	(6,533,907)
Other revenue		<b>92,913</b>	41,722
Other net expenses	4(a)	<b>(33,270)</b>	(348,896)
Depreciation and amortisation		<b>(30,862)</b>	(25,736)
Staff costs		<b>(612,472)</b>	(343,087)
Selling, marketing and distribution expenses		<b>(294,470)</b>	(511,337)
Other operating expenses		<b>(169,697)</b>	(74,720)
Fair value changes on investment properties		<b>(562,037)</b>	(299,047)
Fair value changes on interests in property development		<b>31,741</b>	(36,736)
<b>Profit from operations</b>		<b>943,198</b>	2,705,740
Finance costs	4(b)	<b>(135,483)</b>	(290,496)
Share of profits of associated companies		<b>8,263</b>	10,203
Share of profits of joint ventures		<b>19,619</b>	23,434
<b>Profit before taxation</b>	4	<b>835,597</b>	2,448,881
Income tax	5	<b>(233,435)</b>	(481,389)
<b>Profit for the year from continuing operations</b>		<b>602,162</b>	1,967,492
<b>Discontinued operations</b>			
<b>Profit for the year from discontinued operations</b>	6	<b>295,714</b>	694,484
<b>Profit for the year</b>		<b>897,876</b>	2,661,976

**Consolidated Income Statement** *(continued)*  
for the year ended 31 December 2020

	2020	2019
	<i>HK\$'000</i>	(restated) <i>HK\$'000</i>
<i>Note</i>		
<b>Attributable to:</b>		
Shareholders of the Company	<b>800,868</b>	2,449,733
Non-controlling interests	<b>97,008</b>	212,243
	<u><b>897,876</b></u>	<u>2,661,976</u>
<b>Profit for the year</b>	<b>897,876</b>	2,661,976
<b>Attributable to shareholders of the Company arising from:</b>		
Continuing operations	<b>591,532</b>	1,958,108
Discontinued operations	<b>209,336</b>	491,625
	<u><b>800,868</b></u>	<u>2,449,733</u>
<b>Attributable to non-controlling interests arising from:</b>		
Continuing operations	<b>10,630</b>	9,384
Discontinued operations	<b>86,378</b>	202,859
	<u><b>97,008</b></u>	<u>212,243</u>
<b>Earnings per share – Basic and diluted</b>	<i>7</i>	
Continuing operations	<b>HK\$0.50</b>	HK\$1.66
Discontinued operations	<b>HK\$0.18</b>	HK\$0.42
	<u><b>HK\$0.68</b></u>	<u>HK\$2.08</u>

**Consolidated Statement of Comprehensive Income**  
for the year ended 31 December 2020

	2020	2019
	<i>HK\$'000</i>	(restated) <i>HK\$'000</i>
<b>Profit for the year</b>	<u><b>897,876</b></u>	<u>2,661,976</u>
<b>Other comprehensive income for the year</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	261,416	(93,274)
Share of other comprehensive income of joint ventures and associated companies	<u>248,695</u>	<u>(103,546)</u>
	<u>510,111</u>	<u>(196,820)</u>
<b>Total comprehensive income for the year</b>	<u><b>1,407,987</b></u>	<u>2,465,156</u>
<b>Attributable to:</b>		
Shareholders of the Company	1,296,884	2,262,724
Non-controlling interests	<u>111,103</u>	<u>202,432</u>
<b>Total comprehensive income for the year</b>	<u><b>1,407,987</b></u>	<u>2,465,156</u>
<b>Total comprehensive income for the year attributable to shareholders of the Company arising from:</b>		
Continuing operations	1,087,548	1,771,099
Discontinued operations	<u>209,336</u>	<u>491,625</u>
	<u><b>1,296,884</b></u>	<u>2,262,724</u>
<b>Total comprehensive income for the year attributable to non-controlling interests arising from:</b>		
Continuing operations	24,725	(427)
Discontinued operations	<u>86,378</u>	<u>202,859</u>
	<u><b>111,103</b></u>	<u>202,432</u>



## Consolidated Statement of Financial Position

At 31 December 2020

		2020		2019	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Investment properties			<b>9,859,630</b>		10,424,950
Property, plant and equipment			<b>291,529</b>		564,528
Oil exploitation assets			–		6,001
Interests in property development	9		<b>1,811,771</b>		12,606,030
Interest in joint ventures			<b>2,067,652</b>		4,621,186
Interest in associated companies			<b>1,527,988</b>		1,506,604
Other financial assets			<b>916,503</b>		161,050
Trade and other receivables	10		<b>87,340</b>		98,280
Loans and advances	10		<b>514,304</b>		484,891
Deferred tax assets			<b>37,409</b>		53,523
			<b>17,114,126</b>		30,527,043
<b>Current assets</b>					
Inventories		<b>15,040,616</b>		14,757,745	
Interests in property development	9	–		1,447,493	
Trade and other receivables	10	<b>565,339</b>		1,277,302	
Loans and advances	10	<b>18,309</b>		16,220	
Other financial assets		<b>105,671</b>		15,418	
Amount due from a related company		–		500,000	
Amounts due from joint ventures		<b>112,883</b>		316,005	
Pledged deposits		<b>13,692</b>		15,000	
Cash and bank balances		<b>1,133,841</b>		3,259,366	
		<b>16,990,351</b>		21,604,549	

**Consolidated Statement of Financial Position** (continued)

At 31 December 2020

		2020		2019	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Current liabilities</b>					
Trade and other payables	11	2,403,642		4,059,060	
Amount due to a joint venture		477,046		470,542	
Loan from an associated company		47,075		44,229	
Bank loans		5,747,849		1,526,686	
Current taxation		488,433		683,910	
		<u>9,164,045</u>		<u>6,784,427</u>	
<b>Net current assets</b>			<u>7,826,306</u>		<u>14,820,122</u>
<b>Total assets less current liabilities</b>			<b>24,940,432</b>		<b>45,347,165</b>
<b>Non-current liabilities</b>					
Loan from a related company		695,335		3,972,379	
Bank loans		6,127,401		9,433,422	
Other payables		–		17,688	
Deferred tax liabilities		529,503		602,328	
			<u>7,352,239</u>		<u>14,025,817</u>
<b>NET ASSETS</b>			<u><b>17,588,193</b></u>		<u><b>31,321,348</b></u>
<b>Capital and reserves</b>					
Share capital		8,636,490		8,636,490	
Reserves		8,833,237		18,431,717	
<b>Total equity attributable to the shareholders of the Company</b>			<b>17,469,727</b>		<b>27,068,207</b>
<b>Non-controlling interests</b>			<u><b>118,466</b></u>		<u><b>4,253,141</b></u>
<b>TOTAL EQUITY</b>			<u><b>17,588,193</b></u>		<u><b>31,321,348</b></u>

## **1 Basis of preparation**

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The financial information relating to the financial years ended 31 December 2020 and 2019 included in this announcement of annual results does not constitute the Company’s statutory annual consolidated financial statements for those financial years 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 2019 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2020 in due course. The auditor has reported on those financial statements for both years. The reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the financial statements.

## **2 Changes in accounting policies**

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. None of the development has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

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

## **3 Segment reporting**

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

### 3 Segment reporting (continued)

#### Continuing operations:

- 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 financial investments, the provision of finance services, the provision of property management services and treasury operations.

#### Discontinued operations:

- Property development segment (Macau): the development and sale of properties and interests in property development.
- Oil segment: oil exploration and production.

The property development in Macau and oil operation have been disposed of and classified as discontinued operations, and the related information has been set out in note 6.

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

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

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

### 3 Segment reporting (continued)

#### (a) Segment results and assets

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

	2020								
	Continuing operations						Discontinued operations		
	Total HK\$'000	Sub-total HK\$'000	Property development		Property investment HK\$'000	Others HK\$'000	Property development		
			Hong Kong HK\$'000	Mainland China HK\$'000			Sub-total HK\$'000	Macau HK\$'000	Oil HK\$'000
Revenue	<u>5,011,768</u>	<u>4,706,037</u>	<u>3,131,912</u>	<u>504,470</u>	<u>293,099</u>	<u>776,556</u>	<u>305,731</u>	<u>280,280</u>	<u>25,451</u>
Reportable segment profit	1,899,060	1,685,670	1,201,157	(29,521)	307,367	206,667	213,390	286,330	(72,940)
Other net expenses	(33,270)	(33,270)	-	-	747	(34,017)	-	-	-
Fair value changes on investment properties	(562,037)	(562,037)	-	-	(562,037)	-	-	-	-
Fair value changes on interests in property development	118,394	31,741	-	31,741	-	-	86,653	86,653	-
Share of fair value changes on investment properties of a joint venture	(40,979)	(40,979)	-	-	(40,979)	-	-	-	-
Head office and corporate expenses	(110,045)	(110,045)	-	-	-	-	-	-	-
Finance costs	<u>(135,483)</u>	<u>(135,483)</u>	-	-	-	-	-	-	-
Profit before taxation	<u>1,135,640</u>	<u>835,597</u>	-	-	-	-	<u>300,043</u>	-	-
Share of profits of associated companies	8,263	8,263	-	9,077	-	(814)	-	-	-
Share of profits of joint ventures	19,619	19,619	-	(1,193)	20,812	-	-	-	-
Interest income	197,284	197,284	-	-	-	197,284	-	-	-
Impairment of oil production and exploitation assets	(59,463)	-	-	-	-	-	(59,463)	-	(59,463)
Depreciation and amortisation	(40,556)	(30,862)	-	-	-	(30,862)	(9,694)	-	(9,694)

### 3 Segment reporting (continued)

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

	2019								
	Continuing operations						Discontinued operations		
	Total HK\$'000	Sub-total HK\$'000	Property development		Property investment HK\$'000	Others HK\$'000	Property development		Oil HK\$'000
			Hong Kong HK\$'000	Mainland China HK\$'000			Macau HK\$'000		
Revenue	<u>11,623,523</u>	<u>10,837,484</u>	<u>8,273,300</u>	<u>1,805,499</u>	<u>357,486</u>	<u>401,199</u>	<u>786,039</u>	<u>724,500</u>	<u>61,539</u>
Reportable segment profit	4,015,195	3,543,601	2,930,848	60,289	402,252	150,212	471,594	729,053	(257,459)
Other net expenses	(348,896)	(348,896)	-	(348,979)	300	(217)	-	-	-
Fair value changes on investment properties	(299,047)	(299,047)	-	-	(299,047)	-	-	-	-
Fair value changes on interests in property development	215,569	(36,736)	-	(36,736)	-	-	252,305	252,305	-
Share of fair value changes on investment properties of a joint venture	9,240	9,240	-	-	9,240	-	-	-	-
Head office and corporate expenses	(128,785)	(128,785)	-	-	-	-	-	-	-
Finance costs	<u>(290,496)</u>	<u>(290,496)</u>	-	-	-	-	-	-	-
Profit before taxation	<u>3,172,780</u>	<u>2,448,881</u>	-	-	-	-	<u>723,899</u>	-	-
Share of profits of associated companies	10,203	10,203	-	8,445	-	1,758	-	-	-
Share of profits of joint ventures	23,434	23,434	-	(53,814)	77,248	-	-	-	-
Interest income	128,177	128,177	-	-	-	128,177	-	-	-
Write down of inventories	(348,979)	(348,979)	-	(348,979)	-	-	-	-	-
Impairment of oil production and exploitation assets	(231,573)	-	-	-	-	-	(231,573)	-	(231,573)
Depreciation and amortisation	(49,893)	(25,736)	-	-	-	(25,736)	(24,157)	-	(24,157)

### 3 Segment reporting (continued)

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

	2020						
	Total HK\$'000	Property development			Property investment HK\$'000	Others HK\$'000	
		Hong Kong HK\$'000	Mainland China HK\$'000				
Reportable segment assets	32,822,767	6,211,195	14,775,842		9,884,136		1,951,594
Deferred tax assets	37,409						
Pledged deposits	13,692						
Cash and bank balances	1,133,841						
Head office and corporate assets	96,768						
<b>Total assets</b>	<b>34,104,477</b>						
Interest in associated companies	1,527,988	–	1,526,447		–		1,541
Interest in and amounts due from joint ventures	2,180,535	–	2,180,535		–		–
	2019						
	Total HK\$'000	Property development			Property investment HK\$'000	Oil HK\$'000	Others HK\$'000
		Hong Kong HK\$'000	Mainland China HK\$'000	Macau HK\$'000			
Reportable segment assets	48,682,467	7,233,511	15,246,353	12,838,355	12,255,615	95,051	1,013,582
Deferred tax assets	53,523						
Pledged deposits	15,000						
Cash and bank balances	3,259,366						
Head office and corporate assets	121,236						
<b>Total assets</b>	<b>52,131,592</b>						
Interest in associated companies	1,506,604	–	1,504,249	–	–	–	2,355
Interest in and amounts due from joint ventures	4,937,191	–	3,413,775	–	1,523,416	–	–

### 3 Segment reporting (continued)

#### (b) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets other than financial instruments and deferred tax assets. The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of non-current assets is based on the physical location of the asset and, in case of interests in associated companies and joint ventures, the location of operations.

	Revenue		Non-current assets	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
<u>Continuing operations</u>				
Hong Kong (place of domicile)	4,056,073	8,990,196	10,149,229	10,925,867
Mainland China	544,939	1,841,764	3,597,570	4,607,280
Others	105,025	5,524	–	–
	<u>4,706,037</u>	<u>10,837,484</u>	<u>13,746,799</u>	<u>15,533,147</u>
<u>Discontinued operations</u>				
Macau	280,280	724,500	–	1,523,416
Kazakhstan	25,451	61,539	–	66,706
	<u>305,731</u>	<u>786,039</u>	<u>–</u>	<u>1,590,122</u>
	<u>5,011,768</u>	<u>11,623,523</u>	<u>13,746,799</u>	<u>17,123,269</u>

In addition to the above non-current assets, the Group has interests in property development of HK\$Nil (2019: HK\$10,826,000,000) and HK\$1,811,711,000 (2019: HK\$1,780,030,000) in Macau and Mainland China respectively.

### 4 Profit before taxation from continuing operations

Profit before taxation from continuing operations is arrived at after charging/(crediting) the amounts as set out below.

#### (a) Other net expenses

Other net expenses mainly represent provision for loss allowance of debt securities of HK\$20,045,000 and fair value changes on equity securities and investment fund of HK\$13,972,000 (2019: written down of inventories of HK\$348,979,000).



#### 4 Profit before taxation from continuing operations (continued)

##### (b) Finance costs

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank loans	314,184	389,415
Interest on loans from related companies	22,409	113,084
Less: Amount capitalised	<u>(201,110)</u>	<u>(212,003)</u>
	<b><u>135,483</u></b>	<b><u>290,496</u></b>

##### (c) Other items

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Depreciation and amortisation of property, plant and equipment	30,862	25,736
Staff costs (Remark)	623,824	357,274
Total staff costs	<b>658,633</b>	392,907
Less: Amount capitalised	<b><u>(34,809)</u></b>	<b><u>(35,633)</u></b>

Remark:

Selling, marketing and distribution expenses includes HK\$11,352,000 (2019: HK\$14,187,000) relating to staff costs, which amount is also included in the respective total amounts disclosed separately above.

#### 5 Income tax

Taxation from continuing operations in the consolidated income statement represents:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Current tax</b>		
Provision for profits tax		
– Hong Kong	257,285	528,485
– Outside Hong Kong	<u>4,325</u>	<u>27,349</u>
	<b>261,610</b>	555,834
<b>Land appreciation tax (“LAT”)</b>	–	15,494
<b>Deferred tax</b>	<u>(28,175)</u>	<u>(89,939)</u>
	<b><u>233,435</u></b>	<b><u>481,389</u></b>

## 5 Income tax (continued)

The provision for Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year.

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, borrowing costs and all property development expenditure.

## 6 Discontinued operations

On 19 August 2020, the Board of Directors declared a special dividend that was satisfied by way of distribution in specie of the shares in Polytec Asset Holdings Limited (“PAH”) held by the Group to the shareholders of the Company.

Upon completion of the distribution in specie, the Group no longer engages in property development in Macau and oil operation which were solely attributable to PAH. Accordingly, these operations were classified as discontinued operations.

The distribution in specie was completed on 30 October 2020 and the Group’s property development in Macau and oil operation ceased thereafter.

The results of discontinued operations are as follows:

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
<b>Revenue</b>	<b>305,731</b>	786,039
Cost of sales	<b>(21,689)</b>	(50,167)
Other revenue	<b>8,075</b>	9,172
Depreciation and amortisation	<b>(127)</b>	(301)
Staff costs	<b>(8,591)</b>	(12,273)
Selling, marketing and distribution expenses	<b>(5,688)</b>	(19,306)
Impairment of oil production and exploitation assets	<b>(59,463)</b>	(231,573)
Other operating expenses	<b>(4,858)</b>	(9,997)
Fair value changes on interests in property development	<b>86,653</b>	252,305
Profit before taxation	<b>300,043</b>	723,899
Income tax	<b>(4,329)</b>	(29,415)
Profit for the year from discontinued operations	<b>295,714</b>	694,484
Attributable to:		
Shareholders of the Company	<b>209,336</b>	491,625
Non-controlling interests	<b>86,378</b>	202,859
	<b>295,714</b>	694,484

## 7 Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company arising from continuing operations and discontinued operations of HK\$591,532,000 (2019: HK\$1,958,108,000) and HK\$209,336,000 (2019: HK\$491,625,000) respectively and the weighted average number of ordinary shares in issue during the year of 1,176,631,296 (2019: 1,176,631,296).

### (b) Diluted earnings per share

There were no dilutive potential shares in existence during the years ended 31 December 2020 and 2019.

## 8 Dividends

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Cash dividends:</b>		
Interim dividend declared and paid of HK\$0.24 (2019: HK\$0.24) per share	<b>282,392</b>	282,392
Final dividend proposed after the end of the reporting period of HK\$0.56 (2019: HK\$0.54) per share	<u><b>658,914</b></u>	<u>635,381</u>
	<u><b>941,306</b></u>	<u>917,773</u>

### Remark:

On 19 August 2020, the Board of Directors declared a special dividend which was satisfied by way of distribution of specie on the basis of 2.67 ordinary shares of PAH for every 1 ordinary share of the Company.

The final dividend declared after the year end has not been recognised as a liability at 31 December.

## 9 Interests in property development

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	<b>14,053,523</b>	13,837,954
Distributions	<b>(280,000)</b>	(720,000)
Changes in fair value recognised in profit or loss	<b>398,394</b>	935,569
Net changes in fair value		
– continuing operations	<b>31,741</b>	(36,736)
– discontinued operations	<b>86,653</b>	252,305
Distribution in specie	<b>(12,360,146)</b>	–
At 31 December	<b><u>1,811,771</u></b>	<b><u>14,053,523</u></b>
Representing:		
Non-current assets	<b>1,811,771</b>	12,606,030
Current assets	<b>–</b>	1,447,493
	<b><u>1,811,771</u></b>	<b><u>14,053,523</u></b>

Interests in property development represent the Group's interests in the development of a property located in Mainland China (2019: various properties located in Macau and Mainland China) under the co-investment agreement with Polytec Holdings International Limited ("Polytec Holdings") (2019: Polytec Holdings and two of its wholly owned subsidiaries). Pursuant to the terms of the co-investment agreements, the Group will provide funding to cover any shortfall in the funding of the property development project which is subject to an aggregate maximum amount. In return, Polytec Holdings (2019: Polytec Holdings and its two wholly owned subsidiaries) will pay to the Group cash flows from the property development project according to the formulae set out in the co-investment agreement. Details of the funding arrangements and other key terms of the co-investment agreement are disclosed in the Company's Circulars dated 30 October 2013 (2019: 23 May 2006 and 30 October 2013). Interests in property development are stated at fair value at the end of the reporting period.

During the year ended 31 December 2020, pursuant to the co-investment agreements, distributions of HK\$280,000,000 (2019: HK\$720,000,000) were made by one of the Polytec Holdings wholly owned subsidiaries, in relation to the property development project at Lotes T+T1. Income arising from interests in property development recognised in the consolidated income statement from the distributions during the year ended 31 December 2020 amounted to HK\$280,000,000 (2019: HK\$720,000,000).

As at 31 December 2020, interests in property development of HK\$Nil (2019: HK\$1,447,493,000) was expected to be recoverable within one year and was classified as current assets.

## 10 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 31 December:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current	734,786	935,898
Within 3 months	37,076	18,845
3 months to 6 months	5,587	3,983
More than 6 months	<u>7,943</u>	<u>11,251</u>
Trade receivables and loans and advances	785,392	969,977
Utility and other deposits	21,749	186,571
Prepaid tax	88,745	89,021
Other receivables and prepayments	<u>289,406</u>	<u>631,124</u>
	<b><u>1,185,292</u></b>	<b><u>1,876,693</u></b>
Representing:		
Non-current assets	601,644	583,171
Current assets	<u>583,648</u>	<u>1,293,522</u>
	<b><u>1,185,292</u></b>	<b><u>1,876,693</u></b>

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

Included in utility and other deposits as at 31 December 2019 was a deposit of HK\$161,095,000 paid to Polytec Holdings for the proposed acquisition of 60% interest of a wholly owned subsidiary of Polytec Holdings together with the assignment of loans from Polytec Holding. The proposed acquisition was terminated in January 2020 and the deposit was refunded to the Group accordingly.

## 11 Trade and other payables

The following is an ageing analysis (based on the due date) of trade payables at 31 December:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Not yet due or on demand	1,792,205	1,736,530
Within 3 months	1,923	3,503
3 months to 6 months	–	107
More than 6 months	<u>9</u>	<u>24</u>
Trade payables	1,794,137	1,740,164
Rental and other deposits	72,759	78,278
Other payables and accrued expenses	300,661	328,268
Contract liabilities – deposits received on sale of properties	<u>236,085</u>	<u>1,912,350</u>
	<b><u>2,403,642</u></b>	<b><u>4,059,060</u></b>

## FINANCIAL REVIEW

### Financial resources and bank borrowings

Total bank borrowings of the Group amounting to HK\$11,875 million as at 31 December 2020 (31 December 2019: HK\$10,960 million), comprising of HK\$5,748 million repayable within one year and HK\$6,127 million repayable after one year. Taking into account of cash and bank balances with an amount of HK\$1,134 million, the Group's net bank borrowings position was HK\$10,741 million as at 31 December 2020. Loan from a related company amounted to HK\$695 million as at 31 December 2020.

The Group's gearing ratio (calculated on the basis of net bank borrowings and loan from a related company less amount due from a related company over equity attributable to shareholders of the Company) was 65.5% as at 31 December 2020 (31 December 2019: 41.3%). The increase was mainly due to the Group distributing all its 70.79% equity interests in Polytec Asset Holdings Limited (Stock Code: 208) through distribution in specie during 2020.

During the year, sales/presales for the property projects in Hong Kong contributed cash inflows of approximately HK\$1,880 million to the Group. Furthermore, the Group recorded approximately HK\$198 million cash inflows mainly from sales/presales of various development projects in Mainland China.

During the year, distribution of HK\$280 million was received from a wholly owned subsidiary of a related company to the Group in relation to the development project at La Marina.

The Group continued to actively engage in the development projects in Hong Kong and Mainland China and expended a total of approximately HK\$1,765 million for construction costs during the year.

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 presale/sale 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 31 December 2020, the Group had commitments mainly in connection with the Group's investment properties amounting to HK\$22 million.

### *Pledge of assets*

As at 31 December 2020, properties having a value of HK\$13,690 million and deposits of HK\$14 million were pledged to banks and insurance companies mainly to secure banking facilities extended to the Group.

### ***Contingent liabilities***

As at 31 December 2020, the Group had given guarantees to financial institutions in respect of performance bonds entered into by a subsidiary to the extent of HK\$26 million.

### **HUMAN RESOURCES**

As at 31 December 2020, since Polytec Asset was no longer a subsidiary of the Company, the total headcount of the Group decreased to 2,906 employees (2019: 3,062 employees), of which 2,782 were Hong Kong staff and 124 were Mainland China staff. As the first full year of the staff costs of Easy Living Consultant Limited, which became a subsidiary of the Company in August 2019, was booked by the Group in 2020, the total staff costs increased to HK\$670 million (2019: HK\$410 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 and conducted a Christmas lucky draw for employees during the year to promote team spirit and loyalty and encourage communication among departments.

### **OTHER INFORMATION**

#### ***Review by Audit Committee***

The Audit Committee of the Company has reviewed and discussed with the Group's independent auditor, KPMG, Certified Public Accountants, the consolidated financial statements of the Group for the year ended 31 December 2020 including critical accounting policies and practices adopted by the Group.

#### ***Scope of Work of KPMG***

The financial figures in respect of the Group's consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in the announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2020 and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

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

Throughout the year, the Company has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), with the exception of Code Provision A.2.1 as explained below:

### **Code Provision A.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. This combining of the roles enables the Company to make prompt and effective decisions. The corporate governance principles of the Company emphasise the importance of a quality Board and accountability to shareholders. In ensuring proper ethical and responsible decision making, the Board has established a series of mechanisms for formal review of particular aspects of the Company’s affairs. Important decisions, including those which may be expected to affect the long-term shareholder interests, are made by the Board and applicable Board committees.

## ***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 year ended 31 December 2020.

## ***2021 AGM***

The 2021 AGM of the Company will be held on Wednesday, 2 June 2021. The Notice of the 2021 AGM will be published and dispatched in due course.

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

For the purpose of determining shareholders’ eligibility to attend and vote at the 2021 AGM, the Register of Members of the Company will be closed from Friday, 28 May 2021 to Wednesday, 2 June 2021, both dates inclusive. During the aforementioned period, no transfer of shares will be registered. In order to be eligible to attend and vote at the 2021 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 pm (Hong Kong time) on Thursday, 27 May 2021.

For the purpose of determining shareholders’ entitlement to the proposed final dividend, the Register of Members of the Company will be closed from Wednesday, 9 June 2021 to Thursday, 10 June 2021, both dates inclusive. During the aforementioned period, no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at the abovementioned address for registration not later than 4:30 pm (Hong Kong time) on Tuesday, 8 June 2021.



***Publication of Annual Report***

The Annual Report 2020 containing all the information as required by the Listing Rules will be published on the Company's website at [www.kdc.com.hk](http://www.kdc.com.hk) and the website of Hong Kong Exchanges and Clearing Limited, while printed copies will be sent to shareholders by the end of April 2021.

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

Hong Kong, 31 March 2021

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