

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 34)

2021 INTERIM RESULTS ANNOUNCEMENT

HIGHLIGHTS

- For the six months ended 30 June 2021, the Group's unaudited net profit attributable to shareholders of the Company rose to HK\$619 million from HK\$575 million in the corresponding period of 2020, an increase of 7.7%.
- For the period under review, there were no sales being recognised from new development projects. Therefore, excluding revaluation changes from the Group's investment properties net of tax and fair value changes on its interests in the property development, underlying net profit attributable to shareholders of the Company for the first half of 2021 fell significantly to HK\$312 million from HK\$1,009 million in the same period of 2020, a decrease of 69.1%. The underlying net interim earnings per share for 2021 were HK\$0.27 compared to HK\$0.86 for 2020.
- Interim dividend for 2021 amounts to HK\$0.25 per share (2020: HK\$0.24).

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 June 2021, the Group's unaudited net profit attributable to shareholders of the Company rose to HK\$619 million from HK\$575 million in the corresponding period of 2020, an increase of 7.7%. The interim earnings per share for 2021 amounted to HK\$0.53 compared to HK\$0.49 for the same period in 2020.

For the period under review, there were no sales being recognised from new development projects. Therefore, excluding revaluation changes from the Group's investment properties net of tax and fair value changes on its interests in the property development, underlying net profit attributable to shareholders of the Company for the first half of 2021 fell significantly to HK\$312 million from HK\$1,009 million in the same period of 2020, a decrease of 69.1%. The underlying net interim earnings per share for 2021 were HK\$0.27 compared to HK\$0.86 for 2020.

The Board of Directors has declared an interim dividend of HK\$0.25 per share for 2021 (2020: HK\$0.24). The interim dividend will be payable on Wednesday, 1 December 2021 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 16 November 2021.

MARKET OVERVIEW AND BUSINESS REVIEW

In Hong Kong, despite the COVID-19 pandemic having not been fully contained, due to the Hong Kong-US dollar peg, the Fed's on-going quantitative easing and hence ultra-low interest rates continued to drive the property market in the first half of 2021, with residential transaction volume rising considerably and the average transaction price recording an increase.

In Mainland China, the pandemic has been largely contained since the middle of last year and both transaction volume and price in the residential market rose to varying degrees in major cities for the first six months of 2021.

Development Property Sales

In Hong Kong, the Group did not launch any new development projects for presale/sale in the first half of 2021 and continued to promote the sale of a small number of remaining residential units of its existing development projects.

In Mainland China, for the period under review, the presale of a newly launched phase development of the two existing projects, namely Le Cove Garden in Huizhou and The Gardenia in Shenyang respectively, was well received by the market.

Property Development

As at 30 June 2021, the Group's landbank for development amounted to approximately 3.6 million sq m of attributable gross floor area ("GFA"). The Group's major property projects under planning and development are set out as follows:

Major Property Projects under Planning and Development

Property Project	District/City	Usage	Approx. Total Site Area (sq m)	Approx. GFA (sq m)	Approx. GFA Booked ^{**} (sq m)	Group's Interest	Project Status	Expected Date of Completion
Hong Kong								
Tseung Kwan O	Tseung Kwan O, New Territories	Residential	9,640	48,200	—	100%	Topping-out of superstructure works completed	Mid-2022
High Street	Sai Ying Pun, Hong Kong	Residential & commercial	508	4,660	—	60%	Design stage	End-2024
Clear Water Bay Road	Ngau Chi Wan, Kowloon	Residential & commercial	19,340	196,400	—	100%	Land premium payment procedures in progress	To be determined
Mainland China								
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 2023/2024

Major Property Projects under Planning and Development (Continued)

Property Project	District/City	Usage	Approx. Total Site Area (sq m)	Approx. GFA (sq m)	Approx. GFA Booked* (sq m)	Group's Interest	Project Status	Expected Date of Completion
Mainland China (Continued)								
The Gardenia (Shenyang) 翠堤灣 (瀋陽)	Shenhe District, Shenyang	Residential & commercial	1,100,000	2,000,000	607,000	100%	Superstructure works for Phase 3A (approx. GFA of 74,000 sq m) in progress	Phase 3A End-2021/2022
Le Cove Garden (Huizhou) 江灣南岸花園 (惠州)	Huicheng District, Huizhou	Residential & commercial	146,000	520,000	246,000	60%	Topping-out of superstructure works for Phase 2 (approx. GFA of 147,000 sq m) completed	Phase 2 End-2021
The Lake (Foshan) 山語湖 (佛山)	Nanhai District, Foshan	Residential & commercial	4,021,000	1,600,000	854,000	50%	Superstructure 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%	Foundation works for Phase 3 (approx. GFA of 73,000 sq m) in progress Superstructure works for Phase 4 (approx. GFA of 170,000 sq m) in progress	Phase 3 and Phase 4 2023 – 2025
City Plaza (Tianjin) 城市廣場 (天津)	Hedong District, Tianjin	Residential & commercial	136,000	850,000	244,000	49%	Superstructure works for Phase 3A (approx. GFA of 300,000 sq m) in progress Foundation works for Phase 3B (approx. GFA of 280,000 sq m) in progress	Phase 3A 2023 Phase 3B 2025
Yangpu (Shanghai) 楊浦 (上海)	Yangpu District, Shanghai	Residential & commercial	21,000	75,000	—	100%	Master planning in progress	2024
Jiexiu (Shanxi) 介休 (山西)	Jiexiu	Residential & commercial	181,000	463,000	—	100%	Master planning in progress	2023 – 2026

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

Property Investment in Hong Kong

Gross rental income generated from the Group's investment property portfolio in Hong Kong rose to HK\$151 million in the first six months of 2021 from HK\$139 million in the corresponding period of 2020, an increase of 8.6%.

Financial Investments

Total net income generated from the Group's financial investment activities for the first six months of 2021 rose to HK\$34.2 million compared to HK\$23.3 million for the same period in 2020, an increase of 46.8%.

PROSPECTS

In Hong Kong, the Group intends to launch the presale of its wholly-owned development project in Tseung Kwan O in late-2021 or the early of 2022, with 1,556 residential units in total.

The planning and design for the Group's 60%-owned residential development project on High Street in Sai Ying Pun is well underway and the site formation works will be commenced by the end of 2021.

In Mainland China, the presale of a new phase development of the two existing projects in Huizhou and Shenyang respectively has been recently launched.

In Huizhou, the presale of the Phase 2 residential development of Le Cove Garden has been well received by the market, with almost all residential units being sold. The remaining units will continue to be promoted for sale and the residential units are expected to be completed and delivered to the buyers by the end of 2021.

In Shenyang, the presale of the Phase 3A residential development of The Gardenia was satisfactory and the Group continues to promote the sale for the remaining residential units which are expected to be completed and delivered to the buyers by the end of 2021.

In Wuxi, the superstructure works for the Phase 4 development of Le Cove City are in progress and the presale of a portion of residential units is expected to be launched in the fourth quarter of 2021.

In Shanghai, the overall planning and design for the Group's redevelopment project is in progress, with the completion of relocation works and demolition works.

While relatively less sales can be recognised from the Group's existing development projects in Hong Kong and Mainland China for the full year of 2021, it is expected that sales from the Tseung Kwan O development project in Hong Kong will contribute considerably to the Group's earnings when completed in 2022.

The Group will continue to explore good opportunities to replenish its quality landbank, aiming to gradually strengthen the foundation and development potential of the Group.

I would like to express my sincere gratitude to all of our staff for their professionalism and devotion, being the pillars of the Group's steady growth over the past many years.

INTERIM RESULTS

The unaudited consolidated results of the Group for the six months ended 30 June 2021 together with the comparative figures for 2020 are as follows:

Consolidated Income Statement

	Note	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)
Continuing operations			
Revenue	3	995,623	3,439,565
Cost of sales		(169,547)	(1,760,773)
Other revenue		21,501	32,219
Other net expenses	4(a)	(41,285)	(8,445)
Depreciation and amortisation		(11,484)	(15,056)
Staff costs		(280,094)	(294,548)
Selling, marketing and distribution expenses		(45,696)	(197,918)
Other operating expenses		(59,099)	(94,384)
Fair value changes on investment properties		255,908	(331,022)
Fair value changes on interest in property development		51,028	8,659
Profit from operations		716,855	778,297
Finance costs	4(b)	(18,337)	(95,508)
Share of (losses)/profits of associated companies		(5,344)	9,333
Share of (losses)/profits of joint ventures		(13,286)	19,862
Profit before taxation	4	679,888	711,984
Income tax	5	(57,537)	(186,115)
Profit for the period from continuing operations		622,351	525,869
Discontinued operations			
Profit for the period from discontinued operations	6	–	72,805
Profit for the period		622,351	598,674

Consolidated Income Statement (continued)

		Six months ended 30 June	
		2021	2020
<i>Note</i>		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
			(restated)
Attributable to:			
	Shareholders of the Company	619,289	575,369
	Non-controlling interests	3,062	23,305
		<hr/>	<hr/>
	Profit for the period	622,351	598,674
		<hr/> <hr/>	<hr/> <hr/>
Attributable to shareholders of the Company arising from:			
	Continuing operations	619,289	523,830
	Discontinued operations	6	51,539
		<hr/>	<hr/>
		619,289	575,369
		<hr/> <hr/>	<hr/> <hr/>
Attributable to non-controlling interests arising from:			
	Continuing operations	3,062	2,039
	Discontinued operations	6	21,266
		<hr/>	<hr/>
		3,062	23,305
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share – Basic and diluted			
	Continuing operations	HK\$0.53	HK\$0.45
	Discontinued operations	–	HK\$0.04
		<hr/>	<hr/>
		HK\$0.53	HK\$0.49
		<hr/> <hr/>	<hr/> <hr/>

Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2021 <i>HK\$'000</i> <i>(unaudited)</i>	2020 <i>HK\$'000</i> <i>(unaudited)</i> <i>(restated)</i>
Profit for the period	<u>622,351</u>	<u>598,674</u>
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	50,663	(81,729)
Share of other comprehensive income of joint ventures and associated companies	<u>38,723</u>	<u>(87,727)</u>
	<u>89,386</u>	<u>(169,456)</u>
Total comprehensive income for the period	<u>711,737</u>	<u>429,218</u>
Attributable to:		
Shareholders of the Company	707,931	416,350
Non-controlling interests	<u>3,806</u>	<u>12,868</u>
Total comprehensive income for the period	<u>711,737</u>	<u>429,218</u>
Total comprehensive income for the period attributable to shareholders of the Company arising from:		
Continuing operations	707,931	364,811
Discontinued operations	<u>–</u>	<u>51,539</u>
	<u>707,931</u>	<u>416,350</u>
Total comprehensive income for the period attributable to non-controlling interests arising from:		
Continuing operations	3,806	(8,398)
Discontinued operations	<u>–</u>	<u>21,266</u>
	<u>3,806</u>	<u>12,868</u>

Consolidated Statement of Financial Position

		At 30 June 2021		At 31 December 2020	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)		(audited)	
Non-current assets					
Investment properties			10,160,270		9,859,630
Property, plant and equipment			283,923		291,529
Interest in property development	9		1,862,799		1,811,771
Interest in a joint venture			2,076,359		2,067,652
Interest in associated companies			1,501,406		1,527,988
Other financial assets			1,330,828		916,503
Trade and other receivables	10		77,018		87,340
Loans and advances	10		452,646		514,304
Deferred tax assets			37,501		37,409
			<u>17,782,750</u>		<u>17,114,126</u>
Current assets					
Inventories		15,816,868		15,040,616	
Trade and other receivables	10	681,525		579,031	
Loans and advances	10	17,100		18,309	
Other financial assets		104,003		105,671	
Amount due from a related company		220,000		–	
Amount due from a joint venture		112,883		112,883	
Cash and bank balances		2,427,299		1,133,841	
			<u>19,379,678</u>		<u>16,990,351</u>

Consolidated Statement of Financial Position *(continued)*

	<i>Note</i>	At 30 June 2021		At 31 December 2020	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		<i>(unaudited)</i>		<i>(audited)</i>	
Current liabilities					
Trade and other payables	11	2,243,302		2,403,642	
Amount due to a joint venture		482,527		477,046	
Loan from an associated company		47,615		47,075	
Bank loans		5,945,254		5,747,849	
Current taxation		328,723		488,433	
		<u>9,047,421</u>		<u>9,164,045</u>	
Net current assets			<u>10,332,257</u>		<u>7,826,306</u>
Total assets less current liabilities			28,115,007		24,940,432
Non-current liabilities					
Loan from a related company		1,588,175		695,335	
Bank loans		8,336,377		6,127,401	
Deferred tax liabilities		549,439		529,503	
			<u>10,473,991</u>		<u>7,352,239</u>
NET ASSETS			<u>17,641,016</u>		<u>17,588,193</u>
Capital and reserves					
Share capital		8,636,490		8,636,490	
Reserves		8,882,254		8,833,237	
Total equity attributable to the shareholders of the Company			17,518,744		17,469,727
Non-controlling interests			<u>122,272</u>		<u>118,466</u>
TOTAL EQUITY			<u>17,641,016</u>		<u>17,588,193</u>

1 Basis of preparation

The interim results set out in the announcement do not constitute the Group's interim report for the six months ended 30 June 2021 but are extracted from that report.

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

The financial information relating to the financial year ended 31 December 2020 that is included in this announcement of interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2 Changes in accounting policies

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

Continuing operations:

- 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 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 segments 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, 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 interests 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)

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 2021				
	Total	Property development		Property Investment	Others (Remark 1)
		Hong Kong	Mainland China		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<u>995,623</u>	<u>217,655</u>	<u>268,919</u>	<u>151,170</u>	<u>357,879</u>
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	<u>(18,337)</u>				
Profit before taxation	<u>679,888</u>				
Share of losses of associated companies	(5,344)	-	(5,344)	-	-
Share of losses of a joint venture	(13,286)	-	(13,286)	-	-

Remark 1:

Others included revenue from property management services of HK\$207,717,000 (six months ended 30 June 2020: HK\$196,304,000) and the relevant segment profit of HK\$7,211,000 (six months ended 30 June 2020: HK\$2,515,000).

3 Segment reporting (continued)

Segment results and assets (continued)

	Six months ended 30 June 2020 (restated)									
	Continuing operations					Discontinued operations				
	Total	Sub-total	Property development			Property Investment	Others (Remark 1)	Property development		Oil
			Hong Kong	Mainland China				Macau		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue	<u>3,730,856</u>	<u>3,439,565</u>	<u>2,528,261</u>	<u>405,493</u>	<u>139,068</u>	<u>366,743</u>	<u>291,291</u>	<u>280,000</u>	<u>11,291</u>	
Reportable segment profit/(loss)	1,448,577	1,236,972	987,327	15,383	155,532	78,730	211,605	283,795	(72,190)	
Fair value changes on investment properties	(331,022)	(331,022)	-	-	(331,022)	-	-	-	-	
Fair value changes on interests in property development	(125,824)	8,659	-	8,659	-	-	(134,483)	(134,483)	-	
Share of fair value changes on investment properties of a joint venture	(22,634)	(22,634)	-	-	(22,634)	-	-	-	-	
Head office and corporate expenses	(84,483)	(84,483)	-	-	-	-	-	-	-	
Finance costs	<u>(95,508)</u>	<u>(95,508)</u>	-	-	-	-	-	-	-	
Profit before taxation	<u>789,106</u>	<u>711,984</u>	-	-	-	-	<u>77,122</u>	-	-	
Share of profits of associated companies	9,333	9,333	-	9,333	-	-	-	-	-	
Share of profits of joint ventures	19,862	19,862	-	7,677	12,185	-	-	-	-	
Impairment of oil production and exploitation assets	(59,463)	-	-	-	-	-	(59,463)	-	(59,463)	

3 Segment reporting (continued)

Segment results and assets (continued)

	At 30 June 2021				
	Total	Property development		Property investment	Others (Remark 2)
		Hong Kong	Mainland China		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	34,606,137	6,617,039	15,489,591	10,180,916	2,318,591
Deferred tax assets	37,501				
Cash and bank balances	2,427,299				
Head office and corporate assets	<u>91,491</u>				
Total assets	<u><u>37,162,428</u></u>				
Interest in associated companies	1,501,406	-	1,499,865	-	1,541
Interest in and amount due from a joint venture	2,189,242	-	2,189,242	-	-

Remark 2:

Others included reportable segment assets of property management services amounting to HK\$114,108,000 (31 December 2020: HK\$103,627,000).

	At 31 December 2020				
	Total	Property development		Property investment	Others (Remark 2)
		Hong Kong	Mainland China		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	32,836,459	6,211,195	14,775,842	9,884,136	1,965,286
Deferred tax assets	37,409				
Cash and bank balances	1,133,841				
Head office and corporate assets	<u>96,768</u>				
Total assets	<u><u>34,104,477</u></u>				
Interest in associated companies	1,527,988	-	1,526,447	-	1,541
Interest in and amount due from a joint venture	2,180,535	-	2,180,535	-	-

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 the provision for loss allowance of debt investments of HK\$41,316,000 (six months ended 30 June 2020: HK\$7,077,000).

(b) Finance costs

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Interest on bank loans	112,007	189,306
Interest on loan from a related company	3,183	17,861
Less: Amount capitalised	<u>(96,853)</u>	<u>(111,659)</u>
	<u>18,337</u>	<u>95,508</u>

(c) Other items

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Depreciation and amortisation	11,527	15,056
Interest income	<u>(97,438)</u>	<u>(85,040)</u>

5 Income tax

Taxation from continuing operations in the consolidated income statement represents:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current tax		
Provision for profits tax		
– Hong Kong	39,253	169,420
– Outside Hong Kong	<u>958</u>	<u>(1,438)</u>
	40,211	167,982
Land appreciation tax (“LAT”)	100	–
Deferred tax	<u>17,226</u>	<u>18,133</u>
	<u>57,537</u>	<u>186,115</u>

5 Income tax (continued)

The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2020: 16.5%) of the estimated assessable profits for the six months ended 30 June 2021. Tax levied in jurisdictions outside Hong Kong is charged at the appropriate current rates of taxation ruling in relevant jurisdictions.

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

6 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. Details of the distribution in specie are disclosed in note 8.

Upon completion of the distribution in specie, the Group no longer engaged 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:

	Six months ended 30 June 2020 HK\$'000
Revenue	291,291
Cost of sales	(14,789)
Other revenue	4,815
Depreciation and amortisation	(127)
Staff costs	(5,259)
Selling, marketing and distribution expenses	(2,251)
Impairment of oil production and exploitation assets	(59,463)
Other operating expenses	(2,612)
Fair value changes on interests in property development	(134,483)
	<hr/>
Profit before taxation	77,122
Income tax	(4,317)
	<hr/>
Profit for the period from discontinued operations	72,805
	<hr/> <hr/>
Attributable to:	
Shareholders of the Company	51,539
Non-controlling interests	21,266
	<hr/>
	72,805
	<hr/> <hr/>

7 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 arising from continuing operations and discontinued operations of HK\$619,289,000 (six months ended 30 June 2020: HK\$523,830,000) and Nil (six months ended 30 June 2020: HK\$51,539,000) respectively and the weighted average number of ordinary shares in issue during the period of 1,176,631,296 (six months ended 30 June 2020: 1,176,631,296).

(b) Diluted earnings per share

There were no dilutive potential shares in existence during the six months ended 30 June 2021 and 2020.

8 Dividends

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Interim dividend declared after the interim period of HK\$0.25 (six months ended 30 June 2020: HK\$0.24) per share	<u>294,158</u>	<u>282,392</u>

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 share of PAH for every 1 ordinary shares of the Company.

The interim dividend declared after the interim period has not been recognised as a liability at the interim period end date.

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 2021, pursuant to the co-investment agreement, distribution of HK\$220,000,000 was made by Polytec Holdings to the Group, in relation to the property development project at Huizhou (six months ended 30 June 2020: HK\$280,000,000 was made by a wholly owned subsidiary of Polytec Holdings, in relation to the property development project in Macau) is recognised in profit or loss.

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 30 June 2021 <i>HK\$'000</i>	At 31 December 2020 <i>HK\$'000</i>
Current	682,406	734,786
Within 3 months	25,447	37,076
3 months to 6 months	4,500	5,587
More than 6 months	12,979	7,943
Trade receivables and loans and advances	725,332	785,392
Utility and other deposits	20,755	21,749
Prepaid tax	91,252	88,745
Other receivables and prepayments	390,950	303,098
	1,228,289	1,198,984
Representing:		
Non-current assets	529,664	601,644
Current assets	698,625	597,340
	1,228,289	1,198,984

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.

11 Trade and other payables

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

	At 30 June 2021 <i>HK\$'000</i>	At 31 December 2020 <i>HK\$'000</i>
Not yet due or on demand	1,597,396	1,792,205
Within 3 months	1,588	1,923
3 months to 6 months	113	–
More than 6 months	–	9
Trade payables	1,599,097	1,794,137
Rental and other deposits	71,034	72,759
Other payables and accrued expenses	277,852	300,661
Contract liabilities – deposits received on sale of properties	295,319	236,085
	2,243,302	2,403,642

FINANCIAL REVIEW

Financial resources and bank borrowings

Total bank borrowings of the Group amounting to HK\$14,282 million as at 30 June 2021 (31 December 2020: HK\$11,875 million), comprising of HK\$5,946 million repayable within one year and HK\$8,336 million repayable after one year. Taking into account of cash and bank balances with an amount of HK\$2,427 million, the Group's net bank borrowings position was HK\$11,855 million as at 30 June 2021. Loan from a related company amounted to HK\$1,588 million as at 30 June 2021.

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 75.5% as at 30 June 2021 (31 December 2020: 65.5%). The gearing ratio is expected to be improved upon recognised sale of the Tseung Kwan O project, Hong Kong from 2022 onwards.

During the period, sales/presales for the property projects in Hong Kong contributed cash inflows of approximately HK\$159 million to the Group. Furthermore, the Group recorded approximately HK\$175 million cash inflows mainly from sales/presales of various development projects in Mainland China.

During the period, distribution of HK\$220 million was declared by a related company to the Group in relation to the development project at Le Cove Garden (Huizhou).

The Group continued to actively engage in the development projects in Hong Kong and Mainland China and expended a total of approximately HK\$1,047 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 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 30 June 2021, 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 2021, properties having a value of HK\$14,552 million and deposits of HK\$15 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 2021, the Group had given guarantees to financial institutions in respect of performance bonds entered into by a subsidiary to the extent of HK\$36 million.

OTHER INFORMATION

Review of Interim Financial Report

The Audit Committee of the Company has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2021. 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 Chartered Public Accountants.

Compliance with the Corporate Governance Code

Throughout the six months ended 30 June 2021, the Company has complied with all code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception of Code 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. The reason for deviation from the code provision was disclosed in the Annual Report 2020.

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 2021.

Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 15 November 2021 to Tuesday, 16 November 2021, both dates inclusive. During the aforementioned period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 pm (Hong Kong time) on Friday, 12 November 2021.

Publication of Interim Report

The Interim Report 2021 containing all the information as required by the Listing Rules will be published on the Company's website at www.kdc.com.hk and the website of Hong Kong Exchanges and Clearing Limited, while printed copies will be sent to shareholders by the end of September 2021.

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

Hong Kong, 18 August 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.