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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)

2023 INTERIM RESULTS ANNOUNCEMENT

HIGHLIGHTS

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

INTERIM RESULTS AND DIVIDEND

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

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

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

MARKET OVERVIEW AND BUSINESS REVIEW

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

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

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

Development Property Sales

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

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

Property Development

As at 30 June 2023, the Group's landbank for development amounted to approximately 3.4 million sq m of attributable gross floor area ("GFA"). The Group's major property projects under planning and development are set out as follows:

Major Property Projects under Planning and Development

Property Project	District/City	Usage	Approx. Total Site Area (sq m)	Approx. GFA (sq m)	Approx. GFA Booked** (sq m)	Group's Interest	Project Status	Expected Date of Completion
Hong Kong								
High Street	Sai Ying Pun, Hong Kong	Residential & commercial	500	4,700	—	60%	Foundation works in progress	2025/2026
Clear Water Bay Road	Ngau Chi Wan, Kowloon	Residential & commercial	22,400	201,000	—	100%	Foundation works in progress	2026 – 2028
Mainland China								
Le Cove City (Shenyang) 江灣城 (瀋陽)	Hun Nan Xin District, Shenyang	Residential & commercial	165,000	712,000	372,000	100%	Superstructure works for Phase 5A (approx. GFA of 40,000 sq m) in progress	Phase 5A 2025/2026
The Gardenia (Shenyang) 翠堤灣 (瀋陽)	Shenhe District, Shenyang	Residential & commercial	1,100,000	2,000,000	672,000	100%	Modification for subsequent development plan in progress	To be determined
Le Cove Garden (Huizhou) 江灣南岸花園 (惠州)	Huicheng District, Huizhou	Residential & commercial	146,000	520,000	357,000	60%	Planning works for Phase 3 (approx. GFA of 96,000 sq m) in progress	Phase 3 2025/2026
The Lake (Foshan) 山語湖 (佛山)	Nanhai District, Foshan	Residential & commercial	4,021,000	1,600,000	995,000	50%	Construction works for Phase 5 (approx. GFA of 83,000 sq m) in progress	Phase 5 2024/2025

Major Property Projects under Planning and Development (Continued)

Property Project	District/City	Usage	Approx. Total Site Area (sq m)	Approx. GFA (sq m)	Approx. GFA Booked ^{**} (sq m)	Group's Interest	Project Status	Expected Date of Completion
Mainland China (Continued)								
Le Cove City (Wuxi) 江灣城 (無錫)	Liangxi District, Wuxi	Residential & commercial	69,000	365,000	111,000	100%	Interior fitting-out works for Phase 3 (approx. GFA of 73,000 sq m) and Phase 4 (approx. GFA of 170,000 sq m) in progress	Phase 3 End-2023; Phase 4 Mid-2024
City Plaza (Tianjin) 城市廣場 (天津)	Hedong District, Tianjin	Residential & commercial	136,000	850,000	445,000	49%	Interior fitting-out works for office tower of Phase 3A (approx. GFA of 60,000 sq m) in progress Construction works for Phase 3B (approx. GFA of 280,000 sq m) in progress	Phase 3A Early-2024 Phase 3B 2025/2026
Yangpu (Shanghai) 楊浦 (上海)	Yangpu District, Shanghai	Residential & commercial office	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 1 (approx. GFA of 88,000 sq m) in progress	Phase 1 End-2024
Hengda Guangchang (Zhuhai) 亨達廣場 (珠海)	Xiangzhou District, Zhuhai	Commercial, office & hotel apartment	38,000	199,000	—	70%	Foundation works for Phase 1 (approx. GFA of 66,000 sq m) completed	Phase 1 2025

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

Property Investment in Hong Kong

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

Financial Investments

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

PROSPECTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INTERIM RESULTS

The unaudited consolidated results of the Group for the six months ended 30 June 2023 together with the comparative figures for 2022 are as follows:

Consolidated Income Statement

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

Consolidated Statement of Comprehensive Income

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

Consolidated Statement of Financial Position

		At 30 June 2023	At 31 December 2022
	<i>Note</i>	<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i> <i>(audited)</i>
Non-current assets			
Investment properties		13,615,200	13,618,270
Property, plant and equipment		241,837	252,609
Interests in property development	8	1,538,174	1,997,849
Interest in joint ventures		1,911,713	1,954,153
Interest in associated companies		1,281,200	1,294,496
Other financial assets		283,618	285,794
Trade and other receivables	9	105,392	112,133
Loans and advances	9	221,817	244,002
Deferred tax assets		37,665	36,569
		<hr/>	<hr/>
		19,236,616	19,795,875
Current assets			
Inventories		26,101,145	25,549,725
Interests in property development	8	140,099	689,201
Trade and other receivables	9	763,526	691,303
Loans and advances	9	18,783	18,617
Other financial assets		30,150	43,610
Amount due from a joint venture		112,883	112,883
Cash and bank balances		737,990	864,590
		<hr/>	<hr/>
		27,904,576	27,969,929
		<hr/>	<hr/>

Consolidated Statement of Financial Position (continued)

	<i>Note</i>	At 30 June 2023 <i>HK\$'000</i> <i>(unaudited)</i>	At 31 December 2022 <i>HK\$'000</i> <i>(audited)</i>
Current liabilities			
Trade and other payables	10	5,024,392	3,692,787
Amount due to a joint venture		559,385	560,374
Loan from an associated company		42,972	44,353
Bank loans		20,113,867	14,488,973
Current taxation		448,028	404,345
		<u>26,188,644</u>	<u>19,190,832</u>
Net current assets		<u>1,715,932</u>	<u>8,779,097</u>
Total assets less current liabilities		20,952,548	28,574,972
Non-current liabilities			
Loan from a related company		1,558,979	2,090,754
Bank loans		983,304	7,371,180
Deferred tax liabilities		591,146	577,339
		<u>3,133,429</u>	<u>10,039,273</u>
NET ASSETS		<u>17,819,119</u>	<u>18,535,699</u>
Capital and reserves			
Share capital		8,636,490	8,636,490
Reserves		9,074,892	9,789,095
Total equity attributable to the shareholders of the Company		17,711,382	18,425,585
Non-controlling interests		<u>107,737</u>	<u>110,114</u>
TOTAL EQUITY		<u>17,819,119</u>	<u>18,535,699</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 2023 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 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

The financial information relating to the financial year ended 31 December 2022 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 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2 CHANGES IN ACCOUNTING POLICIES

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

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

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

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

3 SEGMENT REPORTING

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

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

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

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

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

(a) Segment results and assets

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

	Six months ended 30 June 2023				
	Total	Property development		Property investment	Others (Remark 1)
Hong Kong		Mainland China	Property investment		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	1,275,963	649,592	119,545	148,114	358,712
Reportable segment profit	419,413	263,835	29,478	101,397	24,703
Fair value changes on investment properties	(36,972)	–	–	(36,972)	–
Fair value changes on interests in property development	(8,777)	–	(8,777)	–	–
Head office and corporate expenses	(17,633)	–	–	–	–
Finance costs	(95,034)	–	–	–	–
Profit before taxation	260,997	–	–	–	–
Share of profits of associated companies	26,121	–	26,121	–	–
Share of profits of joint ventures	16,519	–	16,519	–	–

Remark 1:

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

3 SEGMENT REPORTING (CONTINUED)**(a) Segment results and assets (continued)**

	Six months ended 30 June 2022				
	Property development				
	Total	Hong Kong	Mainland China	Property investment	Others (Remark 1)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	723,624	28,900	132,378	148,334	414,012
Reportable segment profit/(loss)	189,709	(1,441)	(7,902)	110,267	88,785
Fair value changes on investment properties	35,674	–	–	35,674	–
Fair value changes on interest in property development	2,684	–	2,684	–	–
Head office and corporate expenses	(35,915)				
Finance costs	(19,070)				
Profit before taxation	173,082				
Share of profits of associated companies	7,510	–	7,377	–	133
Share of losses of joint ventures	(5,785)	–	(5,785)	–	–
	At 30 June 2023				
	Property development				
	Total	Hong Kong	Mainland China	Property investment	Others (Remark 2)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets	46,279,099	15,543,984	16,152,253	13,632,062	950,800
Deferred tax assets	37,665				
Cash and bank balances	737,990				
Head office and corporate assets	86,438				
Total assets	47,141,192				
Interest in associated companies	1,281,200	–	1,281,200	–	–
Interest in and amount due from joint ventures	2,024,596	–	2,024,596	–	–

Remark 2:

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

3 SEGMENT REPORTING (CONTINUED)

(a) Segment results and assets (continued)

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

4 PROFIT BEFORE TAXATION

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

(a) Other net expenses

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

(b) Finance costs

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

4 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Depreciation and amortisation	10,471	10,547
Interest income	(74,346)	(120,831)

5 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Current tax		
Provision for profits tax		
– Hong Kong	53,605	8,853
– Outside Hong Kong	(473)	–
	53,132	8,853
Land appreciation tax (“LAT”)	9,139	–
Deferred tax	15,132	10,421
	77,403	19,274

The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2022: 16.5%) of the estimated assessable profits for the six months ended 30 June 2023.

Tax levied in jurisdictions outside Hong Kong is charged at the appropriate current rates of taxation ruling in relevant jurisdictions.

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

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share are based on the profit attributable to shareholders of the Company of HK\$184,481,000 (six months ended 30 June 2022: HK\$152,208,000) and the weighted average number of ordinary shares in issue during the period of 1,176,631,296 (six months ended 30 June 2022: 1,176,631,296).

(b) Diluted earnings per share

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

7 DIVIDENDS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Interim dividend declared after the interim period of HK\$0.26 (six months ended 30 June 2022: HK\$0.26) per share	305,924	305,924

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

8 INTERESTS IN PROPERTY DEVELOPMENT

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

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

9 TRADE AND OTHER RECEIVABLES/LOANS AND ADVANCES

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

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

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

10 TRADE AND OTHER PAYABLES

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

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

Financial resources and bank borrowings

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

The Group's gearing ratio (calculated on the basis of net bank borrowings and loan from a related company over equity attributable to shareholders of the Company) was 123.8% as at 30 June 2023 (31 December 2022: 125.3%). Following with the sale for the remaining unsold units of Manor Hill, Hong Kong and presale of Le Cove City, Wuxi in Mainland China, we expect that gearing ratio will be gradually improved subsequently.

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

The Group continued to actively engage in the development projects in Hong Kong and Mainland China and expended a total of approximately HK\$1,086 million for construction costs during the period.

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

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

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

Capital commitments

As at 30 June 2023, the Group had commitments mainly in connection with the Group's investment properties amounting to HK\$21 million.

Pledge of assets

As at 30 June 2023, properties having a value of HK\$12,457 million and deposits of HK\$14 million were pledged to banks and insurance companies mainly to secure banking facilities and performance bonds extended to the Group.

Contingent liabilities

As at 30 June 2023, the Group had given guarantees to financial institutions in respect of performance bonds entered into by a subsidiary to the extent of HK\$30 million.

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 2023. The Group's independent auditor, KPMG, Certified Public Accountants, has conducted a review of the interim financial report in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants.

Compliance with the Corporate Governance Code

Throughout the six months ended 30 June 2023, the Company has complied with all code provisions set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception of Code Provision C.2.1 as explained below:

Code Provision C.2.1

Mr Or Wai Sheun has performed the combined role as the chairman of the Board and the chief executive taking charge of the overall operations of the Group. The reason for deviation from the code provision was disclosed in the Annual Report 2022.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2023.

Closure of Register of Members

The Register of Members of the Company will be closed from Tuesday, 19 December 2023 to Wednesday, 20 December 2023, both dates inclusive. During the aforementioned period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 pm (Hong Kong time) on Monday, 18 December 2023.

Publication of Interim Report

The Interim Report 2023 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 2023.

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

Hong Kong, 18 August 2023

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 and Mr Hsu Duff Karman as Independent Non-executive Directors.