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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)

2024 INTERIM RESULTS ANNOUNCEMENT

HIGHLIGHTS

- 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 2024 rose slightly to HK\$289 million from HK\$288 million in the same period of 2023, representing an increase of 0.3%. The underlying interim earnings per share for 2024 were HK\$0.246 compared to HK\$0.245 for 2023.
- For the six months ended 30 June 2024, the Group's unaudited profit attributable to shareholders of the Company fell to HK\$113 million from HK\$184 million in the corresponding period of 2023, representing a decrease of 38.6%.
- Interim dividend for 2024 amounts to HK\$0.10 per share (2023: HK\$0.26).

INTERIM RESULTS AND DIVIDEND

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 2024 rose slightly to HK\$289 million from HK\$288 million in the same period of 2023, representing an increase of 0.3%. The underlying interim earnings per share for 2024 were HK\$0.246 compared to HK\$0.245 for 2023.

For the six months ended 30 June 2024, the Group's unaudited profit attributable to shareholders of the Company fell to HK\$113 million from HK\$184 million in the corresponding period of 2023, representing a decrease of 38.6%. The interim earnings per share for 2024 amounted to HK\$0.10 compared to HK\$0.16 for the same period in 2023.

The Board of Directors has declared an interim dividend of HK\$0.10 per share for 2024 (2023: HK\$0.26). The interim dividend will be payable on Wednesday, 8 January 2025 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 17 December 2024.

MARKET OVERVIEW AND BUSINESS REVIEW

In the first half of 2024, banks interest rates in Hong Kong were maintained at a relatively high level in tandem with US dollar interest rates, which led to a significant increase in mortgage costs and severely affected buyers' appetite. Fortunately, the Government lifted restrictions on property sale completely at the end of February, leading to a surge in transaction volume in March. However, the stimulating effect was short-lived and momentum weakened in the following months with transaction volume falling back and property prices declining gradually. The latest residential property price index for June released by the Rating and Valuation Department was 301.8, which hit a record low in eight years, and decreased by approximately 2.55% from the year-beginning peak and dropped more than 24% compared to the historic high in September 2021.

Under the influence of various unfavourable factors, property developers maintained a cautious approach in setting prices, scrambling to launch the sale of their new properties at attractive prices, or slashing the prices on existing inventory to attract customers and strive for purchasing power, which also led to a gradual decline in property prices and exerted heavy pressure on operating income.

During the period, rental income was also under pressure due to the overall vacancy rate of office buildings reaching a record high, coupled with the weak retail market in Hong Kong.

In Mainland China, the overall residential sale in the country recorded declines in both transacted price and transaction volume in the first half of the year due to the prolonged depressed home buying sentiment in the market.

Development Property Sales

In Hong Kong, the Group continued to promote the sale of the remaining units of its wholly-owned residential development project, namely Manor Hill, in Tseung Kwan O. Up to 30 June 2024, over 1,100 residential units at Manor Hill have been sold since the launch of sale. Sale proceeds of approximately HK\$1.2 billion for the first half of the year were recognised for the period under review.

In Mainland China, total presales/sales of the Group's development projects amounted to approximately RMB643 million for the six months ended 30 June 2024, with presales/sales attributable to the Group of approximately RMB558 million based on its interests.

Property Development

For the period under review, the Group entered into a sale and purchase agreement with its related company, pursuant to which the Group has conditionally agreed to sell 60% equity interest together with 60% shareholder's loan of its then subsidiary owning a property development project in Shanghai with a total site area of 21,278.60 sq m at an aggregate consideration of HK\$1,391,957,000. The disposal was completed on 11 June 2024, enabling the Group to enhance its liquidity and reduce its gearing.

As at 30 June 2024, the Group's landbank for development amounted to approximately 3.2 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	4,600	—	60%	Superstructure works in progress	End-2025
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	630,000	375,000	100%	Modification of planning for Phase 5A (approx. GFA of 40,000 sq m) in progress	Phase 5A To be determined
The Gardenia (Shenyang) 翠堤灣 (瀋陽)	Shenhe District, Shenyang	Residential & commercial	1,100,000	2,000,000	681,000	100%	Design approval for Phase 4 (approx. GFA of 249,000 sq m) in progress	Phase 4 To be determined
Le Cove Garden (Huizhou) 江灣南岸花園 (惠州)	Huicheng District, Huizhou	Residential & commercial	146,000	520,000	373,000	60%	Planning works for Phase 3 (approx. GFA of 96,000 sq m) in progress	Phase 3 To be determined
The Lake (Foshan) 山語湖 (佛山)	Nanhai District, Foshan	Residential & commercial	4,021,000	1,600,000	999,000	50%	Superstructure 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	134,000	100%	Interior fitting-out works for Phase 4 (approx. GFA of 170,000 sq m) in progress	Phase 4 Third quarter 2024
City Plaza (Tianjin) 城市廣場 (天津)	Hedong District, Tianjin	Residential, commercial & office	136,000	850,000	453,000	49%	Superstructure works for Phase 3B (approx. GFA of 280,000 sq m) in progress	Phase 3B End-2026
Yangpu (Shanghai) 楊浦 (上海)	Yangpu District, Shanghai	Residential, commercial & office	21,000	75,000	—	40%	Preliminary construction licence obtained; site formation works in progress	End-2029
Polytec Luxury Mansion (Shanxi) 保利達·貴府 (山西)	Jiexiu	Residential & commercial	181,000	463,000	—	100%	Interior fitting-out 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%	Superstructure works for Phase 1 (approx. GFA of 66,000 sq m) in progress	Phase 1 End-2025

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

Property Investment

Gross rental income generated from the Group's investment property portfolio in Hong Kong was HK\$148 million in the first six months of 2024. Gross rental income generated from the Pioneer Centre, the Group's wholly-owned flagship and core investment property in Hong Kong, fell to HK\$116 million in the first half of 2024 from HK\$120 million in the same period of 2023, representing a decrease of 3.3%.

PROSPECTS

Entering the second half of 2024, Hong Kong dollar interest rates are expected to fall gradually following the US dollar interest rates after September. The abolition of stamp duty (except the standard rate) by the Hong Kong Government at the end of February 2024, coupled with the reduction in land supply due to the slowing down of land sale, is likely to gradually shore up consumer confidence and to have a positive effect on the property market.

The superstructure works for the Group's 60%-owned residential and commercial development project on High Street in Sai Ying Pun (Hong Kong) are well underway. The project is adjacent to Sai Ying Pun MTR Station, providing direct access to the commercial core of Hong Kong Island. With its prime location and the presence of renowned educational institutions in the district which is one of the best school networks in Hong Kong, the project is expected to attract strong buyer demand.

The foundation and geotechnical works for the Clear Water Bay Road project located in Ngau Chi Wan (Hong Kong) are in full progress. With a GFA of over 2,000,000 sq ft, the project connects the entrances of Choi Hung MTR Station with great accessibility and broad views. As the project comprises historical buildings, the Group also shoulders the mission of cultural preservation thereby passing on the humanistic spirit and historical values. Due to the large scale of the project, it is planned to be completed in multiple phases, with the first phase expected to be completed and occupied by 2027 or earlier.

In Mainland China, the Phase 3 residential development of Le Cove Garden in Huizhou is undergoing new planning adjustment in response to market changes and construction will commence immediately upon the completion of planning and obtaining the necessary approval.

In Shenyang, the design approval for the Phase 4 development of The Gardenia is in progress and the construction will commence immediately upon obtaining the necessary approval.

In Wuxi, the interior fitting-out works for the Phase 4 development of Le Cove City are in progress. It is expected that the construction will be completed in the third quarter of this year.

In Jiexiu, Shanxi, the interior fitting-out works for the Phase 1 development of Polytec Luxury Mansion are in progress and the presale has been launched. It is expected that the construction for such phase will be completed at the end of the year.

In Zhuhai, the superstructure works for the Phase 1 development of Hengda Guangchang are in progress with completion and occupancy anticipated by the end of 2025.

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 superstructure works for the Phase 5 development of The Lake are in progress and the presale has been launched. With regard to City Plaza, the superstructure works for the Phase 3B development are also in progress.

In Shanghai, the disposal of 60% interest in the Group's previously wholly-owned Yangpu project to an associate of the controlling shareholder was approved by the independent shareholders at the extraordinary general meeting held on 5 June of this year. Afterwards, the disposal was completed on 11 June, helping the Group to enhance the liquidity and reduce gearing. The Yangpu project has become a joint venture development project in which the Group holds a 40% interest. The preliminary construction licence has also been obtained and the site formation works are in progress as well.

In the second half of the year, the Group's operating income in Mainland China mainly derives from the sale of the remaining units of Wuxi and other development projects with sale proceeds being recognised during the year. In light of the current low level of property prices in Mainland China, it is expected that the contribution to the Group's earnings by development projects in Mainland China will be limited.

In Hong Kong, the Group is focusing on the sale of Manor Hill in Tseung Kwan O (currently over 70% of the units have been sold).

The presale of a new project on High Street in Sai Ying Pun, Hong Kong Island will be launched by the Group in the fourth quarter of this year.

It is expected that the sale of the remaining units of Manor Hill and other development projects of the Group and rental income in Hong Kong will bring major revenues to the Group in the second half of the year, barring any unforeseen circumstances.

Given the challenges ahead for the property market and under the prudence principle for operation, it is necessary for the Group to temporarily change its dividend hike strategy which has been implemented for more than a decade and reduce the interim dividend for the period. The Group will resume dividend hikes when the cost of fund in Hong Kong is gradually lowered in the future and if market conditions permit.

I would like to express my sincere gratitude to my fellow Directors for their guidance and advice as well as our staff for their solidarity and hard work during the period, attributable to which the Group was able to broadly maintain profitability for the first half of the year when the property markets in Hong Kong and Mainland China were enduring the most challenging times in more than a decade!

INTERIM RESULTS

The unaudited consolidated results of the Group for the six months ended 30 June 2024 together with the comparative figures for 2023 are as follows:

Consolidated Income Statement

	Note	Six months ended 30 June	
		2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Revenue	3	1,940,947	1,275,963
Cost of sales		(916,223)	(402,254)
Other revenue		25,960	25,903
Other net expenses	4(a)	(2,792)	(57,643)
Depreciation and amortisation		(10,155)	(10,471)
Staff costs		(318,985)	(291,830)
Selling, marketing and distribution expenses		(206,929)	(112,972)
Other operating expenses		(66,839)	(67,556)
Fair value changes on investment properties		(189,846)	(36,972)
Fair value changes on interests in property development		<u>14,050</u>	<u>(8,777)</u>
Profit from operations		269,188	313,391
Finance costs	4(b)	(85,140)	(95,034)
Share of profits of associated companies		16,044	26,121
Share of (losses)/profits of joint ventures		<u>(747)</u>	<u>16,519</u>
Profit before taxation	4	199,345	260,997
Income tax	5	<u>(86,241)</u>	<u>(77,403)</u>
Profit for the period		<u>113,104</u>	<u>183,594</u>
Attributable to:			
Shareholders of the Company		113,453	184,481
Non-controlling interests		<u>(349)</u>	<u>(887)</u>
Profit for the period		<u>113,104</u>	<u>183,594</u>
Earnings per share – Basic and Diluted	6	<u>HK\$0.10</u>	<u>HK\$0.16</u>

Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	<u>113,104</u>	<u>183,594</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	(32,719)	(129,063)
Release of exchange reserves upon disposal of subsidiaries	17,082	-
Share of other comprehensive income of joint ventures and associated companies	<u>(18,925)</u>	<u>(100,431)</u>
	<u>(34,562)</u>	<u>(229,494)</u>
Total comprehensive income for the period	<u>78,542</u>	<u>(45,900)</u>
Attributable to:		
Shareholders of the Company	78,987	(43,523)
Non-controlling interests	<u>(445)</u>	<u>(2,377)</u>
Total comprehensive income for the period	<u>78,542</u>	<u>(45,900)</u>

Consolidated Statement of Financial Position

		At 30 June 2024 <i>HK\$'000</i> <i>(unaudited)</i>	At 31 December 2023 <i>HK\$'000</i> <i>(audited)</i>
	<i>Note</i>		
Non-current assets			
Investment properties		13,502,300	13,633,020
Property, plant and equipment		223,863	233,166
Interests in property development	8	1,264,321	1,261,835
Interest in joint ventures		1,924,278	1,938,154
Interest in associated companies		2,287,563	1,315,962
Other financial assets		-	27,119
Trade and other receivables	9	87,913	101,980
Loans and advances	9	197,633	204,736
Deferred tax assets		<u>60,723</u>	<u>53,372</u>
		19,548,594	18,769,344
Current assets			
Inventories		22,845,215	26,551,788
Interests in property development	8	439,153	427,589
Trade and other receivables	9	761,140	751,559
Loans and advances	9	17,464	17,810
Other financial assets		21,751	21,082
Amount due from a joint venture		112,883	112,883
Cash and bank balances		<u>708,832</u>	<u>1,080,599</u>
		<u>24,906,438</u>	<u>28,963,310</u>

Consolidated Statement of Financial Position *(continued)*

	<i>Note</i>	At 30 June 2024 <i>HK\$'000</i> <i>(unaudited)</i>	At 31 December 2023 <i>HK\$'000</i> <i>(audited)</i>
Current liabilities			
Trade and other payables	<i>10</i>	4,689,975	4,880,826
Amount due to a joint venture		563,247	565,977
Loan from an associated company		43,410	43,719
Bank loans		2,898,391	3,744,569
Current taxation		279,859	198,595
		<u>8,474,882</u>	<u>9,433,686</u>
Net current assets		<u>16,431,556</u>	<u>19,529,624</u>
Total assets less current liabilities		35,980,150	38,298,968
Non-current liabilities			
Loan from a related company		1,079,763	2,789,185
Bank loans		16,449,906	17,151,977
Deferred tax liabilities		603,968	589,835
		<u>18,133,637</u>	<u>20,530,997</u>
NET ASSETS		<u>17,846,513</u>	<u>17,767,971</u>
Capital and reserves			
Share capital		8,636,490	8,636,490
Reserves		9,111,935	9,032,948
Total equity attributable to the shareholders of the Company		17,748,425	17,669,438
Non-controlling interests		<u>98,088</u>	<u>98,533</u>
TOTAL EQUITY		<u>17,846,513</u>	<u>17,767,971</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 2024 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 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 2023 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 2023 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 (“HKFRSs”) that are first effective for the current accounting period of the Group.

- Amendments to HKAS 1, “Presentation of financial statements: Classification of liabilities as current or non-current (2020 amendments)”
- Amendments to HKAS 1, “Presentation of financial statements: Non-current liabilities with covenants (2022 amendments)”
- Amendments to HKFRS 16, “Leases: Lease liability in a sale and leaseback”
- Amendments to HKAS 7, “Statement of cash flows” and HKFRS 7, “Financial instruments: Disclosures Supplier finance arrangements”

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

3 SEGMENT REPORTING

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

- Property development segment (Hong Kong/Mainland China): the development and sale of properties and 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.

3 SEGMENT REPORTING (CONTINUED)

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 2024				
	Total	Property development			Others (Remark 1)
Hong Kong		Mainland China	Property investment		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<u>1,940,947</u>	<u>1,174,307</u>	<u>271,326</u>	<u>147,555</u>	<u>347,759</u>
Reportable segment profit	497,394	346,022	5,024	118,469	27,879
Fair value changes on investment properties	(189,846)	–	–	(189,846)	–
Fair value changes on interests in property development	14,050	–	14,050	–	–
Head office and corporate expenses	(37,113)				
Finance costs	<u>(85,140)</u>				
Profit before taxation	<u>199,345</u>				
Share of profits of associated companies	16,044	–	16,044	–	–
Share of losses of joint ventures	(747)	–	(747)	–	–

Remark 1:

Others included revenue from property management services and financial investment of HK\$232,300,000 and HK\$21,856,000 (six months ended 30 June 2023: HK\$205,220,000 and HK\$57,945,000) respectively and the relevant segment profit of HK\$3,454,000 and HK\$19,033,000 (six months ended 30 June 2023: HK\$3,305,000 and HK\$3,787,000) respectively.

3 SEGMENT REPORTING (CONTINUED)

(a) Segment results and assets (continued)

	Six months ended 30 June 2023				
	Property development				
	Total	Hong Kong	Mainland China	Property investment	Others (Remark 1)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<u>1,275,963</u>	<u>649,592</u>	<u>119,545</u>	<u>148,114</u>	<u>358,712</u>
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	<u>(95,034)</u>				
Profit before taxation	<u>260,997</u>				
Share of profits of associated companies	26,121	–	26,121	–	–
Share of profits of joint ventures	16,519	–	16,519	–	–
	At 30 June 2024				
	Property development				
	Total	Hong Kong	Mainland China	Property investment	Others (Remark 2)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	43,615,834	15,483,649	13,959,233	13,519,341	653,611
Deferred tax assets	60,723				
Cash and bank balances	708,832				
Head office and corporate assets	<u>69,643</u>				
Total assets	<u>44,455,032</u>				
Interest in associated companies	2,287,563	–	2,287,563	–	–
Interest in and amount due from joint ventures	2,037,161	–	2,037,161	–	–

Remark 2:

Others included reportable segment assets of property management services and financial investments amounting to HK\$149,264,000 and HK\$22,748,000 (2023: HK\$124,435,000 and HK\$48,201,000) respectively.

3 SEGMENT REPORTING (CONTINUED)

(a) Segment results and assets (continued)

	At 31 December 2023				
	Total	Property development			Others (Remark 2)
		Hong Kong	Mainland China	Property investment	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	46,516,807	15,600,452	16,607,442	13,645,455	663,458
Deferred tax assets	53,372				
Cash and bank balances	1,080,599				
Head office and corporate assets	81,876				
Total assets	47,732,654				
Interest in associated companies	1,315,962	–	1,315,962	–	–
Interest in and amount due from joint ventures	2,051,037	–	2,051,037	–	–

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 mainly represent the fair value gain on other financial assets of HK\$669,000 (six months ended 30 June 2023: the provision and fair value losses of HK\$57,643,000.)

(b) Finance costs

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Interest on bank loans	543,149	483,723
Interest on loan from a related company	73,904	45,362
Less: Amount capitalised (Remark)	(531,913)	(434,051)
	85,140	95,034

Remark:

Borrowing costs were capitalised at rates of 4.98% - 6.98% (six months ended 30 June 2023: 2.42% - 6.29%) per annum.

4 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Depreciation and amortisation	10,155	10,471
Interest income	<u>(36,425)</u>	<u>(74,346)</u>

5 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Current tax		
Provision for profits tax		
– Hong Kong	77,775	53,605
– Outside Hong Kong	<u>397</u>	<u>(473)</u>
	78,172	53,132
Land appreciation tax (“LAT”)	818	9,139
Deferred tax	<u>7,251</u>	<u>15,132</u>
	86,241	77,403

The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2023: 16.5%) of the estimated assessable profits for the six months ended 30 June 2024.

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\$113,453,000 (six months ended 30 June 2023: HK\$184,481,000) and the weighted average number of ordinary shares in issue during the period of 1,176,631,296 (six months ended 30 June 2023: 1,176,631,296).

(b) Diluted earnings per share

There were no dilutive potential shares in existence during the six months ended 30 June 2024 and 2023.

7 DIVIDENDS

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared after the interim period of HK\$0.10 (six months ended 30 June 2023: HK\$0.26) per share	<u>130,621</u>	<u>305,924</u>

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 2023. 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 was made by Polytec Holdings and settled through the loan from a related company (non-cash transaction). No such return was noted during the current period.

As at 30 June 2024, interests in property development of HK\$439,153,000 (31 December 2023: HK\$427,589,000) was expected to be recoverable within one year and was classified as current assets.

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 2024 HK\$'000	At 31 December 2023 HK\$'000
Current	405,039	444,648
Within 3 months	28,630	22,122
3 months to 6 months	3,617	3,587
More than 6 months	17,231	17,255
Trade receivables and loans and advances	454,517	487,612
Utility and other deposits	17,710	17,048
Prepaid tax	86,065	83,966
Other receivables and prepayments	505,858	487,459
	<u>1,064,150</u>	<u>1,076,085</u>
Representing:		
Non-current assets	285,546	306,716
Current assets	778,604	769,369
	<u>1,064,150</u>	<u>1,076,085</u>

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	At 31 December
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not yet due or on demand	1,980,383	2,125,394
Within 3 months	489	107
Trade payables	1,980,872	2,125,501
Rental and other deposits	78,106	78,543
Other payables and accrued expenses	452,683	778,061
Contract liabilities – deposits received on sale of properties	2,178,314	1,898,721
	4,689,975	4,880,826

FINANCIAL REVIEW

Financial resources and bank borrowings

Total bank borrowings of the Group amounting to HK\$19,348 million as at 30 June 2024 (31 December 2023: HK\$20,897 million), comprising of HK\$2,898 million repayable within one year and HK\$16,450 million repayable after one year. Taking into account of cash and bank balances with an amount of HK\$709 million, the Group's net bank borrowings position was HK\$18,639 million as at 30 June 2024. Loan from a related company amounted to HK\$1,080 million as at 30 June 2024.

The Group's gearing ratio (calculated on the basis of net bank borrowings over total equity) was 104.4% as at 30 June 2024 (31 December 2023: 111.5%).

Considering the current high interest rate level, increasingly challenging operating environment in the property development in Mainland China and the time expected for the Group to realise its investment in the projects, the Group has proposed to dispose of its 60% equity interest in Rideon Limited (the "Disposal"), a previously wholly-owned subsidiary of the Group which holds a property development project in Shanghai, at a consideration of HK\$1,391,957,000 to Polytec Holdings International Limited on 1 February 2024. Details of the Disposal was disclosed in the Circular of the Company dated 22 March 2024. The Disposal was approved by independent shareholders and completed in June 2024. The consideration received has been used for repayment of borrowings and general working capital of the Group, which strengthened the Group's financial position and cash flow. Upon completion, the financial results of Rideon Limited and its subsidiaries are no longer be consolidated into the consolidated financial statements of the Company but are accounted for using the equity method as associated companies in the consolidated financial statements of the Company.

In response to high interest rates, the management has considered to reduce the Group's gearing ratio as priority of its financial management and planned to reduce its gearing by various measures, including but not limited to disposals of non-core assets. Since 2023, the Group disposed of commercial properties and carparks in Hong Kong and Mainland China, which generated proceeds exceeding HK\$200 million. Through disposal of the Group's non-core assets, it allows the Group to focus on its core asset portfolio and returns, reducing debt level which improve cash flow and enhance value for shareholders.

In addition to the above, with the sale for the remaining unsold units of Manor Hill in Hong Kong, upcoming presale of High Street project located in Sai Ying Pun, Hong Kong and presales/sales of various projects in Mainland China, it is expected that profits and cash inflows generated by these projects will further enhance the equity level and lower the borrowings of the Group.

During the period, sales for the property projects in Hong Kong contributed cash inflows of approximately HK\$1,205 million to the Group, mainly from sales of Manor Hill. Furthermore, the Group recorded approximately HK\$351 million cash inflows from presales/sales of various development projects in Mainland China, mainly from presales/sales 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\$829 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"). Revenue and cash generated from the development projects in Mainland China and external borrowings in RMB serve 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 2024, the Group had commitments mainly in connection with the Group's investment properties amounting to HK\$80 million.

Pledge of assets

As at 30 June 2024, properties having a value of HK\$26,857 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 2024, the Group had given guarantees to financial institutions in respect of performance bonds entered into by a subsidiary to the extent of HK\$35 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 2024. 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 2024, the Company has complied with all code provisions set out in Part 2 of Appendix C1 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 2023.

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 2024.

Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 16 December 2024 to Tuesday, 17 December 2024, 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, 13 December 2024.

Publication of Interim Report

The Interim Report 2024 containing all the information as required by the Listing Rules will be published on the website of “HKEXnews” at www.hkexnews.hk and the website of the Company at www.kdc.com.hk by the end of September 2024, while printed copies will be sent to shareholders as requested.

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

Hong Kong, 23 August 2024

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.