



九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

Stock Code 股份代號: 34

ANNUAL REPORT 2023 年報



Kowloon Development Company Limited

九龍建業有限公司



Clubhouse at Manor Hill (Hong Kong)

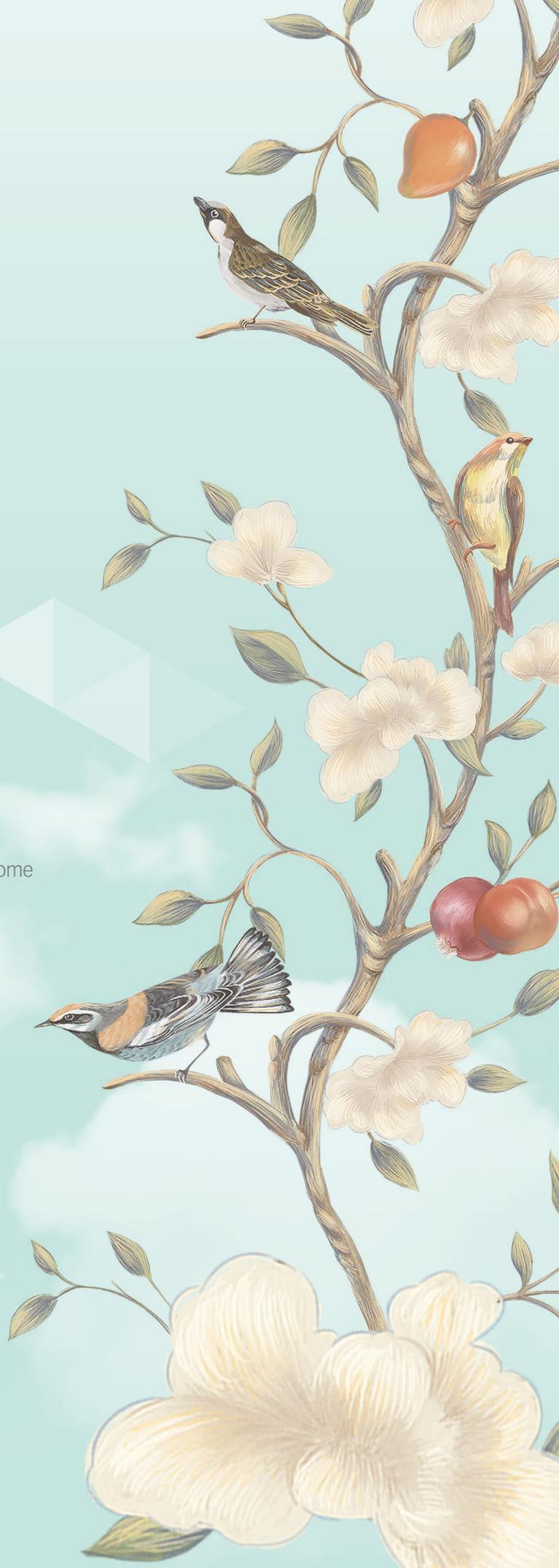
海茵莊園(香港)會所

Kowloon Development Company Limited (Stock Code: 34) has been engaged in property investment and investment holding with the operation of its business mainly in Hong Kong since its establishment. It has substantially broadened the areas of its business activity since the Polytec group gained the control of it in 2002. The Group is principally engaged in property development, property investment and property management in Hong Kong and Mainland China. It is determinedly committed to enhancing its competitive position, with its landbank amounting to approximately 3.3 million sq m of attributable gross floor area in Hong Kong and Mainland China as at 31 December 2023. The Group is also engaged in financial investments and investment holding.

九龍建業有限公司(股份代號：34)自成立以來一直從事物業投資及投資控股業務，其業務主要於香港營運。本公司自保利達集團於二零零二年入主起便大幅擴闊其業務範圍，集團主要於香港及中國大陸從事物業發展、物業投資及物業管理業務。集團致力提升本身之競爭優勢，於二零二三年十二月三十一日，其於香港及中國大陸土地儲備之應佔總樓面面積約3,300,000平方米。集團亦從事金融投資及投資控股業務。

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Corporate Information

Board of Directors and Committees

Board of Directors

Executive Directors

Mr Or Wai Sheun (*Chairman*)
Mr Lai Ka Fai
Mr Or Pui Kwan
Mr Lam Yung Hei

Non-executive Directors

Ms Ng Chi Man
Mr Yeung Kwok Kwong

Independent Non-executive Directors

Mr Li Kwok Sing, Aubrey
Mr Lok Kung Chin, Hardy
Mr Hsu Duff Karman

Committees

Executive Committee

Mr Or Wai Sheun (*Chairman*)
Mr Lai Ka Fai
Mr Or Pui Kwan
Mr Lam Yung Hei
Mr Yeung Kwok Kwong

Audit Committee

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

Nomination Committee

Mr Or Wai Sheun (*Chairman*)
Mr Lok Kung Chin, Hardy
Mr Hsu Duff Karman

Remuneration Committee

Mr Lok Kung Chin, Hardy (*Chairman*)
Mr Li Kwok Sing, Aubrey
Mr Hsu Duff Karman
Mr Lai Ka Fai

Corporate and Shareholders' Information

Company Secretary

Ms Tse Wah Ting, Wendy

Independent Auditor

KPMG
Public Interest Entity Auditor
registered in accordance with
the Accounting and Financial Reporting Council Ordinance

Authorised Representatives

Mr Lai Ka Fai
Ms Tse Wah Ting, Wendy

Legal Adviser

Sidley Austin

Share Registrar

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

Corporate Information

Registered Office

23rd Floor, Pioneer Centre, 750 Nathan Road,
Kowloon, Hong Kong
Telephone : (852) 2396 2112
Facsimile : (852) 2789 1370
Website : www.kdc.com.hk
E-mail : enquiry@kdc.com.hk

Stock Code

The Stock Exchange of Hong Kong Limited: 34

Principal Bankers

Bank of China
Bank of Communications
Bank of East Asia
China CITIC Bank International
China Construction Bank
Chong Hing Bank
Dah Sing Bank
DBS Bank
Hang Seng Bank
Shanghai Rural Commercial Bank
Tai Fung Bank
United Overseas Bank

Financial Calendar

Interim results announcement	18 August 2023
Interim dividend paid	9 January 2024
Annual results announcement	22 March 2024
2024 Annual General Meeting and 2024 Extraordinary General Meeting	5 June 2024
Ex-dividend date for final dividend	20 June 2024
Closure of register of members – 2024 Annual General Meeting and 2024 Extraordinary General Meeting	31 May 2024 – 5 June 2024 (both dates inclusive)
– Final dividend	24 June 2024 – 25 June 2024 (both dates inclusive)
Final dividend payable	On or about 17 July 2024

Group's Business Structure

KOWLOON DEVELOPMENT COMPANY LIMITED

(A member of the Polytec group)
Stock Code: 34

HONG KONG PROPERTY

Property Development

Major development projects:

- High Street
- Clear Water Bay Road

Development Landbank:

204,000 sq m

Property Investment

Flagship investment property:

- Pioneer Centre

Investment Landbank:

54,000 sq m

Property Management

Properties under management:

1,210,000 sq m

MAINLAND CHINA PROPERTY

Property Development

Major development projects:

- Le Cove City (Shenyang)
江灣城(瀋陽)
- The Gardenia (Shenyang)
翠堤灣(瀋陽)
- Le Cove Garden (Huizhou)
江灣南岸花園(惠州)
- The Lake (Foshan)
山語湖(佛山)
- Le Cove City (Wuxi)
江灣城(無錫)
- City Plaza (Tianjin)
城市廣場(天津)
- Yangpu (Shanghai)
楊浦(上海)
- Polytec Luxury Mansion (Shanxi)
保利達•貴府(山西)
- Hengda Guangchang (Zhuhai)
亨達廣場(珠海)

Development Landbank:

3,078,000 sq m

FINANCIAL INVESTMENTS

Fixed-income and equity investments
in Hong Kong and other recognised
financial markets

Highlights



Clubhouse at Manor Hill (Hong Kong)

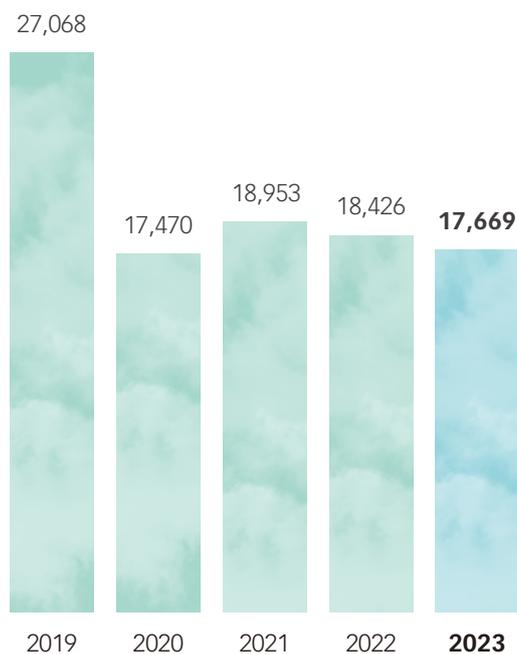


- ▶ For the year ended 31 December 2023, the Group's profit attributable to Shareholders amounted to HK\$337 million, compared to HK\$1,215 million in 2022, representing a decrease of 72.3%.
- ▶ Excluding revaluation changes from the Group's investment properties and fair value changes on its interests in the property development as well as fair value changes for financial investments, underlying profit attributable to Shareholders for 2023 fell to HK\$573 million from HK\$1,107 million in 2022, representing a decrease of 48.2%. The underlying earnings per share for 2023 were HK\$0.49, compared to HK\$0.94 in 2022.
- ▶ Final Dividend of HK\$0.57 per share by way of Scrip Shares is proposed. Full year dividend for 2023 amounts to HK\$0.83 per share.

Five-Year Financial Summary

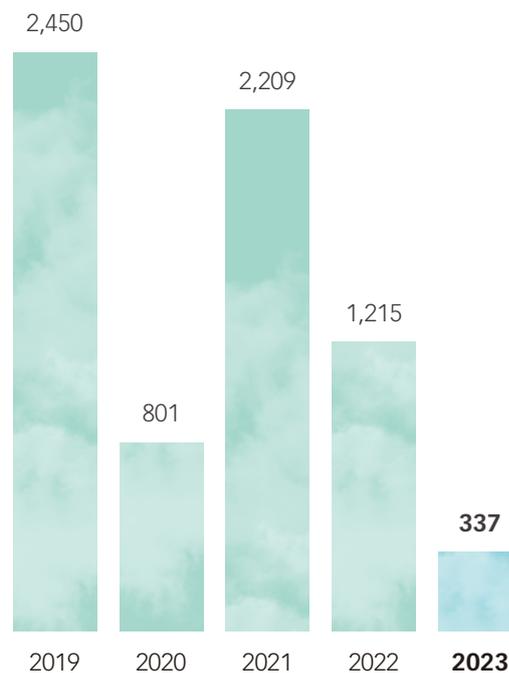
Shareholders' Equity

HK\$ million



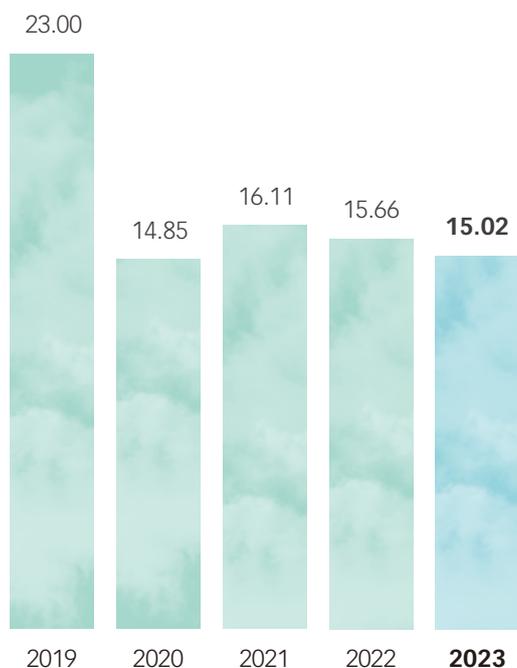
Profit Attributable to Shareholders

HK\$ million



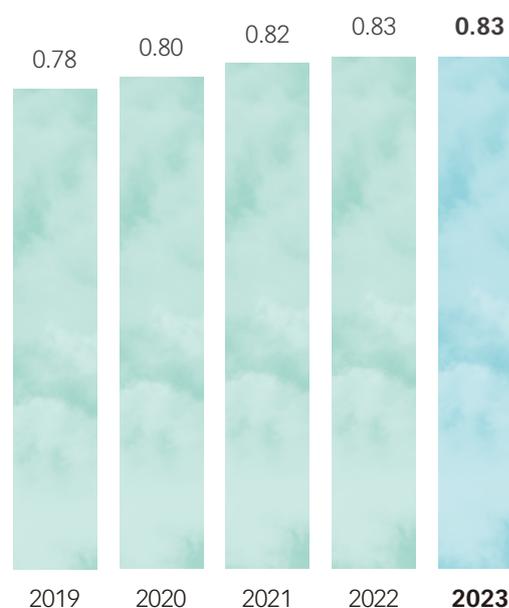
Net Asset Value per Share

HK\$



Dividends per Share

HK\$ (Note 2)



Five-Year Financial Summary

Key Consolidated Income Statement Data

HK\$ million	2019	2020	2021	2022	2023
Revenue	11,624	5,012	2,050	4,582	2,943
Profit from Operations	3,430	1,243	2,397	1,787	623
Profit Attributable to Shareholders	2,450	801	2,209	1,215	337
Earnings per Share (HK\$)	2.08	0.68	1.88	1.03	0.29
Underlying Profit Attributable to Shareholders (Note 3)	2,600	1,299	642	1,107	573
Underlying Earnings per Share (HK\$) (Note 3)	2.21	1.10	0.55	0.94	0.49
Dividends	918	941	965	977	977
Dividends per Share (HK\$) (Note 2)	0.78	0.80	0.82	0.83	0.83

Key Consolidated Statement of Financial Position Data

HK\$ million	2019	2020	2021	2022	2023
Non-Current Assets	30,527	17,114	20,164	19,796	18,769
Current Assets	21,605	16,990	27,953	27,970	28,963
Total Assets	52,132	34,104	48,117	47,766	47,732
Current Liabilities	(6,785)	(9,164)	(14,629)	(19,191)	(9,433)
Non-Current Liabilities	(14,026)	(7,352)	(14,414)	(10,039)	(20,531)
Net Assets	31,321	17,588	19,074	18,536	17,768
Share Capital	8,636	8,636	8,636	8,636	8,636
Reserves	18,432	8,834	10,317	9,790	9,033
Shareholders' Equity	27,068	17,470	18,953	18,426	17,669
Non-controlling Interests	4,253	118	121	110	99
Total Equity	31,321	17,588	19,074	18,536	17,768
Net Asset Value per Share (HK\$)	23.00	14.85	16.11	15.66	15.02
Gearing Ratio (%) (Note 4)	24.59	61.07	71.61	113.27	111.53

Notes:

- The financial information in this summary is extracted from the published financial statements for the last five years.
- A special interim dividend was distributed by way of distribution in specie of shares in Polytec Asset Holdings Limited ("PAH") held by the Group on the basis of 2.67 ordinary shares of PAH for every 1 ordinary share of the Company for the year ended 31 December 2020. As a result, PAH no longer a subsidiary of the Company after distribution in specie of shares in PAH on 30 October 2020. Five-Year financial summary contains continuing operations and discontinued operations.

The Board has recommended the payment of a Final Dividend of HK\$0.57 per share for the year ended 31 December 2023 by way of Scrip Shares (2022: HK\$0.57 in cash). A circular containing further details of the Scrip Dividend Scheme will be published by the Company on or about Wednesday, 10 July 2024.
- Underlying profit excludes revaluation of investment properties and interests in property development and provision and fair value changes for financial investments.
- Gearing ratio represents bank borrowings and net of cash and bank balances over total equity.

Chairman's Statement



Clubhouse at Manor Hill (Hong Kong)

Group Results and Dividends

For the year ended 31 December 2023, the Group's profit attributable to shareholders of the Company (the "Shareholders") amounted to HK\$337 million, compared to HK\$1,215 million in 2022, representing a decrease of 72.3%. 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 for 2023 fell to HK\$573 million from HK\$1,107 million in 2022, representing a decrease of 48.2%. The underlying earnings per share for 2023 were HK\$0.49 compared to HK\$0.94 in 2022.

The Board of Directors of the Company (the "Board") has recommended the payment of a final dividend (the "Final Dividend") of HK\$0.57 per share for the year ended 31 December 2023 by way of new fully paid shares of the Company ("Scrip Shares") (2022: HK\$0.57 in cash). Together with the 2023 interim dividend of HK\$0.26 per share (2022: HK\$0.26), the full year dividend for 2023 amounts to HK\$0.83 per share (2022: HK\$0.83).

The proposed Final Dividend will only be satisfied wholly by way of Scrip Shares (the "Scrip Dividend Scheme"). The Company believes that this extraordinary Scrip Dividend Scheme is in the interests of the Company and the Shareholders as a whole. Taking into account that while protecting shareholders' returns, it can also avoid the increase in the Group's current relatively high gearing ratio and conserve cash for the Group's business development and operational needs. It is expected that the Scrip Dividend Scheme will enhance the trading liquidity in the Company's shares.

The Scrip Dividend Scheme is conditional upon (i) the approval of the Final Dividend by the Shareholders at the forthcoming annual general meeting of the Company (the "2024 AGM") to be convened and held on Wednesday, 5 June 2024; and (ii) The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Scrip Shares to be issued pursuant to the Scrip Dividend Scheme.

A circular containing further details of the Scrip Dividend Scheme will be published by the Company on or about Wednesday, 10 July 2024. Subject to the satisfaction of the above conditions, it is expected that certificates for the Scrip Shares will be posted on or about Wednesday, 17 July 2024 to eligible shareholders of the Company whose names appear on the Register of Members of the Company on Tuesday, 25 June 2024. Dealings of the Scrip Shares are expected to commence on or about Thursday, 18 July 2024.

Market Overview and Business Review

In 2023, geopolitical tensions intensified with the ongoing Russia-Ukraine war and the continuous Israeli-Palestinian conflict, coupled with the Red Sea crisis, all of which had adversely affected the stability of global supply chain, leading to the increase in inflationary pressure.

Chairman's Statement

In order to curb soaring inflation, the Federal Reserve raised its federal funds target rate by a cumulative of 5.25% from 2022 to July 2023, with the interest rate still remains high. Due to the pegging system of HK dollar and the US currency, Hong Kong Interbank Offered Rate was also maintained at a relatively high level in tandem with the US dollar interest rates, which caused operating and mortgage costs to surge and thereby suppressed buyers' appetite. After a brief recovery in early 2023, the residential property market in Hong Kong weakened for the rest of the year. During 2023, residential selling prices fell by more than 12% from the peak at the beginning of the year to the low at the end of the year, down approximately 22% from the historical high of 2021. In addition to the general decline in residential prices and, more importantly, transaction volume remained sluggish for most of the time, which exerted heavy pressure on the business operations of property developers.

In Mainland China, gross domestic product recorded a 5.2% growth in 2023 following the lifting of epidemic-related restrictions and the increasing economic policy support. However, the overall sentiment in the residential market remained weak. In order to facilitate a steady recovery of the market, the Central Government has successively implemented a number of measures to optimise the property market, supported by local policies to accelerate the pace of optimisation. Nevertheless, both transacted price and transaction volume of the residential property in cities across the country have generally declined during the year.

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. Over 870 residential units at Manor Hill were sold as at 31 December 2023, with sale proceeds of approximately HK\$1.2 billion being recognised for the year under review.

In Mainland China, total presales/sales of the Group's development projects exceeded RMB2.5 billion for the year ended 31 December 2023, with presales/sales attributable to the Group of approximately RMB2.1 billion based on its interests.

Property Investment

Gross rental income generated from the Group's investment property portfolio in Hong Kong for 2023 fell to HK\$296 million from HK\$301 million in 2022, representing a decrease of 1.7%. Gross rental income generated from the Pioneer Centre, the Group's wholly-owned flagship and core investment property in Hong Kong, for 2023 fell slightly to HK\$237 million from HK\$238 million, representing a decrease of 0.4% over 2022.

Financial Investments

For the year ended 31 December 2023, total interest income and dividend income generated from the Group's financial investment activities fell to HK\$104 million from HK\$159 million in 2022, representing a decrease of 34.6%.



Clubhouse at Manor Hill (Hong Kong)

Important Event Since the End of the Financial Year

As announced on 1 February 2024, the Group entered into a sale and purchase agreement with its related company (the "Agreement"), pursuant to which the Group has conditionally agreed to sell 60% equity interest together with 60% shareholder's loan of a company owning a property development project in Shanghai with a total site area of 21,278.60 sq m at a consideration of HK\$1,391,957,000.

The completion of the above disposal is subject to the fulfilment or waiver of certain conditions precedent as set out in the Agreement as well as the independent shareholders' approval at the extraordinary general meeting of the Company to be held on Wednesday, 5 June 2024 (the "2024 EGM"). Please refer to the announcement and circular of the Company dated 1 February 2024 and 22 March 2024 respectively for details of the above disposal.

Business Strategy

The Company has been engaged in property investment and investment holding with the operation of its business mainly in Hong Kong since its establishment. It has substantially broadened the areas of its business activity since the Polytec group gained the control of it in 2002. The Group is principally engaged in property development, property investment and property management in Hong Kong and Mainland China. It is also engaged in financial investments and investment holding.

Prospects

In February 2024, the Financial Secretary of Hong Kong announced in his Budget Speech at the end of February that all the restrictions on the sale of properties which have been implemented for over a decade are lifted immediately, and at the same time, the Hong Kong Monetary Authority also announced the suspension of the mortgage stress test and the relaxation of the loan-to-value ratios of certain types of properties, finally bringing good news to the local property market. Thereafter, buyers (regardless of local or overseas) only need to pay the standard stamp duty based on the property price. A number of new property developments which were launched for sale after the withdrawal of the restrictions achieved remarkable sales performance. In the first two weeks of March, the transaction volume of both first- and second-hand residential properties soared more than doubled, reversing the downtrend. It is expected that the purchasing power will be relatively longer lasting, and the residential market will remain active and move towards healthy development.

Global inflation is expected to decelerate in 2024 as the effects of the tightening of monetary policies by major global economies in the past two years continue to manifest. Central banks of major western countries have an intention to gradually launch interest-rate cuts in the second half of this year, supporting economic confidence and activity around the world to some extent. Hong Kong interest rates will be lowered accordingly, which will support property sales in the second half of the year, and property prices are expected to stabilise or even slightly rebound.



Chairman's Statement

In Mainland China, since last year, more accommodative policies in favour of real estate sales have been introduced by the Central Government. The market expects these policies can boost property prices and housing demand, thereby accelerating the recovery of the property market but the effect has yet to be seen. Despite the current weak market conditions, the Group will adopt proactive strategies to speed up project sales so as to recoup funds as soon as possible.

In Hong Kong, the Group will continue the sale of the remaining units of its wholly-owned residential development project in Tseung Kwan O, namely Manor Hill, in the first 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) had been completed. It is expected that the presale will likely be launched after the middle of the 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 in full progress. The project has a GFA exceeding 2,000,000 sq ft, which is favourably located in the vicinity of the entrances of Choi Hung MTR Station and are easily accessible.

In Mainland China, the planning works for the Phase 3 residential development of Le Cove Garden in Huizhou are in progress. Construction will be commenced in the second quarter of 2024 as planned.

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

In Wuxi, the interior fitting-out works for Phase 4 development of Le Cove City are in progress and the presale of residential portion was well received by the market. It is expected that the construction will be completed in the middle of the year.

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 Phase 3A development has been completed early this year while the construction works for the Phase 3B development are in progress.

In Shanghai, the Group has obtained the preliminary construction licence for the Yangpu project, with its construction works expected to commence in the second quarter of 2024. 60% interest of this project will be sold to the associate of the controlling shareholder upon the approval of the independent shareholders at the 2024 EGM.

In Jiexiu, Shanxi, the structural works for the Phase 1 development of Polytec Luxury Mansion had been completed and the presale was launched. It is expected that the whole construction will be completed at the end of the year.

In Zhuhai, the foundation works for the Phase 1 development of Hengda Guangchang had been completed and the superstructure works are expected to commence later this year with completion in 2025.

In Mainland China, the sale of the Group's projects in Wuxi, Foshan and Tianjin will continue with sale proceeds being recognised gradually in this year. However, we expect insignificant contribution to the Group's earnings by these projects in Mainland China in light of the deep adjustment made to the property price in 2023.

In response to the abolishment of the sale restrictions imposed on the residential market in Hong Kong, the sale activities have become more active. The Group will seize on the opportunity to actively sell its remaining inventory and promote the sale of the High Street project in the short run.

The Group will take a cautious pace to replenish its landbank in due course.

The proposed disposal of the 60% interest in the Yangpu project in Shanghai will aid the Group to improve the gearing ratio step by step.

It is expected that the Group's development projects in Hong Kong, namely Manor Hill (completed), the High Street project (under construction) 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.

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

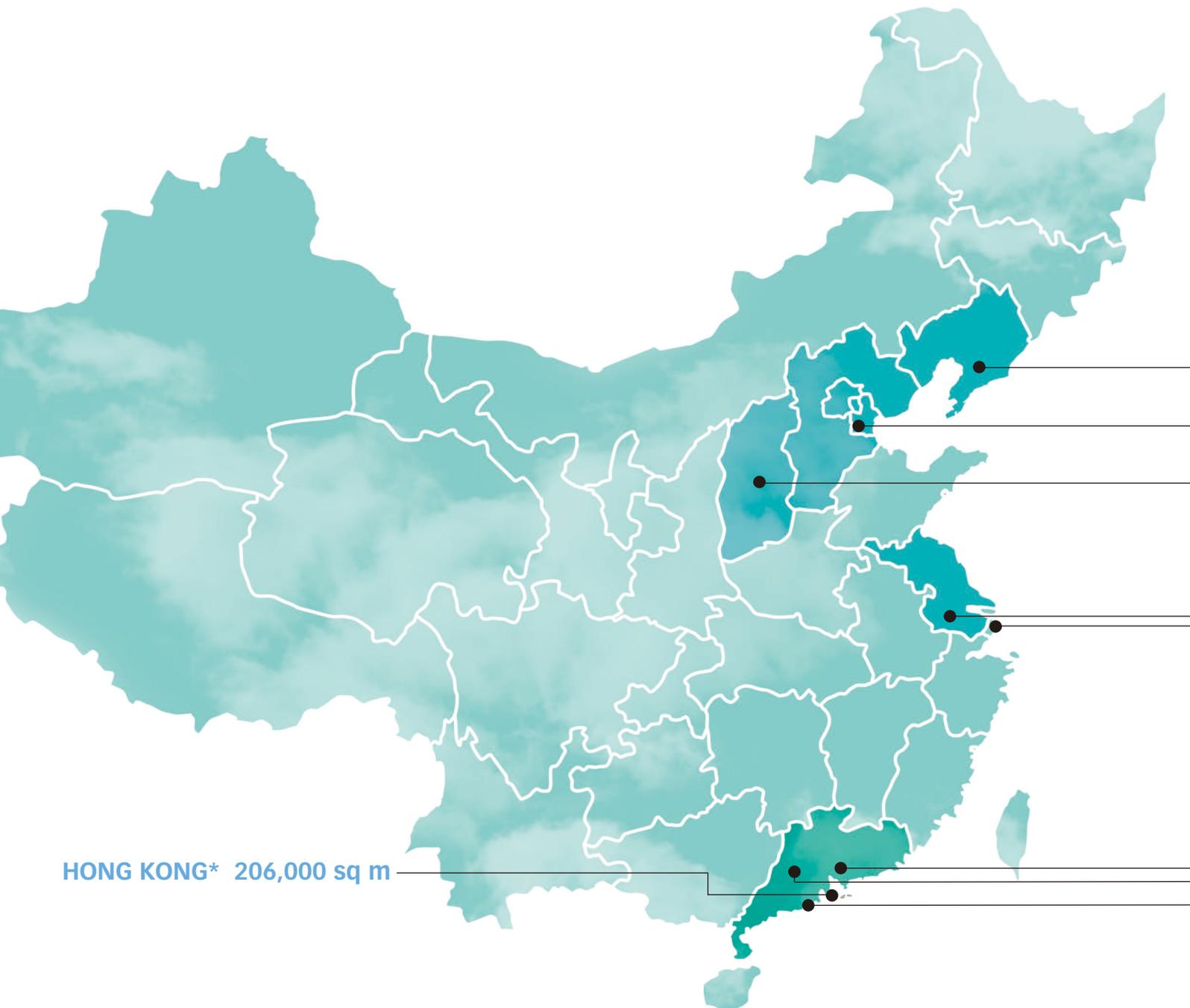


Or Wai Sheun
Chairman

Hong Kong, 22 March 2024

Review of Operations

Group's major projects under development in the Greater China Region



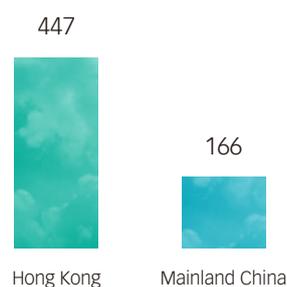
* representing 100% project coverage in gross floor area

Key Operating Results for 2023

Total operating profit in the property development segment amounted to HK\$613 million, which was generated from development projects in Hong Kong and Mainland China.

Operating Profit – Property Development Geographic Distribution for 2023

HK\$ million



MAINLAND CHINA* 6,702,000 sq m

Shenyang 2,630,000 sq m

Tianjin 850,000 sq m

Jiexiu 463,000 sq m

Wuxi 365,000 sq m

Shanghai 75,000 sq m

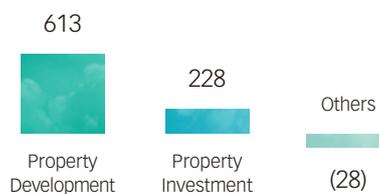
Huizhou 520,000 sq m

Foshan 1,600,000 sq m

Zhuhai 199,000 sq m

Operating Profit/(Loss) by Segment for 2023

HK\$ million

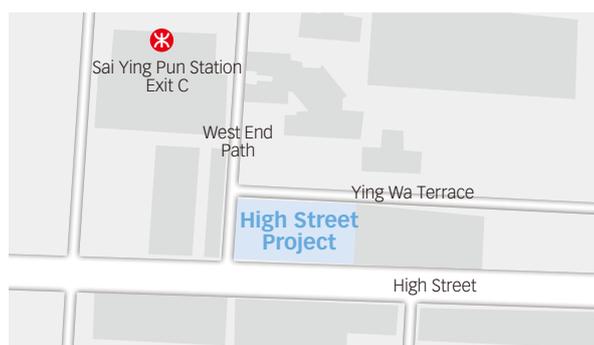


Review of Operations **Hong Kong****Property Development**

As at 31 December 2023, the Group's landbank for development amounted to approximately 3.3 million sq m of attributable gross floor area ("GFA"). The Group's major property projects under planning and development are set out as follows:

Hong Kong*High Street Project*

The site is located at No. 6 High Street in Sai Ying Pun. It is being developed into a high-end residential tower with a few retail shops covering a GFA of approximately 4,700 sq m. The Group has a 60% interest in this redevelopment project.

**Location**

No. 6 High Street, Sai Ying Pun, Hong Kong

Usage

Residential and Commercial

Group's Interest

60%

Approx. Total Site Area

500 sq m

Approx. GFA

4,700 sq m

Project Status

Foundation works completed

Expected Date of Completion

2025/2026

Clear Water Bay Road Project

The site is located at No. 35 Clear Water Bay Road in Ngau Chi Wan. This residential and commercial development project is wholly-owned by the Group, with a GFA of approximately 201,000 sq m. It is expected to be developed into a complex comprising five high-end modern high-rise residential blocks over a sizeable shopping mall.

**Location**

No. 35 Clear Water Bay Road, Ngau Chi Wan, Kowloon, Hong Kong

Usage

Residential and Commercial

Group's Interest

100%

Approx. Total Site Area

22,400 sq m

Approx. GFA

201,000 sq m

Project Status

Foundation works in progress

Expected Date of Completion

2026 – 2028

Mainland China

Le Cove City (Shenyang)

江灣城(瀋陽)

The site is located along the Hun River at 6 Hun Nan Er Road of the Hun Nan Xin District in Shenyang. This residential and commercial development project is wholly-owned by the Group, with a planned GFA of approximately 630,000 sq m.



Location

6 Hun Nan Er Road, Hun Nan Xin District, Shenyang, China

Usage

Residential and Commercial

Group's Interest

100%

Approx. Total Site Area

165,000 sq m

Approx. GFA

630,000 sq m

Approx. GFA Booked

374,000 sq m

Project Status

Superstructure works for Phase 5A (approx. GFA of 40,000 sq m) in progress

Expected Date of Completion

Phase 5A 2025/2026



Artist's Impression of Phase 5 development

Review of Operations **Mainland China**

The Gardenia (Shenyang)

翠堤灣(瀋陽)

The site is located on the west side of Daba Road of the Shenhe District, which is one of the five main central districts in Shenyang. This residential and commercial development project is wholly-owned by the Group, with a planned GFA of approximately 2,000,000 sq m.

**Location**

West of Daba Road, Shenhe District, Shenyang, China

Usage

Residential and Commercial

Group's Interest

100%

Approx. Total Site Area

1,100,000 sq m

Approx. GFA

2,000,000 sq m

Approx. GFA Booked

678,000 sq m

Project Status

Modification for subsequent development plan in progress

Expected Date of Completion

To be determined



Phase 3A development

Review of Operations **Mainland China**

Le Cove Garden (Huizhou)

江灣南岸花園(惠州)

The site is located at Dongjiang North Shore Wangjiang Lot of the Huicheng District in Huizhou and has a permanent natural river view at its south east side, with provincial park facilities and convenient traffic to the central business district of Dongjiang North Shore in Huizhou. The Group has a 60% interest in this residential and commercial development project, with a GFA of approximately 520,000 sq m.



Location

Dongjiang North Shore, Wangjiang Lot, Huicheng District, Huizhou, China

Usage

Residential and Commercial

Group's Interest

60%

Approx. Total Site Area

146,000 sq m

Approx. GFA

520,000 sq m

Approx. GFA Booked

371,000 sq m

Project Status

Planning works for Phase 3 (approx. GFA of 96,000 sq m) in progress

Expected Date of Completion

Phase 3 2025/2026



Artist's Impression of Phase 3 development

Review of Operations **Mainland China**

The Lake (Foshan)

山語湖(佛山)

The site is located in the Nanhai District of Foshan, with a total site area of approximately 4,021,000 sq m. This is a joint venture residential and commercial development project of the Group. The site is endowed with unique geographical advantages, surrounded by lakes, a wetland nature reserve zone and woods. It is being developed as one of the most emblematic residential communities in Foshan, with a GFA of approximately 1,600,000 sq m.

**Location**

Heshun Meijing Shuiku Sector,
Lishui Town, Nanhai District, Foshan,
China

Usage

Residential and Commercial

Group's Interest

50%

Approx. Total Site Area

4,021,000 sq m

Approx. GFA

1,600,000 sq m

Approx. GFA Booked

998,000 sq m

Project Status

Construction works for Phase 5
(approx. GFA of 83,000 sq m) in progress

Expected Date of Completion

Phase 5 2024/2025



Recreation Area at Phase 3 residential development



Phase 3 residential development

Review of Operations **Mainland China**

Le Cove City (Wuxi) 江灣城(無錫)

The site is located in the Liangxi District, a central business district of Wuxi, with a total site area amounting to approximately 69,000 sq m. This residential and commercial development project is wholly-owned by the Group, with a GFA of approximately 365,000 sq m.



Location

Tongyun Road and Gongyun Road,
Liangxi District, Wuxi, China

Usage

Residential and Commercial

Group's Interest

100%

Approx. Total Site Area

69,000 sq m

Approx. GFA

365,000 sq m

Approx. GFA Booked

126,000 sq m

Project Status

Interior fitting-out works for Phase 4
(approx. GFA of 170,000 sq m)
in progress

Expected Date of Completion

Phase 4 Mid-2024



Artist's Impression of Phase 4 development

Review of Operations **Mainland China***City Plaza (Tianjin)*
城市廣場(天津)

The site is located in a new commercial and business area of the Hedong District, Tianjin. This residential and commercial development project is 49%-owned by the Group and has a GFA of approximately 850,000 sq m. It is being developed into a modern residential and commercial complex with luxury residential towers, office buildings, a five-star hotel and a first-class shopping arcade.

**Location**

Lot No. Jin Dong Liu 2004-066,
intersection of Shiyijing Road and
Liuwei Road, Hedong District, Tianjin,
China

Usage

Residential and Commercial

Group's Interest

49%

Approx. Total Site Area

136,000 sq m

Approx. GFA

850,000 sq m

Approx. GFA Booked

450,000 sq m

Project Status

Construction works for Phase 3B
(approx. GFA of 280,000 sq m)
in progress

Expected Date of Completion

Phase 3B 2025/2026



Phase 3A development



Phase 3A development

Review of Operations **Mainland China**

Yangpu Project (Shanghai) 楊浦項目(上海)

The site is located in the Yangpu District, Shanghai. This residential, commercial and office development project is wholly-owned by the Group, with a GFA of approximately 75,000 sq m. It is expected to develop into a block of residential building, two blocks of office building, several low-rise commercial buildings and support facilities.



Location

14/8 Qiu, 176 Jiefang, Siping Road,
Yangpu District, Shanghai, China

Usage

Residential, Commercial and Office

Group's Interest

100%

Approx. Total Site Area

21,000 sq m

Approx. GFA

75,000 sq m

Project Status

Preliminary construction licence obtained
and construction works to commence

Expected Date of Completion

2026



Artist's Impression

Review of Operations **Mainland China**

Polytec Luxury Mansion (Shanxi)

保利達·貴府(山西)

The site is located in the north-west of Jiexiu, Shanxi Province which is about 3.7 km from the city centre. This residential and commercial development project is wholly-owned by the Group, with a GFA of approximately 463,000 sq m. It is intended to be developed into a landmark residential and commercial complex or community in the area of Jiexiu.

**Location**

South of Public Security Bureau,
West of Wenyuan Street,
East of Sanxian Avenue,
North of Jie Highway, Jiexiu, China

Usage

Residential and Commercial

Group's Interest

100%

Approx. Total Site Area

181,000 sq m

Approx. GFA

463,000 sq m

Project Status

Structural works for Phase 1
(approx. GFA of 88,000 sq m) completed

Expected Date of Completion

Phase 1 End-2024



Artist's Impression of Phase 1 development

Review of Operations **Mainland China**

Hengda Guangchang (Zhuhai) 亨達廣場(珠海)

The site is located in the Xiangzhou District of Zhuhai at about 3 km from Gongbei Port. It is intended to be developed into two phases of which Phase 1 will comprise office towers, a commercial podium, the basement and a neighbourhood centre, while Phase 2 will comprise office towers and a commercial podium. The Group has a 70% interest in this development project, with a GFA of approximately 199,000 sq m.



Location

Northwest side of the intersection of Jiuzhou Avenue and Yingbin South Road, Xiangzhou District, Zhuhai, China

Usage

Commercial, Office and Hotel Apartment

Group's Interest

70%

Approx. Total Site Area

38,000 sq m

Approx. GFA

199,000 sq m

Project Status

Foundation works for Phase 1 (approx. GFA of 66,000 sq m) completed

Expected Date of Completion

Phase 1 2025



Artist's Impression of Phase 1 and Phase 2 developments

Review of Operations

Property Investment

Gross rental income generated from the Group's investment property portfolio in Hong Kong for 2023 fell to HK\$296 million from HK\$301 million in 2022, representing a decrease of 1.7%. Gross rental income generated from the Pioneer Centre, the Group's wholly-owned flagship and core investment property in Hong Kong, for 2023 fell slightly to HK\$237 million from HK\$238 million, representing a decrease of 0.4% over 2022.

Property Management

The Group offers a full range of high quality property management services to our clients. Our client base includes not only self-developed luxury residential buildings, serviced apartments and medium scale commercial buildings, but also public housing estates. As at 31 December 2023, the total area of properties under management was maintained at approximately 1,210,000 sq m (2022: 1,214,000 sq m).



Pioneer Centre (Hong Kong)

Key Risks and Uncertainties

The Group faces various risks including those specific to the property development business as well as those that are common to other businesses. The Group's risk management and internal control systems are in place to ensure principal risks as well as significant emerging risks are identified, monitored and managed on a continuous basis. Under such systems, management of various departments or business units would identify suitable internal controls and countermeasures to mitigate principal risks and the relevant risk owners are responsible to implement those risk mitigating measures and provide feedbacks on their effectiveness. The principal risks and uncertainties set out below may have material impacts on the Group's businesses, operating results, financial position or prospects, but they are by no means exhaustive or comprehensive.

Property Development Risk

Similar to other property developers, the Group's performance depends mainly on local property market conditions and overall economic environment. Therefore, sluggish post-pandemic economic recovery and downturn of property market may have continuous influence on our property development business. Other risks include interest rate changes, availability of financing, political and social stability, government policies, property cooling measures, as well as the taxes and stamp duties imposed on the sales of residential properties in the geographical areas of the Group's operations.

The profitability of the Group may also be hindered by rising construction costs and sub-contracting charges and keen competition from other property developers. Adverse financial impact may arise if any of our construction projects is not able to be completed on schedule or within budget, or our residential units are not able to be sold at the price and pace as planned. The Group's reputation may be affected by delayed handover of residential units and quality issues. The Group's prospects are also subject to the supply of land affected by land policies in different geographical areas.

Review of Operations

Regulatory Risk

The Group operates in highly-regulated markets and industries where changes to the regulatory landscape may have significant impacts on our businesses. We are required to ensure compliance with all the regulatory requirements including the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as well as legal, tax, environmental and any other statutory requirements for our various kinds of businesses in different jurisdictions.

People Risk

The Group's future development is materially affected by whether it can recruit, retain, develop and motivate competent and qualified staff at all levels. The shortage or loss of key personnel may hamper the Group's existing operations and prospects.

Financial Risk

The Group is exposed to interest rate, credit, liquidity, currency and other price risks which arise in the normal course of the Group's businesses. The analysis of these risks is illustrated in the notes to the financial statements in detail.

Business Partner Risk

Some of the Group's businesses are conducted through non wholly-owned companies or joint ventures in which the Group shares control with other business partners or exercises only limited controls under the co-investment agreements. The relevant risks include that these business partners may not continue their relationships with the Group, take actions against the Group's interests, undergo a change of control or not fulfil their obligations under the joint ventures.

Information Security Risk

The Group's computer system and data are exposed to unauthorised access or damage caused by cyber threats, especially nowadays the worldwide cybercrime and malware attack happen more frequently. Failure in protecting the computer system and data of the Group may lead to loss or leakage of critical data or even disruptions of normal operations of the business.

Investment Risk

The Group engages in business activity involving financial investment, including but not limited to investment fund, debt securities and equity securities, in Hong Kong and other recognised financial markets. The Group's financial investments may be exposed to default risk and liquidity risk and their market values may be affected by corporate performance of the issuing institutions, economic factors or changes in government policies and regulations in relevant sectors.

Environmental, Social and Governance ("ESG") Risk

ESG risks have a large coverage and may have significant negative impacts and hinder the long-term sustainable growth of the Group. For environmental aspect, the risks may include climate change, energy efficiency as well as waste and noise management. For social aspect, the risks may involve employee's health and safety, supply chain, community engagement, customer privacy as well as business ethics and integrity. For governance aspect, the Group should concern about board composition and diversity, compliance with laws and regulations, shareholders' rights as well as risk management and internal control.

Review of Operations

Environmental and Social Compliance

Environmental Policies and Performances

The Group is dedicated to high standards of environmental protection. By minimising the impact to our community and conserving resources amongst employees and tenants, we are striving to improve our environmental performance continually. Since 2007, the Group has become a corporate member of WWF-Hong Kong, supporting the Non-Governmental Organisation's works on conservation and education. The Group adopts a holistic and proactive approach towards environmental management, undertaking stringent measures to ensure both new and existing developments comply with the regulatory requirements. To show our commitment to sustainable development, we keep assessing our actual performance against the preset environmental targets to ensure we are on the right track towards long-term sustainability.

The Group is committed to conserving the environment and seeking continual improvement in environmental matters. To enhance environmental protection awareness at the workplace, we have adopted various environmental friendly and energy saving policies and measures, and continuously educate our staff. In addition, the establishment of the waste recycling systems and the participation in various kinds of recycling programmes for headquarters and the major properties under our management have demonstrated the Group's dedication to enhance waste reduction and cultivate a sustainability mind-set. We also work and communicate closely with our contractors to minimise generation of effluent and waste. Meanwhile, we actively reduce the environmental impacts of residential building and properties under our management, while improving environmental quality and user satisfaction. Our recent residential development project, namely Manor Hill, in Tseung Kwan O has integrated with "All-Electric Home" design concept and achieved Final Silver rating under BEAM Plus New Buildings (V1.2). In order to cope with climate change and reduce carbon emission, Manor Hill provided energy-efficient appliances such as induction cookers, electric water heaters and thermo ventilators and installed smart meters in each residential unit, as well as equipped parking lots with electric vehicle charging facilities. Significant energy savings are achieved via a more energy efficient air conditioning system and lighting system in the residential and clubhouse portion. As at 31 December 2023, ten of our managed properties have obtained the Energywise Certificate, while nine of our managed properties have obtained the Wastewise Certificate.

Compliance with Laws and Regulations

As far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations that has a significant impact on the businesses and operations of the Group during the financial year.

Relationships with Stakeholders

The Group has an integrated human capital strategy to recruit, develop and motivate employees, ensuring employees are provided with competitive remuneration package, appropriate training and development opportunities and their performance goals are aligned with the Group's business objectives. The Group is committed to providing a work environment that is free from all forms of discrimination. As stated in the internal policies, the Group forbids all forms of discrimination on gender, religion, race, family status, disability and age at all time during recruitment, promotion, internal transfer and resignation. Management and staff at all levels are responsible for ensuring all employees are working in compliance with the statutory requirements, arranging adequate resources to fulfil the safety requirements and carrying out training and supervision. Furthermore, we have improved our internal communication through the intranet system to strengthen and enhance communication amongst staff.

The Group is also dedicated to providing high quality properties, products and services to meet our customers' needs and is striving to maintain good relationships and close communication with our business partners, banks, contractors and vendors so as to achieve this goal for our customers.

Additionally, communication with our stakeholders is particularly critical as the Group sets forth its sustainability framework. Therefore, we conduct stakeholder survey annually to further gauge their perspectives on the Group's environmental and social material issues. Based on the result of the annual survey, we have constructed a systematic materiality assessment as a bridge to better address various stakeholders' concerns.

Review of Operations

Apart from the Group's continuous efforts towards improvement in relationship with its stakeholders, the Group is also committed to delivering support to the needs of the community. The Company has been awarded as a "Caring Company" since 2009 in recognition of our achievement in corporate social responsibility. To continue aligning with and supporting the government's transitional housing policy, the Group procured to provide transitional housing under Lok Sin Tong Social Housing Scheme for families in need and forty-seven housing units were provided under the scheme in 2023. We have also donated to domestic charities and our employees have participated in a number of community activities and volunteer services.

Response to Coronavirus Disease 2019 ("COVID-19") Pandemic

Following the substantial relief to the COVID-19 pandemic in 2023, most of the local anti-pandemic measures have been lifted and the social and economic activities have been resuming gradually. Despite that, the Group will remain vigilant on any potential outbreak of pandemic diseases and implement responsive measures promptly in order to safeguard the health of our stakeholders.

ESG Reporting

In accordance with the requirement under the ESG Reporting Guide set out in Appendix 27 (which has been renumbered to Appendix C2 with effect from 31 December 2023) to the Listing Rules, a separate ESG Report will be published on the Company's website (www.kdc.com.hk) under "Environmental, Social and Governance" of the "Investor Relations" section and the website of "HKEXnews" (www.hkexnews.hk). The report covers the Group's ESG performance and activities and highlights the continual efforts of the Group in building a sustainable future.

Human Resources

As at 31 December 2023, the Group had a total of 2,641 employees (2022: 2,668 employees), of which 2,492 were Hong Kong staff and 149 were Mainland China staff. During the year, total staff costs decreased to HK\$621 million (2022: HK\$633 million). Salary levels of employees are competitive. Discretionary bonuses are granted based on the performance of the Group as well as the performance of individuals to attract, motivate and retain talented people.

The Group believes that the quality of its human resources is critical for it to maintain a strong competitive edge. The Group has conducted a range of training programmes through various institutions to strengthen employees' all-round skills and knowledge, aiming to well equip them to cope with their development in the ever-changing economy.

In addition, the Group established a recreation club and conducted a Christmas lucky draw for employees during the year to promote team spirit and loyalty, and encourage communication among departments.

Financial Review

Financial resources and bank borrowings

Total bank borrowings of the Group amounting to HK\$20,897 million as at 31 December 2023 (31 December 2022: HK\$21,860 million), comprising of HK\$3,745 million repayable within one year and HK\$17,152 million repayable after one year. During the year, the Group has entered into a 3.5 years syndicated loan of HK\$9,658 million with nine banks to re-finance 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) which matured in July 2023. Taking into account of cash and bank balances with an amount of HK\$1,081 million, the Group's net bank borrowings position was HK\$19,816 million as at 31 December 2023. Loan from a related company amounted to HK\$2,789 million as at 31 December 2023.

The Group's gearing ratio (calculated on the basis of net bank borrowings over total equity) was 111.5% as at 31 December 2023 (31 December 2022: 113.3%).

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 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 were disclosed in the announcement of the Company on the same date. The Group intends to apply the consideration for the purposes of repayment of borrowings and general working capital of the Group, which will improve the Group's financial position and cash flow.

In response to high interest rates, the management has also considered to reduce the Group's gearing ratio as part of its prudent financial management and planned to reduce its gearing by various measures, including but not limited to disposals of non-core assets. During the year under review, the Group disposed of commercial properties and carparks in Hong Kong and Mainland China, which generated proceeds of approximately HK\$137 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 the 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 year, sales for the property projects in Hong Kong contributed cash inflows of approximately HK\$1,330 million to the Group, mainly from sales of Manor Hill. Furthermore, the Group recorded approximately HK\$2,095 million cash inflows 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\$1,817 million for construction costs during the year.

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

Financial Review

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 31 December 2023, the Group had commitments mainly in connection with the Group’s investment properties amounting to HK\$69 million.

Pledge of assets

As at 31 December 2023, properties having a value of HK\$28,159 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 31 December 2023, 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.

Profile of Directors

Board of Directors

Executive Directors

Mr OR Wai Sheun, aged 72, is the *Chairman* of the Company. He has been an *Executive Director* since January 2002 and is responsible for the development of corporate strategies, corporate planning and general management of the Company. Mr Or is also the sole shareholder and a director of New Explorer Developments Limited, the sole shareholder of Intellinsight Holdings Limited (“Intellinsight”), and a director of Intellinsight, the substantial shareholder of the Company, and certain subsidiaries of the Group. He was the chairman of Polytec Asset Holdings Limited (listed on the Stock Exchange of Hong Kong prior to withdrawal of listing in May 2021) from April 2006 to September 2022 as well. Mr Or has over 40 years of experience in property development, industrial and financial investment business in Hong Kong, Mainland China and Macau. He is the spouse of Ms Ng Chi Man, the father of Mr Or Pui Kwan and the father-in-law of Mr Lam Yung Hei.

Mr LAI Ka Fai, aged 59, has been an *Executive Director* of the Company since January 2002. He is responsible for the development of corporate strategies, corporate planning and day-to-day management of the Company. Mr Lai is also a director of Intellinsight Holdings Limited, the substantial shareholder of the Company, and certain subsidiaries of the Group. He was a non-executive director of Polytec Asset Holdings Limited (listed on the Stock Exchange of Hong Kong prior to withdrawal of listing in May 2021) from January 2002 to September 2022 as well. Mr Lai has over 35 years of experience in finance, accounting, financial and operational management and corporate planning. He graduated from the University of East Anglia in the United Kingdom with a Bachelor’s degree in Science. Mr Lai is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr OR Pui Kwan, aged 45, has been an *Executive Director* of the Company since September 2005. He is responsible for the development of corporate strategies, corporate planning and day-to-day management of the Company. Mr Or joined the Company in May 2003 and is also a director of certain subsidiaries of the Group. He has attained solid working experience in various companies engaged in property development, securities investment, information technology, product research and development. Mr Or holds a Bachelor of Combined Science degree from the University College London. He has also obtained an Executive MBA degree from the Kellogg School of Management at Northwestern University and the School of Business and Management at the Hong Kong University of Science and Technology. He is the son of Mr Or Wai Sheun and Ms Ng Chi Man and the brother-in-law of Mr Lam Yung Hei.

Mr LAM Yung Hei, aged 44, has been an *Executive Director* of the Company since July 2016. He is responsible for the development of corporate strategies, corporate planning and day-to-day management of the Company, and overseeing construction management of the Group. Mr Lam is also a director of certain subsidiaries of the Group. He has over 15 years of experience in Hong Kong property development, merger and acquisition and information technology. Mr Lam holds a Master of Commerce (Information Systems and Management) degree and a Bachelor of Science (Computer Science) degree both from University of New South Wales, Sydney. He is the son-in-law of Mr Or Wai Sheun and Ms Ng Chi Man and the brother-in-law of Mr Or Pui Kwan.

Non-executive Directors

Ms NG Chi Man, aged 71, has been an *Executive Director* of the Company since January 2002 and re-designated as a *Non-executive Director* of the Company since April 2013. She is also a director of New Explorer Developments Limited, the sole shareholder of Intellinsight Holdings Limited (“Intellinsight”), Intellinsight, the substantial shareholder of the Company, and certain subsidiaries of the Group. Ms Ng has over 40 years of experience in property development, industrial and financial investment business in Hong Kong, Mainland China and Macau. She is the spouse of Mr Or Wai Sheun, the mother of Mr Or Pui Kwan and the mother-in-law of Mr Lam Yung Hei.

Mr YEUNG Kwok Kwong, aged 65, has been a *Non-executive Director* of the Company since January 2002. He is also a director of certain subsidiaries of the Group and was the managing director of Polytec Asset Holdings Limited (listed on the Stock Exchange of Hong Kong prior to withdrawal of listing in May 2021) from September 2000 to September 2022. Mr Yeung has over 40 years of experience in finance, accounting, financial and operational management and corporate planning. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Profile of Directors

Independent Non-executive Directors

Mr LI Kwok Sing, Aubrey, aged 74, has been an *Independent Non-executive Director* of the Company since January 2002. Mr Li is a director of IAM Family Office Limited, a Hong Kong based investment firm, and has over 45 years of experience in merchant banking and commercial banking. He is also a non-executive director of The Bank of East Asia, Limited (listed on the Stock Exchange of Hong Kong) and an independent non-executive director of Café de Coral Holdings Limited and Pokfulam Development Company Limited (both listed on the Stock Exchange of Hong Kong). Mr Li holds a Master's degree in Business Administration from Columbia University and a Bachelor of Science degree in Civil Engineering from Brown University.

Mr LOK Kung Chin, Hardy, aged 74, has been an *Independent Non-executive Director* of the Company since January 2002. Mr Lok is the chairman of The Sun Company, Limited and has over 50 years of experience in building and engineering construction work. He is also an independent non-executive director of Tsit Wing International Holdings Limited (listed on the Stock Exchange of Hong Kong). Mr Lok graduated in Civil Engineering from the University of Manchester Institute of Science & Technology. He is a member of both the Institution of Civil Engineers and the Hong Kong Institution of Engineers, and a fellow member of the Hong Kong Institute of Construction Managers.

Mr HSU Duff Karman, aged 56, has been an *Independent Non-executive Director* of the Company since August 2022. Mr Hsu is the chief executive officer of UOB Kay Hian (Hong Kong) Limited ("UOBKH"), an indirect subsidiary of UOB Kay Hian Holdings Limited, a leading regional financial services group headquartered in Singapore. He joined UOBKH in January 2012 and has over 30 years of experience in the finance industry with various established financial institutions. Mr Hsu was head of corporate finance with Cazenove Asia Limited in 1996 and was made partner at Cazenove & Co. Plc in 2001. He was subsequently appointed as managing director of JP Morgan Cazenove. In 2009, Mr Hsu was appointed as managing director, head of equity corporate finance at Standard Chartered Bank (Hong Kong) Limited. Mr Hsu was a board member on the Asia Advisory Board of University of Melbourne, from 2016 to 2021. He was also a director of Pok Oi Hospital, one of the largest charitable organisations in Hong Kong, from 2013 to 2015. Mr Hsu holds a Bachelor of Economics and Commerce degree from University of Melbourne, and qualified as a Chartered Accountant with KPMG Peat Marwick in Australia as well as a CPA with KPMG Peat Marwick in Hong Kong.

Senior management of the Group is the Executive Directors of the Company.

Corporate Governance Report

Corporate Governance Practices

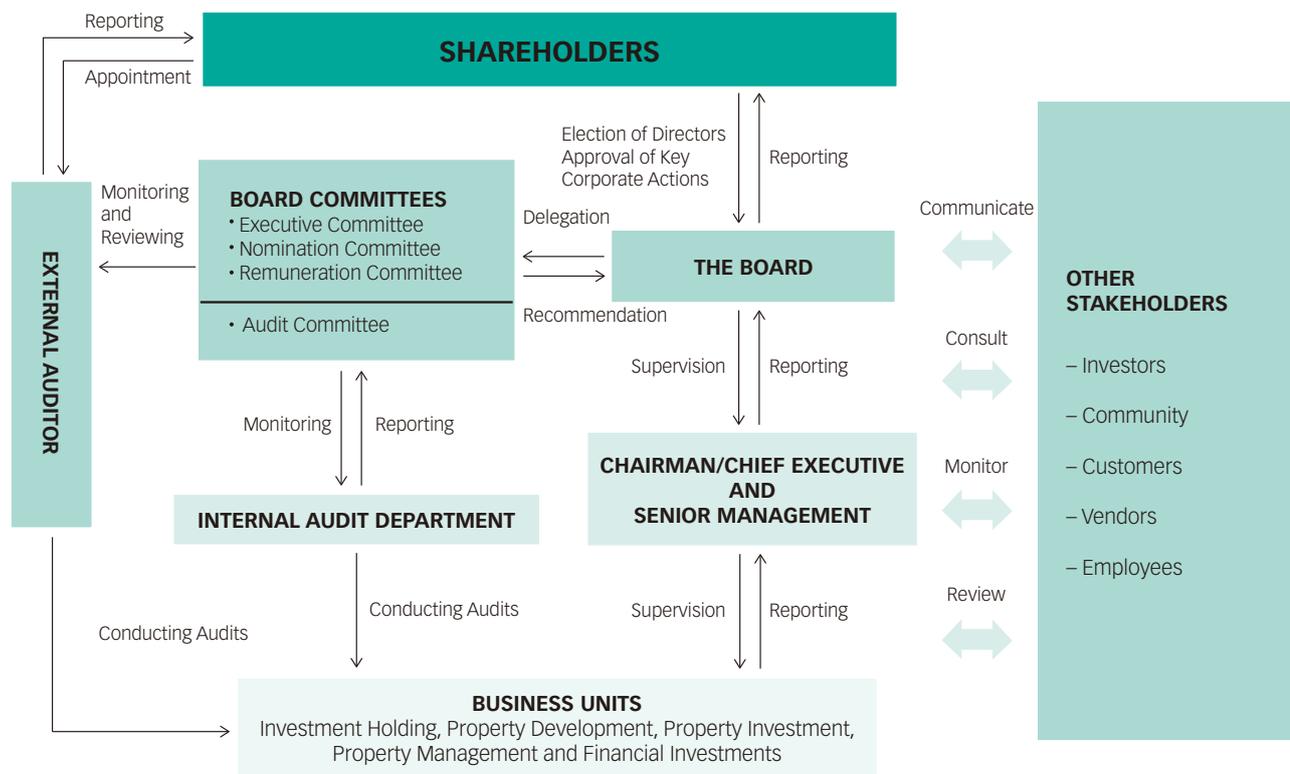
The Board of Directors of the Company (the “Board”) is accountable to the shareholders of the Company (“Shareholder(s)”) for good corporate governance. Accordingly, the Board has considered carefully the requirements of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 (which has been renumbered to Appendix C1 with effect from 31 December 2023) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and, as described below, has taken actions to further enhance corporate transparency and accountability.

We believe good corporate governance is one of the critical factors for achieving sustainable long-term success. The corporate governance principles of the Company emphasise the importance of a quality Board and accountability to Shareholders. We will regularly review our corporate governance practices to ensure and maintain the long-term health of the Company.

Compliance with the CG Code

Throughout the year ended 31 December 2023, the Company has complied with all code provisions set out in Part 2 of the CG Code (“Code Provision”), with the exception of (i) Code Provision C.2.1 (which recommends the roles of chairman and chief executive should be separate and should not be performed by the same individual) as disclosed hereinafter under the section headed “Chairman of the Board and Chief Executive”; and (ii) Code Provision F.2.2 (which the chairman of the board and its committees should attend the annual general meeting) as disclosed hereinafter under the subsection headed “General Meetings”.

Corporate Governance Structure



Corporate Governance Report

Corporate Culture

The Company is committed to developing a positive and progressive culture that is built on its purpose, vision and values; that allow the Company to bolster employee cohesiveness and build an outstanding enterprise.

A healthy corporate culture across the Company and its subsidiaries (collectively, the “Group”) is integral to attain its vision and strategy. It is the Board’s role to foster a corporate culture with the following core principles and to ensure the Company’s vision, values and business strategies are aligned to it.

Integrity and Code of Conduct

The Group strives to maintain high standards of business ethics and corporate governance across all our activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies such as the Staff Handbook, Code of Conduct, Anti-corruption Policy and Whistleblowing Policy of the Company. Trainings are conducted from time to time to reinforce the required standards in respect of ethics and integrity.

Commitment

The Group believes that the Company’s culture, its commitment to workforce development, workplace safety, diversity and sustainable development, are vital to foster the sense of commitment and a shared vision among the staff members. This sets the tone for a strong and productive workforce that attracts, develops, and retains the best talent and produces the highest quality work. Moreover, the Company’s strategy for business development and management, with due consideration given to the environmental, social and governance (“ESG”) aspects, helps long-term steady and sustainable growth.

Board of Directors

As at 31 December 2023, the Board comprises nine members:

Executive Directors (ED)

Mr Or Wai Sheun (*Chairman*)
Mr Lai Ka Fai
Mr Or Pui Kwan*
Mr Lam Yung Hei*

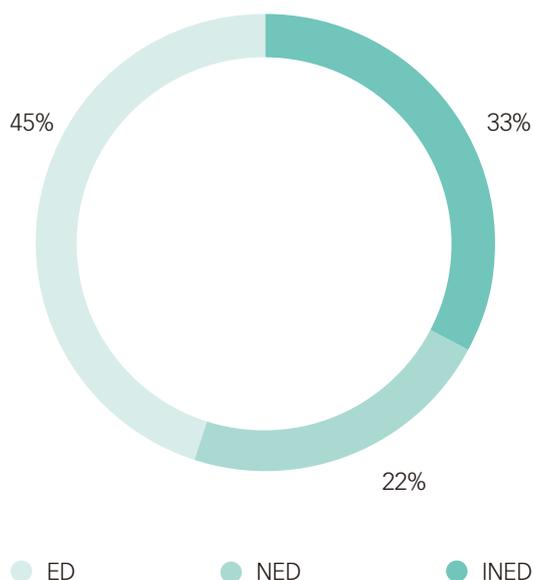
Non-executive Directors (NED)

Ms Ng Chi Man*
Mr Yeung Kwok Kwong

Independent Non-executive Directors (INED)

Mr Li Kwok Sing, Aubrey
Mr Lok Kung Chin, Hardy
Mr Hsu Duff Karman

* Family members of Mr Or Wai Sheun



Corporate Governance Report

Board of Directors (Continued)

One-third of the Board comprises Independent Non-executive Directors. In accordance with the Listing Rules, every Independent Non-executive Director has provided an annual confirmation of his independence to the Company. The Company considers that they satisfy the independence requirements.

Biographical details of the Board members which include relationships among members of the Board are set out on pages 30 and 31 of this Annual Report.

The Board is governed by the Companies Ordinance (the "Companies Ordinance") (Chapter 622 of the Laws of Hong Kong), the Listing Rules and the Articles of Association of the Company. The role of the Board is to provide strong guidance and oversight to management in formulation of the overall strategic direction, monitor the performance of management, and assure the best interests of the Company are being served. The day-to-day operational duties of the Board are delegated to management to carry out but the Board takes ultimate responsibility.

Chairman of the Board and Chief Executive

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. He is also responsible for leading the Board. Directors with different views are encouraged to voice their concerns. This combining of the roles enables the Company to make prompt and effective decisions. The Board will reassess the applicability of Code Provision C.2.1 if the existing approach cannot provide an optimal result given the particular structure of the Company.

Apart from the regular Board meetings, the Chairman held two meetings with the Independent Non-executive Directors without the presence of other Directors to discuss general matters of the Group during the year.

Selection, Appointment and Re-election of Directors

The Board shall have power to appoint any person as a Director either to fill a vacancy or for expansion of the Board. The Company has a Nomination Committee for formulating Director Nomination Policy for consideration of the Board and making recommendations to the Board on the selection, appointment or re-appointment of Directors.

All Directors were provided with a letter of appointment setting out the key terms and conditions of their appointment.

In accordance with the Articles of Association of the Company, any Director newly appointed shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election. Other existing Directors, including Non-executive Directors, shall be elected for a term of not more than three years since last election or re-election. Retiring Directors shall be eligible for re-election at the annual general meeting of the Company.

The Company has also complied with the requirement of Part 2 of the CG Code on considering the independence of an Independent Non-executive Director who has served more than nine years for his further appointment. Mr Li Kwok Sing, Aubrey, who has served on the Board for more than nine years, was re-elected as Independent Non-executive Director by passing a separate resolution at the 2023 Annual General Meeting (the "2023 AGM"). The Board's view on Mr Li's independent status was set out in the 2023 AGM circular. The re-election of Mr Lok Kung Chin, Hardy, Independent Non-executive Director, who has served on the Board for more than nine years will be considered by vote on a separate resolution in the forthcoming 2024 Annual General Meeting (the "2024 AGM"). Further information will be set out in the circular to Shareholders on the reasons why the Board believes he is still independent and should be re-elected.

Corporate Governance Report

Diversity

Board Diversity Policy

With a view to enhance the capability of decision making and effectiveness in dealing with organisational changes, the Company adopted a Board Diversity Policy which set out the approach to achieve Board diversity.

The Company has considered the diversity of the Board members from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service of Directors and will consider above factors as measurable objectives when deciding on new appointments to the Board. The current Board is considered well-balanced and of a diverse mix appropriate for the development of the Company.

Moreover, the Nomination Committee reviews and considers if mechanism(s) has/have in place and remain(s) effective to ensure independent views and input are available to the Board. Such mechanism(s) may include but is/are not limited to:

- (i) a sufficient number of Independent Non-executive Directors representing not less than one-third of the Board and ensure that all of them devote sufficient time and attention to the Company's affairs;
- (ii) ensure all Directors would participate in continuous professional development, and suitable training(s) should be provided by the Company when necessary, to develop and refresh their knowledge and skills;
- (iii) the Chairman at least annually holds a meeting with the Independent Non-executive Directors without the presence of other Directors to ensure the Independent Non-executive Directors are able to voice their concerns and bring an independent judgement to the Company's affairs;
- (iv) independent professional advice, at the Company's expense, would be available upon reasonable request and when necessary, to assist Independent Non-executive Directors to perform their duties to the Company;
- (v) the Nomination Committee should review annually each Director's time commitment to the Company's affairs. Directors' attendance records at Board, committees and general meetings should be disclosed in the Corporate Governance Report of the Company; and
- (vi) the Company should receive an annual written confirmation of independence from all the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules.

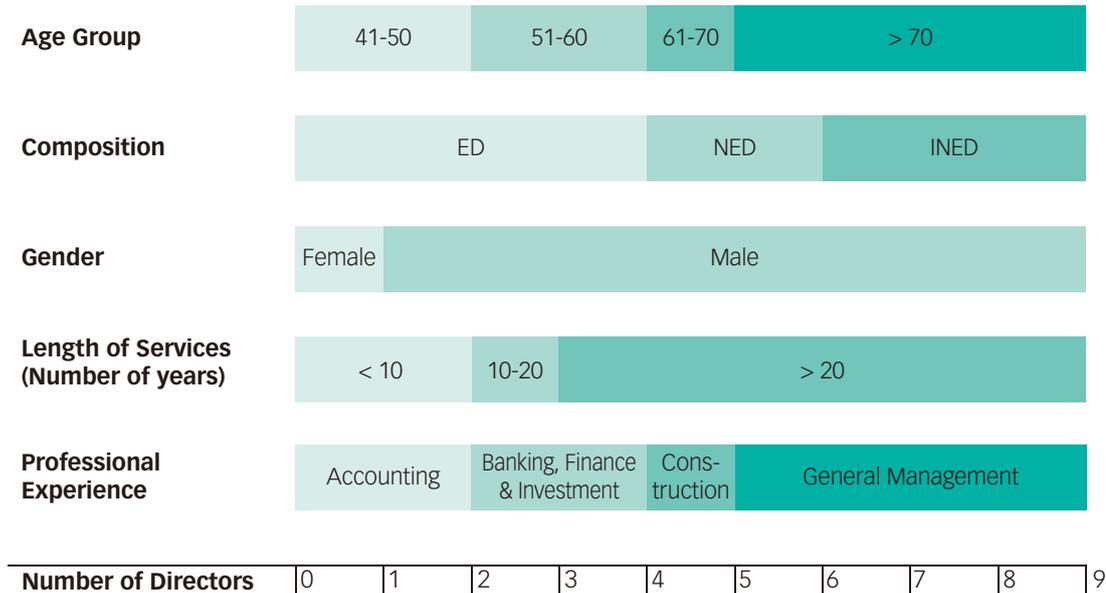
The Board monitors the implementation of the Board Diversity Policy and the above mechanism(s) as well as the progress on achieving those measurable objectives and reviews the Board Diversity Policy and such mechanism(s) on an annual basis to ensure their continuing effectiveness.

Corporate Governance Report

Diversity (Continued)

Board Diversity Policy (Continued)

The Board composition and diversity as at 31 December 2023 are as follows:



ED – Executive Directors

NED – Non-executive Directors

INED – Independent Non-executive Directors

Gender Diversity – Fostering a Diversified and Inclusive Workplace

The Company advocates a diversified and inclusive workplace, promotes diversity of employees' backgrounds, age, gender and family status and provides the equal work opportunities and workplace. The Company emphasises on gender diversity, as at 31 December 2023, 59.8% of our workforce is female and 11.1% of our Board members is female. The Company schedules to maintain at least 50% female workforce in the coming years. The Board will continue to take opportunities to increase the proportion of its female members over the time as and when suitable candidates are identified.

Corporate Governance Report

Director Nomination Policy

The Board has adopted the Director Nomination Policy implemented by the Company's Nomination Committee. The Nomination Committee is responsible for selecting candidates for the Board and the Director Nomination Policy is to describe the process by which the Nomination Committee will select candidates for possible inclusion in the Company's recommended slate of director nominees. The Director Nomination Policy is applicable for all Directors.

When evaluating a person for nomination for election to the Board, the assessment parameters considered by the Nomination Committee, may include, but are not limited to:

- (a) the composition of the Board and its committees with due regard to the factors set out in the Board Diversity Policy;
- (b) the commitment of devoting sufficient time and attention to the Company's affairs;
- (c) the perceived needs and the extent to which the interplay within the Board for particular skill, background and business experience;
- (d) the reputation, character and integrity of the nominee;
- (e) nominees' background with regard to executive compensation; and
- (f) applicable regulatory and listing requirements, including independence requirements for Independent Non-executive Directors and legal considerations.

The Nomination Committee may use multiple sources for identifying director candidates, including its own contacts and referrals from other Directors, members of management, the Company's advisors, and executive search firms. The Nomination Committee will also consider director candidates recommended by Shareholders and will evaluate such director candidates in the same manner in which it evaluates candidates recommended by other sources.

The nomination procedures for selecting suitable candidate by the Nomination Committee are set out as follows:

Nomination of New and Replacement Directors by the Nomination Committee

- (i) If the Nomination Committee determines that an additional or a replacement Director is required, the committee may take measures that it considers appropriate in connection with its identification and evaluation of a candidate.
- (ii) The Nomination Committee may propose such candidate to the Board for consideration based on the assessment parameters set out in the Director Nomination Policy and such other factors it considers appropriate. The Board has the final authority to determine if the candidate is suitable for appointment.

Nomination of Re-elected Directors by the Nomination Committee

Where a retiring Director, being eligible, offers himself/herself for re-election and nominated by the Nomination Committee, the Board shall consider, if appropriate, recommend such retiring Director for re-election at a general meeting. A circular containing the requisite information of such retiring Director will be sent to Shareholders prior to a general meeting in accordance with the Listing Rules.

Director Nomination Policy (Continued)

Nomination of New Directors by Shareholders

The Company's website set out the procedures for Shareholders to propose a person for election as a Director. For any person that is nominated by a Shareholder, the Nomination Committee shall evaluate such candidate based on the assessment parameters set out in the Director Nomination Policy and make recommendation to the Board if appropriate. Recommendation shall then be made to Shareholders in a supplementary circular for the proposed election of such candidate at a general meeting.

The Director Nomination Policy is in place and has been updated to take into consideration the revised CG Code effective from 1 January 2022. No candidate was nominated to directorship in 2023.

Remuneration of Directors and Senior Management

The Board is ultimately responsible for the Company's Remuneration Policy. The Remuneration Committee has been delegated powers to make recommendations to the Board on the Remuneration Policy and structure for all Directors and senior management remuneration and the remuneration packages of individual Executive Directors and senior management whilst ensuring no Director is involved deciding his/her own remuneration.

In determining remuneration packages of individual Executive Directors and senior management, the Remuneration Committee is required to follow the Remuneration Policy of the Company that, among others, the remuneration should reflect performance and achievements with a view to attracting, motivating and retaining high performing individuals. The Non-executive Directors shall be entitled to receive Directors' fees as shall from time to time be determined by the Company in general meeting or, if authorised by Shareholders, by the Board. The Directors' fees for the year were determined after reviewing the pay levels of their peers in corporations of similar size and industry and having taken into account the prevailing market practice, workload, scale and complexity of the Company's business and the responsibility involved.

The emoluments of Directors and management for the year are set out in note 5 to the financial statements.

Operation of the Board

The Board is committed to ensuring appropriate corporate governance practices are in place. In ensuring proper ethical and responsible decision making, the Board has established a series of mechanisms for formal review of particular aspects of the Company's affairs. Important decisions, including those which may be expected to affect the long-term Shareholders' interests, are made by the Board and applicable Board committees. Matters relating to remuneration of Directors and senior management, financial reporting, risk management and internal control are regularly reviewed by applicable Board committees (comprised of a substantial majority of Independent Non-executive Directors) which make recommendations to the Board.

The Board has formalised the matters reserved to the Board and has reviewed those arrangements periodically to ensure that they remain appropriate to the Company's needs.

The Board meets regularly. Four physical meetings were held during the year. Each Director was provided with the notice of meeting of not less than fourteen days and related Board papers and explanatory material for preview at least three days before the regular board meeting. Draft minutes were sent out to Directors who were eligible to be counted in the quorum of a meeting for review and comment prior to signing off by the Chairman of the Board. Copies of final versions of minutes had been sent to all Directors for their records.

Directors have access to the Company Secretary and through her to such legal advice they may require. The Company Secretary keeps all the minutes of the Board and its committees meetings.

Corporate Governance Report

Board Committees

There are four Board committees. Each of them adopts formal terms of reference, which has included those specific duties in line with Code Provision A.2.1 (Executive Committee), Code Provision D.3.3 (Audit Committee), Code Provision B.3.1 (Nomination Committee) and Code Provision E.1.2 (Remuneration Committee) under Part 2 of the CG Code. The terms of reference of each Board committee is available on the website of the Company at www.kdc.com.hk and the website of "HKEXnews" at www.hkexnews.hk (except the one for the Executive Committee) or the Company Secretary upon request.

Executive Committee

Members: Mr Or Wai Sheun (Chairman), Mr Lai Ka Fai, Mr Or Pui Kwan, Mr Lam Yung Hei and Mr Yeung Kwok Kwong

Meeting Schedule: Meetings were held frequently during 2023.

Major Responsibilities:

- to exercise all the general powers of the Board, save and except for the matters reserved to the Board; and
- to manage the Company's business and review corporate policies and strategies.

Works performed during the year:

- performed reviews of the risk management and internal control systems;
- reviewed and monitored the Company's policies on compliance with legal and regulatory requirements;
- reviewed the Company's compliance with the CG Code and the disclosure in this Corporate Governance Report; and
- performed reviews of the ESG Report.

Board Committees (Continued)

Audit Committee

Members: Mr Hsu Duff Karman[#] (Chairman), Mr Li Kwok Sing, Aubrey[#], Mr Lok Kung Chin, Hardy[#] and Mr Yeung Kwok Kwong

Three out of four Audit Committee members are Independent Non-executive Directors. The chairman of the committee possesses the professional qualifications in accounting and relevant financial management expertise or experience.

Meeting Schedule: Three meetings were held and the committee members met the external auditor two times during 2023 in the absence of management.

Major Responsibilities:

- to review, assess and make recommendations to the Board on financial reporting, auditing, risk management and internal control matters and discuss with the external auditor and management on issues arising from the annual audit and/or interim review of financial statements; and
- to assist the Board in considering how it will apply the financial reporting, risk management and internal control principles and maintaining an appropriate relationship with the Company's external auditor.

Works performed during the year:

- performed reviews of the half yearly and annual results;
- performed reviews of financial and accounting policies and practices of the Group;
- performed reviews of the relationships with the external auditor, including remuneration, independence, objectivity, effectiveness of the audit process and non-audit services;
- performed reviews of the effectiveness of the risk management and internal control systems including risk management of investment activities, the internal audit plan and the adequacy of resources of the Internal Audit Department ("IAD"); and
- monitored the Whistleblowing Policy and system for employees and independent third parties who deal with the Company to raise concerns about any suspected impropriety, misconduct or malpractice within the Group.

Corporate Governance Report

Nomination Committee

Members: Mr Or Wai Sheun (Chairman), Mr Lok Kung Chin, Hardy[#] and Mr Hsu Duff Karman[#]

Two out of three Nomination Committee members are Independent Non-executive Directors and the chairman of the committee is the Chairman of the Board.

Meeting Schedule: One meeting was held during 2023.

Major Responsibilities:

- to review the composition of the Board, identify suitable Board members, assess the independence of Independent Non-executive Directors and make recommendations to the Board on the appointment and re-appointment of Directors; and
- to develop selection procedures for candidates and consider the suitability of a candidate by using various criteria including the perceived needs and the extent of interplay within the Board for particular skills, backgrounds and business experience; the nominee's reputation, character and integrity; the nominee's background with regard to executive compensation; and independence requirements and legal considerations.

Works performed during the year:

- performed reviews of the structure, size and composition of the Board;
- performed an assessment of the independence of Independent Non-executive Directors;
- performed review of the implementation of the Director Nomination Policy;
- implemented the Board Diversity Policy laid down by the Board including the measurable objectives that has set for implementing the policy and reviewed if the mechanism(s) for Directors' independent views and input is available to the Board, and the progress made on achieving those measurable objectives and such mechanism(s); and
- made recommendations to the Board on the re-appointment of Directors and succession planning for Directors.

Corporate Governance Report

Board Committees (Continued)

Remuneration Committee

Members: Mr Lok Kung Chin, Hardy[#] (Chairman), Mr Li Kwok Sing, Aubrey[#], Mr Hsu Duff Karman[#] and Mr Lai Ka Fai

Three out of four Remuneration Committee members are Independent Non-executive Directors.

Meeting Schedule: Three meetings were held during 2023.

Major Responsibilities: – to review, assess and make recommendations to the Board on the Remuneration Policy and structure for all Directors and senior management remuneration and make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management.

Works performed during the year: – performed reviews of the Remuneration Policy, organisational structure and human resources deployment;

– performed an annual review of the remuneration of Executive Directors and senior management; and

– performed a review of the Directors' fees proposal submitted by management.

[#] Independent Non-executive Director

Corporate Governance Functions

With the requirement on the CG Code in respect of the responsibilities for performing the corporate governance duties, the Board has delegated its following responsibilities to the Executive Committee:

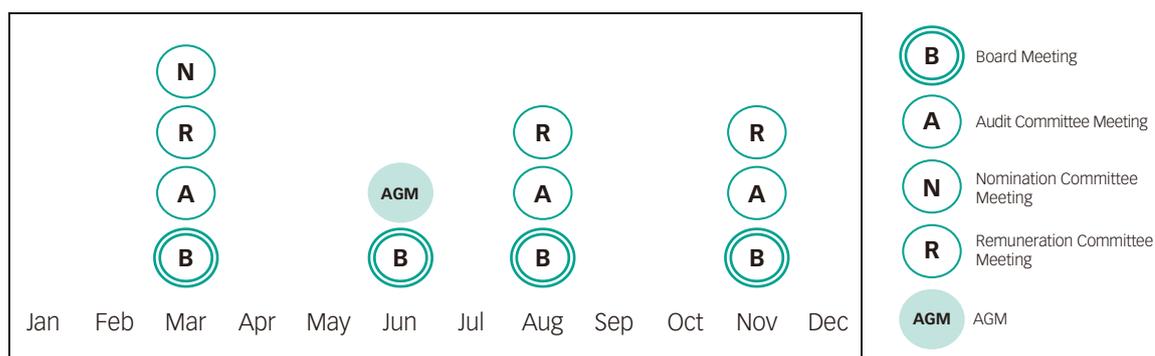
- (i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report of the Company.

The corporate governance matters which were considered by the Executive Committee are set out in "Works performed during the year" on page 39 of this Corporate Governance Report.

Corporate Governance Report

Time Commitment

Timeline for the Board meetings, Board committees meetings and Annual General Meeting (“AGM”) held in 2023 is set out below:



The Board has regularly reviewed the contribution required from the Directors and is satisfied that all of them have devoted sufficient time during 2023 for the fulfilment of their duties as Directors. The number of Board meetings, Board committees meetings and general meeting eligible for attendance and attended by each of the Directors during the year is set out below:

Board Members	Number of meetings attended/held in 2023				
	Board Meetings	Audit Committee Meetings	Nomination Committee Meeting	Remuneration Committee Meetings	2023 AGM ^{##}
<i>Executive Directors</i>					
Mr Or Wai Sheun (Chairman)	4/4	–	1/1	–	0/1 [#]
Mr Lai Ka Fai	4/4	–	–	3/3	1/1
Mr Or Pui Kwan	4/4	–	–	–	1/1
Mr Lam Yung Hei	4/4	–	–	–	1/1
<i>Non-executive Directors</i>					
Ms Ng Chi Man	4/4	–	–	–	1/1
Mr Yeung Kwok Kwong	4/4	3/3	–	–	1/1
<i>Independent Non-executive Directors</i>					
Mr Li Kwok Sing, Aubrey	4/4	3/3	–	3/3	1/1
Mr Lok Kung Chin, Hardy	4/4	3/3	1/1	3/3	1/1
Mr David John Shaw*	1/1	–	1/1	–	1/1
Mr Hsu Duff Karman	4/4	3/3	–	3/3	1/1
Total Meetings Held	4	3	1	3	1
Average Attendance Rate	100%	100%	100%	100%	90%

^{##} Representatives of the external auditor had attended the 2023 AGM.

[#] Mr Or Wai Sheun was unable to attend the 2023 AGM due to health issue.

* Mr David John Shaw retired as Independent Non-executive Director with effect from the conclusion of the 2023 AGM.

Corporate Governance Report

Board Committees (Continued)

Time Commitment (Continued)

During 2023, Independent Non-executive Directors had played vital monitoring role in corporate transactions including provided advice on the transactions that might constitute discloseable transaction(s) under the Listing Rules and also had played advisory role in considering the need for and adequacy of controls over specific risks and they also expressed concern about the sufficiency of financial resources of the Company.

The Board considers that Independent Non-executive Directors contributed significantly to the deliberations of the Board by virtue of independent judgement, expertise and experience.

Training and Support for Directors

The Company provides briefings and organises in-house trainings to develop and refresh the Directors' knowledge and skills on a regular basis. To ensure Directors' compliance with the Listing Rules and strengthen the Directors' awareness of good corporate governance, the Company continuously updates Directors on the latest developments of the Listing Rules and other applicable regulatory requirements by issuing circulars, guidance notes and reading materials to them. During the year, the Company had organised an in-house training programme for the Directors.

In addition, each newly appointed Director is provided with a necessary induction and information to ensure that he/she has a proper understanding of the Company's businesses and operations as well as his/her responsibilities under relevant laws, rules and regulations.

During the year, the Directors participated in the following trainings as per their records provided to the Company:

Board Members	Attending in-house trainings and/or seminars and/or conferences and/or forums	Reading newspapers, journals, newsletters and updates relating to the economy, general business, real estate, corporate governance or director duties and responsibilities, etc.
<i>Executive Directors</i>		
Mr Or Wai Sheun (Chairman)	✓	✓
Mr Lai Ka Fai	✓	✓
Mr Or Pui Kwan	✓	✓
Mr Lam Yung Hei	✓	✓
<i>Non-executive Directors</i>		
Ms Ng Chi Man	✓	✓
Mr Yeung Kwok Kwong	✓	✓
<i>Independent Non-executive Directors</i>		
Mr Li Kwok Sing, Aubrey	✓	✓
Mr Lok Kung Chin, Hardy	✓	✓
Mr Hsu Duff Karman	✓	✓

Corporate Governance Report

Company Secretary's Training

For the year under review, the Company Secretary has complied with Rule 3.29 of the Listing Rules by taking no less than fifteen hours of relevant professional training to update her skills and knowledge.

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is provided by the Articles of Association of the Company and is currently in force and was in force throughout the year. The Company has arranged insurance cover in respect of legal action against its Directors. The insurance coverage is reviewed annually to ensure that the Directors and officers are adequately protected against potential liabilities.

Promote Ethical Decision Making

Each Director and employee is expected to adhere to high standard of ethical conduct and to be guided by two main principles: no insider dealing and avoid conflict of interests.

Securities Transactions of Directors and Relevant Employees

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") (Appendix 10 (which has been renumbered to Appendix C3 with effect from 31 December 2023) to the Listing Rules) as a code of conduct regarding Directors' securities transactions. All Directors confirmed in writing that they have complied with the Model Code throughout the year. The Company has also established written guidelines on employees' securities transactions. Relevant employees are required to obtain written preclearance before initiating a securities transaction during the blackout period.

Act in the Best Interests of the Company

In connection with the actual or potential conflict of interests, each Director is required to disclose to the Board the existence of his/her financial interest and all material facts before a vote on the transaction. A Director having a material interest in the transaction shall not vote on that matter (or be counted in the quorum of that meeting) in accordance with the Company's Articles of Association. Each Director is also required to disclose to the Board if he/she has any business or interest in a business which competes with the business of the Company.

Corporate Governance Report

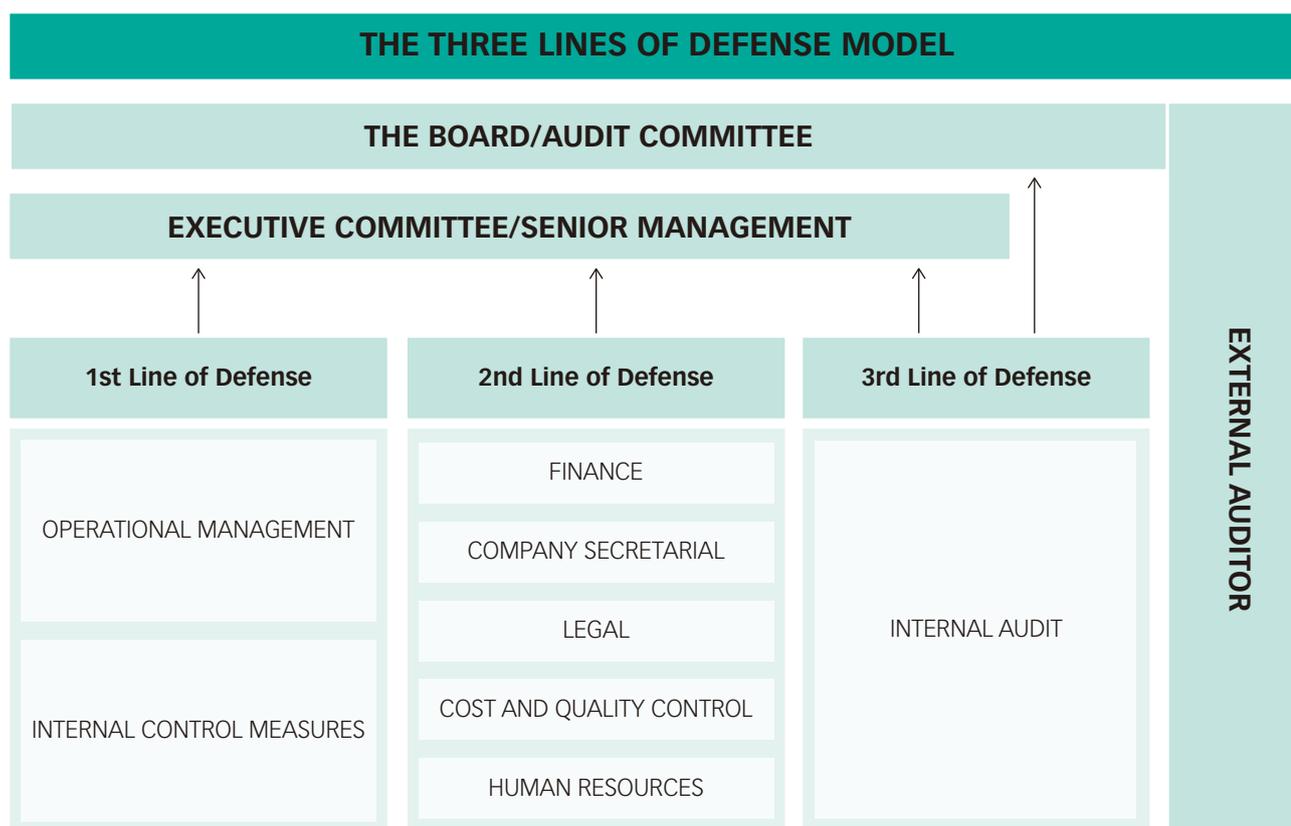
Accountability and Audit

The Board leads and maintains effective controls over the Group's activities, with executive responsibility for the running of the Group's business being delegated to management. Management provides all members of the Board with monthly updates in order to give a balanced and understandable assessment of the Group's performance, position and prospects to enable them to discharge their duties.

Risk Management and Internal Control

The Board acknowledges its responsibility to maintain the Group's risk management and internal control systems and review their effectiveness on an ongoing basis. The Board has delegated part of this responsibility to the Executive Committee and the Audit Committee.

The Group's risk management structure meets the best practice model known as "Three Lines of Defense Model" with the first line of defense being operational management and internal control measures, the second line of defense being finance, company secretarial, legal, cost and quality control and human resources functions, and the third line of defense being internal audit.



Corporate Governance Report

The Group's risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss; to mitigate and monitor rather than completely eliminate the risks, including but not limited to financial, operational, compliance as well as ESG risks. The systems play a key role in the management of risks that are significant to the achievement of corporate objectives, ensuring good corporate governance practice, safeguarding the Shareholders' investments and the Group's assets. Emerging risks that may lead to significant negative impacts are identified and monitored on an ongoing basis. The systems comprise the Group's policies and procedures, and standards to ensure effective management, including well-defined organisational structure with specified authority limits and areas of responsibility, basis for review of financial performance, application of financial reporting standards, maintenance of proper accounting records, assurance of reliable financial information, and compliance with relevant laws and regulations.

Each of the Board and management has a responsibility to identify and analyse the risks underlying the achievement of business objectives, and to determine how such risks should be managed and mitigated. Supported by the Audit Committee, review of the effectiveness of the risk management and internal control systems is conducted at least annually. The review assesses all material controls, including financial, operational, compliance and ESG controls. The assessment considers the changes in nature and extent of significant risks (including ESG risks) since the previous review and the Group's ability to respond to changes in its business and the external environment. It covers the regular reports provided by management on significant issues identified during their daily operation, together with the action plans to resolve material internal control defects, if any. Internal and external auditors also report directly to the Audit Committee regularly on any risks and control issues identified in the course of their audits.

The Board believes that the quality of corporate governance is influenced by the corporate culture. Therefore, the Group is determined to foster and maintain high standards of professional conduct and business ethics. The Code of Conduct, which is posted on the Group's intranet, had been provided to all employees to inform them of the Group's expectations and put them under special obligations in maintaining the highest standard of honesty and trustworthiness in their jobs. The Whistleblowing Policy, which is posted on the Company's website and the Group's intranet, has established an effective channel allowing employees and other stakeholders to communicate their concerns and findings to management. The Group aims to build risk awareness and control responsibility into the corporate culture and regards them as part of the risk management and internal control systems. In addition, the Group has applied relevant controls on handling of inside information by relevant employees, including controls over the dissemination of such information and their dealings in the Group's shares.

Linkage between Corporate Governance and ESG

Corporate governance provides the framework within which the Board forms decisions and develops businesses. The Board focuses on creating long-term sustainable growth for Shareholders and delivering long-term values to all stakeholders. The well-established corporate governance structure of the Group allows us to have a better understanding of, evaluate and manage, risks and opportunities, including ESG risks and opportunities.

The Board is responsible for effective governance and oversight of ESG matters, as well as assessment and management of material environmental and social risks. An ESG working group is responsible for keeping track of the progress in achieving the Group's ESG targets and ensuring compliance with ESG-related laws and regulations. For details of the Group's environmental and social matters, stakeholders can refer to our separate ESG Report prepared in accordance with the requirements under the ESG Reporting Guide set out in Appendix 27 (which has been renumbered to Appendix C2 with effect from 31 December 2023) to the Listing Rules.

Accountability and Audit (Continued)

Internal Audit

The IAD reports to the Chairman and the Audit Committee and the IAD is responsible for assessing the effectiveness of the systems of risk management and internal controls of all major projects and activities of the Group with the aim to control and mitigate risks, and ensure operational effectiveness and efficiency.

The IAD adopts a risk-based approach in conducting internal reviews, including financial, operational, compliance and risk management control functions, and monitors the operational compliance with the Group's policies and procedures. The internal audit plan and reporting documents of the Group were prepared by the IAD, and issued to the Audit Committee for review. The IAD follows up the audit findings to ensure they are addressed and managed properly by management.

During the year, the Audit Committee had three meetings with the senior members of the IAD to discuss the role, objectives, scope and job progress of internal audit functions as well as risk management and internal control issues.

The Board, through the Audit Committee and the IAD, reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit, financial reporting functions, as well as those relating to the Group's ESG performance and reporting at the Board meeting held in March 2024. Based on the results of the review for the year ended 31 December 2023, the Board considered that the risk management and internal control systems were effective and adequate.

Financial Reporting

The Directors acknowledge their responsibilities for keeping proper accounting records and preparing financial statements for each financial year/period which give a true and fair view of the state of affairs of the Group as at the end of the financial year/period and of the profit and loss for the year/period. In preparing the financial statements, the Directors have adopted all applicable Hong Kong Financial Reporting Standards in all material respects, selected appropriate accounting policies and then applied them consistently, made judgements and estimates that are fair and reasonable. The Directors use the going concern basis in preparing the financial statements unless this is inappropriate.

The Company recognises that a clear, balanced and timely presentation of financial report is crucial in maintaining the confidence of stakeholders. Reasonable disclosure of the Company's financial position and prospects are provided in the report. Annual and interim results are published within three and two months after the end of the relevant financial year/period respectively.

A statement of the Company's external auditor about its reporting responsibilities is included in the Independent Auditor's Report on pages 61 to 67 of this Annual Report.

Inside Information

In view of the requirements under Part XIVA of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong) and the Listing Rules, the Company developed the Inside Information Policy and guidelines on reporting and disseminating inside information, maintaining confidentiality and complying with dealing instruction are in place for employees to follow. The Inside Information Policy (for all staff) has been communicated to the staff through the Group's intranet. Senior officers of the Group have been identified and authorised to handle and respond the external enquiries in relation to the published announcement(s). The systems and procedures on publication and handling of inside information are monitored and reviewed on a regular basis.

Corporate Governance Report

External Auditor

KPMG performed some non-audit services during the year. A breakdown of its remuneration is set out below:

	2023 HK\$'000
Audit services	2,250
Non-audit services	
Tax and business advisory services	70
Others	661

During the year, the Audit Committee met the external auditor two times, in the absence of management, to discuss matters about its independence to ensure it performed its work objectively, and any issues arising from the audit. The external auditor has confirmed in writing its independence.

Shareholder Relations

Communication with Shareholders

The Board has established a Shareholders Communication Policy and is dedicated to maintaining an on-going dialogue with Shareholders and the investment community. The policy is subject to review regularly to ensure its effectiveness. It aims to ensure the Shareholders and the investment community are provided with ready and timely access to all publicly available information about the Company so as to enable the Shareholders to exercise their rights in an informed manner and to allow the Shareholders and investment community to engage actively with the Company. Information is communicated to them mainly through the Company's financial reports (interim and annual reports), annual general meeting and other general meeting(s) (if any), as well as disclosure on the websites of "HKEXnews" and the Company. The Company has also taken its own initiative to disclose the inside information to comply with the latest statutory requirements under Part XIVA of the SFO and the voluntary information/business update in a timely manner.

The Company's website (www.kdc.com.hk) serves as a communication tool, in which the Company's announcements, circulars to Shareholders, notices of general meetings, financial reports, etc. are posted on the "Investor Relations" section. Corporate profile and development of corporate governance of the Company are also provided on the Company's website. Information on such website is updated on a regular basis.

Shareholders can direct their questions about their shareholdings to the Company's share registrar. They can request for publicly available information of the Company from the Company Secretary. Shareholders may also make enquiries and communicate their views directly by raising questions at general meetings.

The Company recognises the importance of Shareholders' privacy and will not disclose the Shareholders' information without their consents unless required by law to do so.

The Company acknowledges its responsibility to implement the Shareholders Communication Policy and review its effectiveness on a regular basis.

During the year, the review of the implementation and effectiveness of the Shareholders' Communication Policy has been conducted and confirmed by management.

Corporate Governance Report

Shareholder Relations (Continued)

General Meetings

The general meetings of the Company provide the forum for effective communication with Shareholders.

The Chairman takes the general meetings as the opportunity to open the dialogue with Shareholders and to elaborate on the outlook of the Group and its business strategies. The chairmen of the Board and its committees or, if he/they cannot present, fellow Directors are available to answer questions at the general meetings.

Total voting rights of Shareholders present at the AGM personally or by proxy in the last five years are as follows:

	Year of the AGM				
	2019	2020	2021	2022	2023
Total voting rights present at the AGM					
Number of shares represented	859,679,150	856,727,201	853,590,676	852,484,856	855,847,093
Percentage of shares represented	73.06%	72.81%	72.55%	72.45%	72.74%
Number of issued shares as at the date of the AGM	1,176,631,296	1,176,631,296	1,176,631,296	1,176,631,296	1,176,631,296

During the year, the Board met and communicated with Shareholders at the 2023 AGM and the notice of which was distributed to all Shareholders at least twenty-one days before the meeting. At the meeting, the chairman of the meeting demanded for a poll and the Company's share registrar was appointed as scrutineer for the vote taking. The external auditor had also attended the 2023 AGM to answer questions about the conduct of the audit, the preparation and contents of the auditor's report and auditor independence. The chairman of the Board and the Nomination Committee was unable to attend the 2023 AGM due to health issue. In his absence, an Executive Director was invited to chair the 2023 AGM and the members of the Nomination Committee were invited to attend and were available to answer questions at the 2023 AGM.

The 2023 AGM was held at 9th Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong on 7 June 2023. Resolutions proposed at the meeting and the percentage of votes cast in favour of the resolutions are set out below:

- to receive and consider the audited financial statements together with the reports of the Directors and the auditor thereon for the year ended 31 December 2022 (100.00%);
- to declare a final dividend for the year ended 31 December 2022 (100.00%);
- to re-elect Mr Lai Ka Fai, Mr Lam Yung Hei, Ms Ng Chi Man, Mr Li Kwok Sing, Aubrey and Mr Hsu Duff Karman as Directors and to authorise the Board to fix the Directors' remuneration (99.93%, 99.95%, 99.95%, 99.93%, 99.96% and 100.00% respectively);
- to re-appoint KPMG as auditor and authorise the Board to fix the auditor's remuneration (99.96%);
- to grant a general mandate to the Directors to allot, issue and deal with additional shares not exceeding 20% of the total number of the issued shares of the Company (98.09%);
- to grant a general mandate to the Directors to repurchase shares not exceeding 10% of the total number of the issued shares of the Company (100.00%); and
- to extend the general mandate to the Directors to issue new shares by adding the number of the shares repurchased (98.09%).

Remark: All percentages in the above are approximations due to rounding.

Corporate Governance Report

Dividend Policy

The Company is committed to striving for balance between increasing the value of dividends per share and retaining the competitiveness for its future business expansion. The Company's Dividend Policy aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its profits as dividends to the Shareholders provided that there are distributable profits and the normal operations of the Group are not affected.

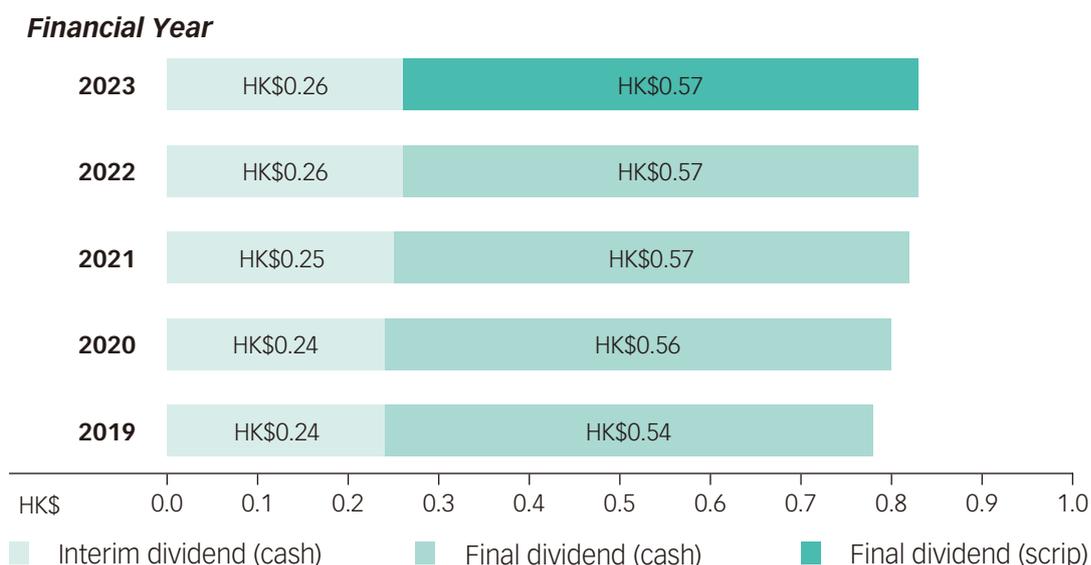
Principles and guidelines of the Company's Dividend Policy are set out below:

1. The Board has the discretion to declare and distribute dividends to the Shareholders by way of cash or scrip or by other means that the Board considers appropriate.
2. When considering the declaration and payment of dividends, the Board shall take into account a number of factors, including but not limited to:
 - (a) actual and expected financial performance of the Group;
 - (b) retained earnings and distributable reserves of the Group;
 - (c) expected working capital requirements, capital expenditure requirements, liquidity position and future business strategies of the Group;
 - (d) general economic conditions and other factors that may have an impact on the business or financial performance and position of the Group;
 - (e) the Shareholders' interests; and
 - (f) any other factors that the Board may consider relevant.
3. The Company does not have any predetermined dividend payout ratio.
4. The declaration and payment of dividends by the Company will be subject to all applicable laws, rules and regulations and the Articles of Association of the Company.
5. Any final dividend will also be subject to the Shareholders' approval.

Subject to the financial performance of the Company, we expect to pay two dividends for each financial year.

Shareholder Relations (Continued)

Dividend per share



Remarks:

- (1) In 2020, a special interim dividend by way of distribution in specie was also distributed on the basis of 2.67 ordinary shares of Polytec Asset Holdings Limited for every 1 ordinary share of the Company held.
- (2) The payment of the final dividend for 2023 will be by way of new fully paid shares of the Company, subject to the approval of the Shareholders at the 2024 AGM.

Shareholders' Rights

Procedures for Shareholders to propose a person for election as a Director

If a Shareholder, who is duly qualified to attend and vote at the general meeting convened to deal with the appointment or election of Director(s), intends to propose a person for election as a Director of the Company, the Shareholder concerned shall lodge a written notice at the Company's registered office for the attention of the Company Secretary stating (i) his/her intention to propose such person for election as a Director; and (ii) the biographical details of the nominated candidate. Such written notice should be signed by the Shareholder concerned and the person who has been proposed indicating his/her willingness to be elected. The period for lodgement shall commence no earlier than the day after the dispatch of the notice of general meeting appointed for such election of Director(s) and end no later than seven days prior to the date of such meeting. Detailed procedures can be found on the Company's website.

Corporate Governance Report

Procedures for Shareholders to convene an extraordinary general meeting (“EGM”)

- Shareholders holding not less than one-twentieth (1/20) of the paid-up capital of the Company can deposit a written requisition to convene an EGM at the registered office of the Company for the attention of the Company Secretary.
- The written requisition must state the objects of the meeting, signed by the relevant Shareholders making the request and may consist of several documents in like form, each signed by one or more of the relevant Shareholders.
- The requisition will be verified by the Company’s share registrar and upon their confirmation that the requisition is in order, the Company Secretary will arrange the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered Shareholders.
- If the requisition is verified to be not in order, the relevant Shareholders will be advised of the result and accordingly, an EGM will not be convened as requested.
- If the Board does not within twenty-one days from the date of the deposit of the requisition proceed to convene an EGM for a day not more than twenty-eight days after the date on which the notice convening the EGM is given, the relevant Shareholders, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any meeting so convened shall not be held after the expiration of three months from the date of the deposit of the requisition.

Procedures for Shareholders to put forward proposals at general meetings

- Shareholders may propose resolution(s) at general meetings by submitting a written requisition. The number of Shareholders shall be (i) not less than one-fortieth (1/40) of the total voting rights of all members; or (ii) not less than fifty Shareholders holding shares in the Company on which there has been paid up an average sum, per member, of not less than HK\$2,000.
- The written requisition must state the proposed resolution(s), along with a statement of not more than one thousand words with respect to the matter referred to in the resolution or the business to be dealt with at the general meeting. It must also be signed by the relevant Shareholders and deposited at the Company’s registered office for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution and not less than one week in the case of any other requisition.
- The requisition will be verified by the Company’s share registrar and upon their confirmation that the requisition is in order, the Company will give notice of the resolution or circulate the statement provided that the relevant Shareholders have deposited a sum reasonably sufficient to meet the Company’s expenses in regard thereto.
- If the requisition is verified to be not in order or the relevant Shareholders have failed to deposit sufficient money to meet the Company’s expenses for the said purpose, the relevant Shareholders will be advised of the result and accordingly, no action will be taken by the Company in that regard.

Procedures for Shareholders to send enquiries to the Board

Shareholders may make enquiries or direct concerns to the Board in writing by addressing to the Company Secretary by mail at 23rd Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong or by email to enquiry@kdc.com.hk.

Constitutional Documents

There was no change to the Company’s Articles of Association during the financial year.

Report of the Directors

The Directors have pleasure in submitting this Annual Report together with the audited financial statements for the year ended 31 December 2023.

Principal Place of Business

The Company is incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 23rd Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong.

Principal Activities and Business Review

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in investment holding, property development, property investment, property management and financial investments. The principal activities and particulars of its principal subsidiaries are set out in note 26 to the financial statements.

Further discussion and analysis of the above activities as required by Schedule 5 to the Companies Ordinance (the "Companies Ordinance") (Chapter 622 of the Laws of Hong Kong), including a fair review of the Group's business, a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2023, and an indication of likely future development in the Group's business, can be found in the "Five-Year Financial Summary", "Chairman's Statement", "Review of Operations", "Financial Review" and "Corporate Governance Report" sections of this Annual Report. The aforesaid sections form part of this report.

Dividends

An interim dividend of HK\$0.26 per share (2022: HK\$0.26) was paid on 9 January 2024. The Directors now recommend that a final dividend (the "Final Dividend") of HK\$0.57 per share be paid in respect of the year ended 31 December 2023 by way of new fully paid shares of the Company ("Scrip Shares") (2022: HK\$0.57 in cash).

The proposed Final Dividend will only be satisfied wholly by way of Scrip Shares.

Share Capital

Movements in share capital during the year are set out in note 21(b) to the financial statements.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2023.

Reserves

Movements in reserves during the year are set out in the Consolidated Statement of Changes in Equity.

Report of the Directors

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at 31 December 2023 are set out in notes 19 and 20 to the financial statements.

Finance Costs Capitalised

The amount of finance costs capitalised by the Group during the year is set out in note 4(b) to the financial statements.

Donations

Charitable donations made by the Group during the year amounted to HK\$647,000 (2022: HK\$261,000).

Properties

Particulars of major properties and property interests of the Group are shown on pages 140 to 144 of this Annual Report.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 6 and 7 of this Annual Report.

Management Contracts

Save for the Directors' service contracts, no other contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or subsisted during the year.

Major Customers and Suppliers

Particulars of major customers and suppliers of the Group during the year ended 31 December 2023 are set out in note 3(d) to the financial statements.

Report of the Directors

Directors

The Directors during the year and up to the date of this report are:

Mr Or Wai Sheun, *Chairman and Executive Director*

Mr Lai Ka Fai, *Executive Director*

Mr Or Pui Kwan, *Executive Director*

Mr Lam Yung Hei, *Executive Director*

Ms Ng Chi Man, *Non-executive Director*

Mr Yeung Kwok Kwong, *Non-executive Director*

Mr Li Kwok Sing, *Aubrey, Independent Non-executive Director*

Mr Lok Kung Chin, *Hardy, Independent Non-executive Director*

Mr David John Shaw, *Independent Non-executive Director*

(retired with effect from the conclusion of the Annual General Meeting held on 7 June 2023)

Mr Hsu Duff Karman, *Independent Non-executive Director*

In accordance with Article 105 of the Articles of Association of the Company, Mr Or Pui Kwan, Mr Yeung Kwok Kwong and Mr Lok Kung Chin, Hardy will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Particulars of the Directors' emoluments, disclosed pursuant to Section 383 of the Companies Ordinance and Appendix 16 (which has been renumbered to Appendix D2 with effect from 31 December 2023) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are set out in note 5(a) to the financial statements.

Brief biographical particulars of all Directors are given on pages 30 and 31 of this Annual Report.

Directors of Subsidiaries

The list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is available on the Company's website at www.kdc.com.hk.

Director's Service Contracts

None of the Directors seeking re-election at the forthcoming Annual General Meeting has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Report of the Directors

Directors' Interests and Short Positions

As at 31 December 2023, the interests of the Directors in the shares of the Company as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") (Appendix 10 (which has been renumbered to Appendix C3 with effect from 31 December 2023) to the Listing Rules), are set out below:

Long positions in the shares of the Company

Name	Nature of interest	Number of ordinary shares	Percentage of shareholding (Note 1)	Note
Mr Or Wai Sheun	Corporate	860,465,624	73.13%	2
Mr Lok Kung Chin, Hardy	Founder and beneficiary of trusts	1,425,000	0.12%	3
Mr Lai Ka Fai	Personal	751,000	0.06%	
Mr Yeung Kwok Kwong	Personal	180,000	0.02%	
Mr Or Pui Kwan	Personal	43,500	0.00%	
Mr Lam Yung Hei	Personal	5,000	0.00%	

Notes:

- (1) The percentage of shareholding is calculated based on 1,176,631,296 shares, being the total number of issued ordinary shares of the Company as at 31 December 2023.
- (2) Such interest in shares is held by Intellinsight Holdings Limited ("Intellinsight"), a wholly-owned subsidiary of New Explorer Developments Limited which is wholly-owned by Mr Or Wai Sheun.
- (3) Such interest in shares is owned by discretionary trusts of which Mr Lok Kung Chin, Hardy is the founder and a beneficiary respectively.

Save as disclosed above, as at 31 December 2023, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Report of the Directors

Substantial Shareholder's Interest

As at 31 December 2023, the shareholder (other than the Directors and chief executives of the Company) who had an interest and short position in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO is set out below:

Name	Nature of interest	Number of ordinary shares	Percentage of shareholding (Note 1)	Note
New Explorer Developments Limited	Corporate	860,465,624	73.13%	2

Notes:

- (1) The percentage of shareholding is calculated based on 1,176,631,296 shares, being the total number of issued ordinary shares of the Company as at 31 December 2023.
- (2) Such interest in shares is held by Intellinsight as described in note (2) under the section headed "Directors' Interests and Short Positions".

The interest disclosed above represents long position in the shares of the Company.

Save as disclosed above, as at 31 December 2023, the Company had not been notified by any persons (other than the Directors and chief executives of the Company) who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Interests in Transactions, Arrangements or Contracts and Connected Transactions

During the year, the Group did not have any connected transactions which were subject to the disclosure requirements under Chapter 14A of the Listing Rules. Save as the sections headed "Interests in property development" and "Material related party transactions" set out in notes 12 and 28 to the financial statements, none of the Directors was materially interested in any transaction, arrangement or contract entered into by the Company, its subsidiaries or holding companies or its fellow subsidiaries which transaction, arrangement or contract subsisted at the end of the year or at any time during the year and which was significant in relation to the business of the Company and its subsidiaries.

Report of the Directors

Permitted Indemnity Provision

A permitted indemnity provision (as defined in Section 469 of the Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout the year. Details of the Company's permitted indemnity provision are set out in the Corporate Governance Report of this Annual Report.

Changes in Information of Directors

Save for the Directors' emoluments which set out in note 5(a) to the financial statements and the Profile of Directors which set out on pages 30 and 31 of this Annual Report, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Disclosure Pursuant to Rule 13.21 of the Listing Rules

During the year ended 31 December 2023, the Company had no disclosure obligation pursuant to Rule 13.21 of the Listing Rules.

Retirement Schemes

Particulars of the retirement schemes operated by the Group are set out in note 27 to the financial statements.

Arrangement to Purchase Shares and Debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangements which enabled any Directors to acquire benefits by means of acquisition of shares in, or debenture of, the Company or any other body corporate.

Corporate Governance

Principal corporate governance practices of the Company are set out in the Corporate Governance Report on pages 32 to 53 of this Annual Report.

Review of Financial Statements

The Audit Committee of the Company has reviewed the Group's consolidated financial statements for the year ended 31 December 2023, including the accounting principles and practices adopted by the Group, in conjunction with the Company's independent auditor.

Report of the Directors

Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as at the date of this report.

Closure of Register of Members

For the purpose of determining shareholders' eligibility to attend and vote at the 2024 Annual General Meeting and the 2024 Extraordinary General Meeting, the Register of Members of the Company will be closed from Friday, 31 May 2024 to Wednesday, 5 June 2024, both dates inclusive. During the aforementioned period, no transfer of shares will be registered. In order to be eligible to attend and vote at the 2024 Annual General Meeting and the 2024 Extraordinary General Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, for registration not later than 4:30 pm (Hong Kong time) on Thursday, 30 May 2024.

For the purpose of determining shareholders' entitlement to the proposed Final Dividend, the Register of Members of the Company will be closed from Monday, 24 June 2024 to Tuesday, 25 June 2024, both dates inclusive. During the aforementioned period, no transfer of shares will be registered. In order to qualify for the proposed Final Dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, for registration not later than 4:30 pm (Hong Kong time) on Friday, 21 June 2024.

Auditor

The Group's consolidated financial statements for the year ended 31 December 2023 have been audited by KPMG, Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



Or Wai Sheun
Chairman

Hong Kong, 22 March 2024

Independent Auditor's Report



Independent auditor's report to the shareholders of Kowloon Development Company Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Kowloon Development Company Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 68 to 139, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKASs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Key audit matters (Continued)

Assessing the net realisable value of properties under development for sale ("PUD") and properties held for sale ("PHS") in mainland China owned by the Group, joint ventures and associated companies

Refer to accounting policies set out in notes 1(j)(ii) and (j)(iii) and notes 2(b), 13, 14 and 16 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2023, the Group held either directly or through joint ventures or associated companies, several residential and commercial property development projects located in certain cities across mainland China.</p> <p>PUD and PHS are stated at the lower of cost and net realisable value. The determination of the net realisable value of these properties requires significant management estimation and judgement, particularly in determining expected selling prices, costs to completion and the costs necessary to complete the sale of these properties.</p> <p>Changes in government policies, which affect interest rates, the required reserve ratio for banks and/or mortgage requirements for second-home buyers, could lead to volatility in property prices, particularly for properties in mainland China.</p> <p>We identified the assessment of net realisable value of PUD and PHS in mainland China held by the Group and its joint ventures and associated companies as a key audit matter because of the significance of these properties to the Group's total assets and because the assessment of net realisable value is inherently subjective and requires significant management judgement and estimation in relation to estimating future selling prices and future construction costs which increases the risk of error or potential management bias.</p>	<p>Our audit procedures to assess the net realisable value of PUD and PHS in mainland China included the following:</p> <ul style="list-style-type: none"> • obtaining and inspecting management's valuation assessments on which management's assessment of the net realisable value of PUD and PHS was based; • assessing the appropriateness of their valuation methodology with reference to prevailing accounting standards; and challenging the reasonableness of the key estimates and assumptions adopted in the valuations, including expected future selling prices and costs to completion, by comparing these to, where available, recently transacted prices for similar properties or the prices of comparable properties located in the vicinity of each development, and publicly available construction cost information for properties of a similar nature and location; • conducting site visits to PUD to observe the development progress and evaluating the management's development budgets reflected in the latest forecasts with reference to market statistics about estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects, on a sample basis; • re-performing calculations made by management in arriving at the year end assessments of net realisable value of PHS and PUD, and comparing the estimated future construction costs to complete the PUD to the latest budgets, on a sample basis; • performing a retrospective review for all PUD completed during the year by comparing the actual construction costs incurred during the year with those included in the prior year's forecasts in order to assess the accuracy of the Group's budgeting process; and • performing sensitivity analyses to determine the extent of change in those estimates that, either individually or collectively, would be required for these properties to be materially misstated and considering the likelihood of such a movement in those key estimates arising and whether there was any evidence of management bias.

Independent Auditor's Report

Key audit matters (Continued)

Valuation of investment properties ("IP") and investment properties under development ("IPUD")

Refer to accounting policy sets out in note 1(g), and notes 2(a) and 10 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2023, the Group held a portfolio of IP and IPUD located in Hong Kong. These properties comprise office premises, retail shops, shopping malls and car parking bays.</p> <p>The fair values of IP and IPUD as at 31 December 2023 were assessed by management based on valuations prepared by a qualified external property valuer.</p> <p>We identified valuation of IP and IPUD as a key audit matter because of the significance of IP and IPUD to the Group's total assets and the significance of changes in fair value of IP and IPUD to the Group's profit before taxation and the valuation of IP and IPUD involve significant judgement and estimation, particularly in selecting appropriate valuation methodology, and for IP, capitalisation rates and market rents while, for IPUD, an estimation of costs to complete property development project, which increase the risk of error or potential management bias.</p>	<p>Our audit procedures to address the valuation of IP and IPUD included the following:</p> <ul style="list-style-type: none"> • obtaining and inspecting the valuation report prepared by the external property valuer on which the management's assessment of the fair values of IP and IPUD was based; • assessing the competence, capabilities and objectivity of the external property valuer; • with the assistance of our internal valuation specialists and utilising their industry knowledge and experience, discussing with the external property valuer, without the presence of management, and evaluating the appropriateness of the external property valuer's valuation methodologies with reference to the prevailing accounting standards; and challenging the reasonableness of the key estimates and assumptions adopted in the valuation by comparing capitalisation rates, prevailing market rents and comparable market transactions with the available market data, on a sample basis; • comparing IP's tenancy information, including committed rents and occupancy rates, provided by management to the external property valuer, with underlying contracts and related documentation, on a sample basis; and • conducting site visit to IPUD to observe the development progress and evaluating management's latest development budgets with reference to market statistics about estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects.

Independent Auditor's Report

Key audit matters (Continued)

Valuation of interests in property development

Refer to accounting policy sets out in note 1(i), and notes 2(c) and 12 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2023, interests in property development represented the Group's interests in the development of residential, office and commercial properties located in mainland China which were classified as financial assets at fair value through profit or loss and were stated at a fair value.</p> <p>The fair value of interests in property development was measured using a discounted cash flow model prepared by management.</p> <p>Changes in government policies, which affect interest rates, the required reserve ratio for banks and/or mortgage requirements for second-home buyers, could lead to volatility in property prices, particularly for properties in mainland China.</p> <p>We identified the valuation of interests in property development as a key audit matter because the valuation of interests in property development can be inherently subjective and requires the exercise of significant management judgement and estimation which increases the risk of error or management bias.</p>	<p>Our audit procedures to address the valuation of interests in property development included the following:</p> <ul style="list-style-type: none"> • obtaining and assessing the discounted cash flow forecast prepared by management and comparing the key estimates and assumptions made in prior years with the current year and current market developments to assess the accuracy of the Group's forecasting process and whether this is any indication of management bias; • with the assistance of our internal valuation specialists and utilising their industry knowledge and experience, discussing and assessing the reasonableness of their valuation methodology with reference to prevailing accounting standards and challenging the reasonableness of the key estimates and assumptions adopted, by comparing those relating to expected future selling prices, costs to completion and the discount rate applied with publicly available market information; • conducting site visit to the property development projects to observe the development progress and evaluating whether development progress for the project was consistent with the latest development plan; and • re-performing calculation of the discounted cash flow model prepared by management in arriving at the year end fair value and comparing the expected profit distribution plan with the latest sales budget plan maintained by management.

Independent Auditor's Report

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Tak Kei.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

22 March 2024

Consolidated Income Statement

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	2023 \$'000	2022 \$'000
Revenue	3(a)	2,942,765	4,581,905
Cost of sales		(1,196,950)	(1,644,255)
Other revenue		54,178	60,601
Other net expenses	4(a)	(128,177)	(457,522)
Depreciation and amortisation		(20,461)	(21,464)
Staff costs		(606,516)	(614,251)
Selling, marketing and distribution expenses		(226,806)	(188,302)
Other operating expenses		(138,105)	(130,117)
Fair value changes on investment properties	10	(59,422)	200,333
Fair value changes on interests in property development	12	2,374	420
Profit from operations		622,880	1,787,348
Finance costs	4(b)	(178,736)	(96,309)
Share of profits/(losses) of associated companies		37,750	(56,048)
Share of profits of joint ventures		10,823	11,688
Profit before taxation	4	492,717	1,646,679
Income tax	6(a)	(166,415)	(436,803)
Profit for the year		326,302	1,209,876
Attributable to:			
Shareholders of the Company		337,195	1,214,934
Non-controlling interests		(10,893)	(5,058)
Profit for the year		326,302	1,209,876
Earnings per share – Basic and diluted	7	\$0.29	\$1.03

The notes on pages 74 to 139 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	2023 \$'000	2022 \$'000
Profit for the year	326,302	1,209,876
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	(71,284)	(430,524)
Share of other comprehensive income of joint ventures and associated companies	(46,142)	(340,190)
	(117,426)	(770,714)
Total comprehensive income for the year	208,876	439,162
Attributable to:		
Shareholders of the Company	220,457	449,101
Non-controlling interests	(11,581)	(9,939)
Total comprehensive income for the year	208,876	439,162

The notes on pages 74 to 139 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2023
(Expressed in Hong Kong dollars)

	Note	2023		2022	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Investment properties	10		13,633,020		13,618,270
Property, plant and equipment	11		233,166		252,609
Interests in property development	12		1,261,835		1,997,849
Interest in joint ventures	13		1,938,154		1,954,153
Interest in associated companies	14		1,315,962		1,294,496
Other financial assets	15		27,119		285,794
Trade and other receivables	17		101,980		112,133
Loans and advances	17		204,736		244,002
Deferred tax assets	9(a)		53,372		36,569
			18,769,344		19,795,875
Current assets					
Inventories	16		26,551,788		25,549,725
Interests in property development	12		427,589		689,201
Trade and other receivables	17		751,559		691,303
Loans and advances	17		17,810		18,617
Other financial assets	15		21,082		43,610
Amount due from a joint venture	13		112,883		112,883
Cash and bank balances			1,080,599		864,590
			28,963,310		27,969,929
Current liabilities					
Trade and other payables	18		4,880,826		3,692,787
Amount due to a joint venture	13		565,977		560,374
Loan from an associated company	14		43,719		44,353
Bank loans	20		3,744,569		14,488,973
Current taxation			198,595		404,345
			9,433,686		19,190,832
Net current assets			19,529,624		8,779,097
Total assets less current liabilities			38,298,968		28,574,972

Consolidated Statement of Financial Position

At 31 December 2023

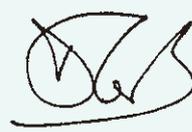
(Expressed in Hong Kong dollars)

	Note	2023		2022	
		\$'000	\$'000	\$'000	\$'000
Non-current liabilities					
Loan from a related company	19	2,789,185		2,090,754	
Bank loans	20	17,151,977		7,371,180	
Deferred tax liabilities	9(a)	589,835		577,339	
			20,530,997		10,039,273
NET ASSETS			17,767,971		18,535,699
Capital and reserves					
Share capital	21(b)	8,636,490		8,636,490	
Reserves		9,032,948		9,789,095	
Total equity attributable to the shareholders of the Company			17,669,438		18,425,585
Non-controlling interests			98,533		110,114
TOTAL EQUITY			17,767,971		18,535,699

Approved and authorised for issue by the board of directors on 22 March 2024.



Or Wai Sheun
Director



Lai Ka Fai
Director

The notes on pages 74 to 139 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	Attributable to shareholders of the Company				Total \$'000	Non- controlling interests \$'000	Total equity \$'000
		Share capital \$'000	Capital reserve \$'000	Exchange reserves \$'000	Retained profits \$'000			
At 1 January 2022		8,636,490	(176,595)	612,908	9,880,285	18,953,088	121,346	19,074,434
Changes in equity for 2022								
Profit for the year		-	-	-	1,214,934	1,214,934	(5,058)	1,209,876
Other comprehensive income		-	-	(765,833)	-	(765,833)	(4,881)	(770,714)
Total comprehensive income		-	-	(765,833)	1,214,934	449,101	(9,939)	439,162
Dividends approved in respect of the previous year	8(b)	-	-	-	(670,680)	(670,680)	-	(670,680)
Dividends approved in respect of the current year	8(a)	-	-	-	(305,924)	(305,924)	-	(305,924)
Dividends paid to non- controlling interests		-	-	-	-	-	(1,293)	(1,293)
At 31 December 2022		8,636,490	(176,595)	(152,925)	10,118,615	18,425,585	110,114	18,535,699
At 1 January 2023		8,636,490	(176,595)	(152,925)	10,118,615	18,425,585	110,114	18,535,699
Changes in equity for 2023								
Profit for the year		-	-	-	337,195	337,195	(10,893)	326,302
Other comprehensive income		-	-	(116,738)	-	(116,738)	(688)	(117,426)
Total comprehensive income		-	-	(116,738)	337,195	220,457	(11,581)	208,876
Dividends approved in respect of the previous year	8(b)	-	-	-	(670,680)	(670,680)	-	(670,680)
Dividends approved in respect of the current year	8(a)	-	-	-	(305,924)	(305,924)	-	(305,924)
At 31 December 2023		8,636,490	(176,595)	(269,663)	9,479,206	17,669,438	98,533	17,767,971

The notes on pages 74 to 139 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	2023 \$'000	2022 \$'000
Net cash generated from/(used in) operating activities	22(a)	1,452,871	(5,486,542)
Investing activities			
Proceeds from disposal of property, plant and equipment		6	321
Proceeds from disposal of investment properties		14,483	87,977
Proceeds from disposal of debt securities		–	30,395
Proceeds from redemption of debt securities		21,663	–
Additions to investment properties		(24,096)	(903,596)
Additions to property, plant and equipment		(2,212)	(2,418)
Decrease/(Increase) in bank deposits with maturity more than 3 months		26,800	(26,800)
Net cash generated from/(used in) investing activities		36,644	(814,121)
Financing activities			
Drawdown of bank loans	22(b)	9,040,745	13,644,269
Repayment of bank loans	22(b)	(9,975,519)	(6,290,895)
Interest paid		(1,184,619)	(580,047)
Increase in loan from a related company	22(b)	1,856,087	38,330
Dividends paid to shareholders of the Company		(975,562)	(670,453)
Dividends paid to non-controlling interests		–	(1,293)
Net cash (used in)/generated from financing activities		(1,238,868)	6,139,911
Net increase/(decrease) in cash and cash equivalents		250,647	(160,752)
Cash and cash equivalents at 1 January		837,790	1,043,140
Effect of foreign exchange rate changes		(7,838)	(44,598)
Cash and cash equivalents at 31 December		1,080,599	837,790
Analysis of balances of cash and cash equivalents at 31 December			
Cash and bank balances		1,080,599	864,590
Less: Bank deposits with maturity more than 3 months		–	(26,800)
Cash and cash equivalents		1,080,599	837,790

The notes on pages 74 to 139 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 Material accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs 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 1, "Presentation of financial statements" and HKFRS Practice Statement 2, "Making materiality judgements: Disclosure of accounting policies"
- 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 the development has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the abolition of offsetting mechanism effective from 1 May 2025. The abolition of the offsetting mechanism did not have a material impact on the Group's results and financial position.

(b) Measurement basis

The measurement basis used in the preparation of the financial statements is the historical cost basis except for investment properties (note 1(g)), interests in property development (note 1(i)) and investments in equity securities (note 1(m)), which are measured at their fair values, as explained in the accounting policies set out below.

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Notes to the Financial Statements

1 Material accounting policies (Continued)

(c) Basis of consolidation

The consolidated financial statements include the financial statements of Kowloon Development Company Limited (“the Company”) and all of its subsidiaries (together referred to as “the Group”) made up to 31 December, together with the Group’s share of the results for the year and net assets of its associated companies and joint ventures. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or to the date of their acquisition or disposal, as appropriate.

(d) Interest in subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has the power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group’s interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in income statement. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(m)) or, when appropriate, the cost on initial recognition of an investment in an associated company or joint venture (see note 1(e)).

In the Company’s statement of financial position, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(r)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

1 Material accounting policies (Continued)

(e) Associated companies and joint ventures

An associated company is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associated company or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associated company or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post-acquisition changes in the Group's share of the investee's net assets and any impairment losses relating to the investment. At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associated company or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associated company or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associated companies and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associated company becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associated company or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(m)).

In the Company's statement of financial position, investments in associated companies and joint ventures are stated at cost less impairment losses (see note 1(r)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

Notes to the Financial Statements

1 Material accounting policies (Continued)

(f) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement in accordance with contractual arrangements.

Investments in joint operations are accounted for such that the Group (as a joint operator) recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). The Group accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

(g) Investment properties

Investment properties are land and/or buildings held under leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. They are valued semi-annually by external firm of professional valuers on a market value basis. Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair values cannot be reliably measured at that time in which case they are stated at cost less any impairment losses. All changes in fair value of investment properties are recognised directly in the consolidated income statement.

(h) Property, plant and equipment

(i) Leasehold land and buildings held for own use

Leasehold land and buildings held for own use are stated at cost less accumulated depreciation and impairment losses.

(ii) Other property, plant and equipment

Other property, plant and equipment (other than land and buildings held for own use) is stated at cost less accumulated depreciation and impairment losses (see note 1(r)).

(iii) Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(i) Interests in property development

Interests in property development are classified as investments measured at fair value through profit or loss ("FVPL"). Changes in fair value of the investments (including interest) are recognised in profit or loss. The fair value of interests in property development is determined based on the estimated entitlements to the interests in property development.

1 Material accounting policies (Continued)

(j) Inventories

(i) Land/Properties held for future development

Land/Properties held for future development is stated at the lower of cost and the estimated net realisable value. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the properties.

(ii) Properties under development

Properties under development are stated at the lower of cost and estimated net realisable value. Cost comprises the acquisition cost of interests in leasehold land, borrowing costs capitalised, aggregate costs of development, materials and supplies, wages and other direct expenses. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the properties.

(iii) Properties held for sale

Properties held for sale are stated at the lower of cost and estimated net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the properties.

(iv) Trading goods and consumables

Inventories other than consumables are stated at the lower of cost and net realisable value. Consumables are stated at cost less any provision for obsolescence. Cost of inventories, other than properties, is determined using the weighted average method. Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(t)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECLs") in accordance with the policy set out in note 1(r)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(l)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(t)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(l)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(t)).

Notes to the Financial Statements

1 Material accounting policies (Continued)

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(k)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(r)).

(m) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associated companies and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 29(e). These investments are subsequently accounted for as follows, depending on their classification:

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(t)(vi)).
- fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

1 Material accounting policies (Continued)

(m) Other investments in debt and equity securities (Continued)

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(t)(v).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(p) Borrowings

Borrowings are recognised initially at fair value less transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development costs financed out of general working capital, to the average rate thereof.

Notes to the Financial Statements

1 Material accounting policies (Continued)

(q) Depreciation and amortisation

(i) Leasehold land and buildings

Leasehold land and buildings are stated at cost less accumulated depreciation and impairment losses. Leasehold land is depreciated over the remaining term of the leases. Buildings and improvements thereto are depreciated over the shorter of their useful lives and the unexpired terms of the leases.

(ii) Other property, plant and equipment

Other property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Future estimated dismantling and restoration costs of other property, plant and equipment are discounted at appropriate rates and are capitalised as part of the costs of other property, plant and equipment, which are subsequently depreciated. Any subsequent change in the present value of the estimated costs, other than the change due to passage of time, is reflected as an adjustment to the costs.

Depreciation is calculated on a straight line method to write off the assets over their estimated useful lives as follows:

- | | |
|---|---------------|
| – Air conditioning plant, plant and machinery, lifts and escalators | 5 to 10 years |
| – Furniture and fixtures, motor vehicles, electronic data processing equipment and others | 2 to 5 years |

(r) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for ECLs on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, loans and advances, amount due from a joint venture, loans to associated companies, loan to a joint venture and debt securities measured at amortised cost);
- contract assets as defined in HKFRS 15 (see note 1(k)); and
- debt securities measured at FVOCI (recycling).

Other financial assets measured at fair value, including equity and debt securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to ECL assessment.

1 Material accounting policies (Continued)

(r) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof; and
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

1 Material accounting policies (Continued)

(r) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Measurement of ECLs (Continued)

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

1 Material accounting policies (Continued)

(r) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(t)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Notes to the Financial Statements

1 Material accounting policies (Continued)

(r) Credit losses and impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased.

- property, plant and equipment, including right-of-use assets (other than properties carried at fair values);
- intangible assets; and
- investments in subsidiaries, associated companies and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount
The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.
- Recognition of impairment losses
An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).
- Reversals of impairment losses
In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 Material accounting policies (Continued)

(r) Credit losses and impairment of assets (Continued)

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, "Interim financial reporting", in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(r)(i) and 1(r)(ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

Notes to the Financial Statements

1 Material accounting policies (Continued)

(s) **Income tax** (Continued)

The group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(t) **Recognition of revenue**

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) **Rental income from operating leases**

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

1 Material accounting policies (Continued)

(t) Recognition of revenue (Continued)

(ii) Sale of properties

Revenue arising from the sale of properties is recognised in the income statement on the basis that control over the ownership of the property has been passed to the customer, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all the benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities.

(iii) Income from interests in property development

Income from interests in property development is recognised when the Group is entitled to a distribution in respect of the investment.

(iv) Property management service income

Revenue arising from provision of property management service is recognised when the service is rendered.

(v) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to the income statement when the profit or loss on disposal is recognised.

1 Material accounting policies (Continued)

(v) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

The amount of the guarantee initially recognised as deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation). The same definition of default and the same assessment of significant increase in credit risk as described in note 1(r)(i) apply.

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(r)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(ii) Other provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 Material accounting policies (Continued)

(v) Financial guarantees issued, provisions and contingent liabilities (Continued)

(iii) Onerous contracts

An onerous contract exists when the group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

(w) Related parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
 - (1) has control or joint control over the Group;
 - (2) has significant influence over the Group; or
 - (3) is a member of the key management personnel of the Group or the Group's parent.
- (ii) An entity is related to the Group if any of the following conditions applies:
 - (1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (2) One entity is an associated company or joint venture of the other entity (or an associated company or joint venture of a member of a group of which the other entity is a member).
 - (3) Both entities are joint ventures of the same third party.
 - (4) One entity is a joint venture of a third entity and the other entity is an associated company of the third entity.
 - (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (6) The entity is controlled or jointly controlled by a person identified in (i).
 - (7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Financial Statements

1 Material accounting policies (Continued)

(x) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(q) and 1(r)(ii)), except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 1(g); and
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with note 1(j).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

1 Material accounting policies (Continued)

(x) Leased assets (Continued)

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(t)(i).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 1(x)(i), then the Group classifies the sub-lease as an operating lease.

(y) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in profit or loss as incurred.

Contributions to retirement plans (defined contribution retirement plans) managed by respective local governments of the municipalities in which the Group operates in the Mainland China are charged to profit or loss as and when incurred, except to the extent that they are included in properties under development for sale not yet recognised as an expense.

The Group's net obligation in respect of long service payment, governed by the Hong Kong Employment Ordinance, is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's Mandatory Provident Funds contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

Actuarial gains and losses are recognised immediately in other comprehensive income. Net interest expense for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period. Net interest expense and service cost are recognised in profit or loss.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's top management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies (which are described in note 1), management has made the following judgements that have significant effect on the amounts recognised in the financial statements.

(a) Estimation of fair value of investment properties

Investment properties are stated at market value based on a valuation performed by an external firm of professional valuers at the end of the reporting period based on certain assumptions (see note 10(b)).

The fair value of investment properties is revalued semi-annually by external qualified valuers, by using the income capitalisation approach with reference to sales transactions as convertible in the market. The income capitalisation approach is the sum of the term value and the reversionary value calculated by discounting the contracted annual rent at the capitalisation rate over the existing lease period; and the sum of average unit market rent at the capitalisation rate after the existing lease period.

The fair value of investment properties under development is revalued semi-annually by external qualified valuers, by estimating the fair value of such properties as if they were completed in accordance with relevant development plan, which makes reference to the average selling prices based on certain comparable sales transactions in the market and adjusted for differences such as location, size, timing and other factors collectively, and then deducting the estimated cost to complete the construction.

(b) Estimation of provision for land/properties held for future development and properties under development and held for sale

Management determines the net realisable value of land/properties held for future development and properties under development and held for sale by using the prevailing market data such as most recent sale transactions and market survey reports available from external property valuers.

Management's assessment of net realisable value of land/properties held for future development and properties under development and held for sale requires judgement as to the anticipated sale prices with reference to the recent sale transaction in nearby locations, rate of new property sales, marketing costs and the expected costs to complete the properties and the legal and regulatory framework and general market conditions.

(c) Estimation of fair value of interests in property development

Interests in property development are stated at their fair value measured using a discounted cash flow model. In preparing the discounted cash flow model, management estimates the future cash flows expected to arise from the interests in property development and a suitable discount rate based on the past performance, current market conditions, development and building plans, sale and marketing plans and management's expectations for market development and terms provided under the co-investment agreements. Any adverse change in the key assumptions could decrease the fair value.

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.

Notes to the Financial Statements

3 Segment reporting (Continued)**(a) Disaggregation of revenue**

	2023 \$'000	2022 \$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Sale of properties	1,936,648	3,510,241
Property management service income	408,707	459,061
Others	159,510	122,949
	2,504,865	4,092,251
Revenue from other sources:		
Rental income	296,370	300,681
Others	141,530	188,973
	2,942,765	4,581,905

In accordance with HKFRS 15 "Revenue from contracts with customers", revenue from sale of properties and other businesses of \$2,096 million (2022: \$3,633 million) are recognised at a point in time. Revenue from property management service income is recognised over time.

At 31 December 2023, the aggregate amount of revenue expected to be recognised in the consolidated income statement in the future from pre-completion sales contracts entered into in relation to the Group's properties in Hong Kong and Mainland China amounted to \$2,714,446,000 (2022: \$991,697,000), which will be recognised when the pre-sold properties are assigned to or accepted by the customers and which is expected to occur within the next 24 months (2022: within the next 24 months).

The Group has applied practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date with performance obligation is part of a contract that has an original expected duration of one year or less.

Notes to the Financial Statements

3 Segment reporting (Continued)

(b) Segment results and assets

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

	2023				
	Property development				
	Total	Hong Kong	Mainland China	Property investment	Others (Remark 1)
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	2,942,765	1,265,995	670,653	296,370	709,747
Reportable segment profit/(loss)	813,446	447,152	166,198	228,399	(28,303)
Fair value changes on investment properties	(59,422)	-	-	(59,422)	-
Fair value changes on interests in property development	2,374	-	2,374	-	-
Head office and corporate expenses	(84,945)				
Finance costs	(178,736)				
Profit before taxation	492,717				
Share of profits of associated companies	37,750	-	37,750	-	-
Share of profits of joint ventures	10,823	-	10,823	-	-
Interest income	140,681	-	-	-	140,681
Depreciation and amortisation	(20,461)	-	-	-	(20,461)

Remark 1: Others included revenue from property management services and financial investments of \$408,707,000 and \$104,207,000 (2022: \$459,061,000 and \$158,761,000) respectively and the relevant segment profit/(loss) of \$5,963,000 and (\$75,148,000) (2022: \$32,286,000 and (\$80,226,000)) respectively.

Notes to the Financial Statements

3 Segment reporting (Continued)

(b) Segment results and assets (Continued)

	2022				
	Total	Property development		Property investment	Others (Remark 1)
		Hong Kong	Mainland China		
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	4,581,905	3,234,792	275,449	300,681	770,983
Reportable segment profit/(loss)	1,605,355	1,671,309	(263,380)	223,878	(26,452)
Fair value changes on investment properties	200,333	–	–	200,333	–
Fair value changes on interest in property development	420	–	420	–	–
Head office and corporate expenses	(63,120)				
Finance costs	(96,309)				
Profit before taxation	1,646,679				
Share of losses of associated companies	(56,048)	–	(55,095)	–	(953)
Share of profits of joint ventures	11,688	–	11,688	–	–
Interest income	187,743	–	–	–	187,743
Depreciation and amortisation	(21,464)	–	–	–	(21,464)

Notes to the Financial Statements

3 Segment reporting (Continued)

(b) Segment results and assets (Continued)

	2023				
	Property development				
	Total	Hong Kong	Mainland China	Property investment	Others (Remark 2)
	\$'000	\$'000	\$'000	\$'000	\$'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	–	–
	2022				
	Property development				
	Total	Hong Kong	Mainland China	Property investment	Others (Remark 2)
	\$'000	\$'000	\$'000	\$'000	\$'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	–	–

Remark 2: Others included reportable segment assets of property management services and financial investments amounting to \$124,435,000 and \$48,201,000 (2022: \$123,351,000 and \$329,404,000) respectively.

Notes to the Financial Statements

3 Segment reporting (Continued)

(c) Geographical information

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

	Revenue		Non-current assets	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Hong Kong (place of domicile)	2,163,097	4,143,297	13,864,069	13,868,134
Mainland China	676,310	281,078	3,256,233	3,251,394
Others	103,358	157,530	–	–
	2,942,765	4,581,905	17,120,302	17,119,528

In addition to the above non-current assets, the Group has interests in property development of \$1,261,835,000 (2022: \$1,997,849,000) in Mainland China.

(d) Major customers and suppliers

During the year ended 31 December 2023 and 2022, less than 30% of the Group's sales and less than 30% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

Notes to the Financial Statements

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 impairment and fair value losses on other financial assets of \$178,795,000 (2022: \$92,540,000), write down of inventories of \$163,263,000 (2022: \$206,369,000) and remeasurement loss on debt securities of Nil (2022: \$149,564,000), offset by the write back of construction cost of \$217,014,000 (2022: Nil).

(b) Finance costs

	2023 \$'000	2022 \$'000
Interest on bank loans	1,097,777	542,710
Interest on loan from a related company	94,977	59,827
Less: Amount capitalised (<i>Remark</i>)	(1,014,018)	(506,228)
	178,736	96,309

Remark: Borrowing costs were capitalised at rates of 2.42% – 6.98% (2022: 0.76% – 6.29%) per annum.

(c) Other items

	2023 \$'000	2022 \$'000
Auditors' remuneration	4,034	3,439
Depreciation and amortisation	20,461	21,464
Staff costs	606,516	614,251
Total staff costs	621,279	633,306
Less: Amount capitalised	(14,763)	(19,055)
Impairment of trade receivables and loans and advances recognised (<i>note 17(b)</i>)	1,130	7,451
Impairment of trade receivables and loans and advances written back (<i>note 17(b)</i>)	(1,413)	(3,727)
Rentals receivable from investment properties less outgoings	(237,402)	(259,086)
Rental income	(296,370)	(300,681)
Less: Outgoings	58,968	41,595
Interest income	(140,681)	(187,743)

Notes to the Financial Statements

5 Directors' and management's emoluments

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to Section 383(1) to the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	Directors' fees \$'000	Salaries, allowances and benefits in kind \$'000	Performance related bonuses \$'000	Provident fund contributions \$'000	2023 Total \$'000
Executive directors					
Mr Or Wai Sheun	-	-	-	-	-
Mr Lai Ka Fai	-	2,689	560	248	3,497
Mr Or Pui Kwan	-	1,384	270	18	1,672
Mr Lam Yung Hei	-	1,384	520	18	1,922
Non-executive directors					
Ms Ng Chi Man	320	-	-	-	320
Mr Yeung Kwok Kwong	320	-	-	-	320
Independent non-executive directors					
Mr Li Kwok Sing, Aubrey	320	-	-	-	320
Mr Lok Kung Chin, Hardy	320	-	-	-	320
Mr David John Shaw (Remark 3)	139	-	-	-	139
Mr Hsu Duff Karman (Remark 2)	320	-	-	-	320
	1,739	5,457	1,350	284	8,830
	Directors' fees \$'000	Salaries, allowances and benefits in kind \$'000	Performance related bonuses \$'000	Provident fund contributions \$'000	2022 Total \$'000
Executive directors					
Mr Or Wai Sheun	-	-	-	-	-
Mr Lai Ka Fai	-	2,598	550	239	3,387
Mr Or Pui Kwan	-	1,338	250	18	1,606
Mr Lam Yung Hei	-	1,338	500	18	1,856
Non-executive directors					
Ms Ng Chi Man	300	-	-	-	300
Mr Yeung Kwok Kwong	300	-	-	-	300
Independent non-executive directors					
Mr Li Kwok Sing, Aubrey	300	-	-	-	300
Mr Lok Kung Chin, Hardy	300	-	-	-	300
Mr Seto Gin Chung, John (Remark 1)	131	-	-	-	131
Mr David John Shaw (Remark 3)	300	-	-	-	300
Mr Hsu Duff Karman (Remark 2)	126	-	-	-	126
	1,757	5,274	1,300	275	8,606

Remark 1: Mr Seto Gin Chung, John retired from the Independent Non-executive Director of the Company on 8 June 2022.

Remark 2: Mr Hsu Duff Karman was appointed as Independent Non-executive Director of the Company on 1 August 2022.

Remark 3: Mr David John Shaw retired from the Independent Non-executive Director of the Company on 7 June 2023.

Notes to the Financial Statements

5 Directors' and management's emoluments (Continued)**(b) Individuals with highest emoluments**

Of the five individuals with the highest emoluments, one (2022: one) is director whose emoluments are disclosed in note 5(a). The aggregate of the emoluments in respect of the remaining four (2022: four) individuals are as follows:

	2023 \$'000	2022 \$'000
Salaries and allowances	7,317	7,003
Performance related bonuses	1,548	1,776
Provident fund contributions	237	225
	9,102	9,004

The emoluments of the individuals with the highest emoluments are within the following bands:

	2023	2022
\$2,000,001 – \$2,500,000	3	3
\$2,500,001 – \$3,000,000	1	1

Notes to the Financial Statements

6 Income tax

(a) Taxation in the consolidated income statement represents:

	2023 \$'000	2022 \$'000
Current tax – Hong Kong		
Provision for the year	108,277	312,255
Over-provision in respect of prior years	(240)	(221)
	108,037	312,034
Current tax – Outside Hong Kong		
Provision for the year	59,344	55,007
Over-provision in respect of prior years	(1,549)	(6,969)
	57,795	48,038
Land appreciation tax (“LAT”)	3,779	32,919
Deferred tax		
Origination and reversal of temporary differences	(3,196)	43,812
	166,415	436,803

The provision for Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year.

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

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

Mainland China tax law also imposed a withholding tax at 10%, unless reduced by a treaty or agreement, for dividends distributed by a People Republic of China (“PRC”)–resident enterprise to its immediate holding company outside Mainland China for earnings generated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Provision for withholding tax is recognised for the dividends that have been declared and deferred tax liability is recognised for those to be declared in the foreseeable future. The Group did not recognise any withholding tax for the year of 2023 and 2022.

Notes to the Financial Statements

6 Income tax (Continued)**(b)** Reconciliation between tax expense and accounting profit at applicable tax rates:

	2023	2022
	\$'000	\$'000
Profit before taxation	492,717	1,646,679
Tax at applicable tax rates	111,858	169,382
Non-deductible expenses	87,883	293,649
Non-taxable income	(22,573)	(69,025)
Unrecognised tax losses	3,039	19,178
Previously unrecognised tax losses utilised	(15,354)	(1,982)
LAT on properties sold	3,779	32,919
Over-provision in respect of prior years	(1,789)	(7,190)
Others	(428)	(128)
Actual tax expense	166,415	436,803

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 of \$337,195,000 (2022: \$1,214,934,000) and the weighted average number of ordinary shares in issue during the year of 1,176,631,296 (2022: 1,176,631,296).

(b) Diluted earnings per share

There were no dilutive potential shares in existence during the years ended 31 December 2023 and 2022.

Notes to the Financial Statements

8 Dividends

(a) Dividends attributable to the year

	2023 \$'000	2022 \$'000
Interim dividend declared of \$0.26 (2022: declared of \$0.26) per share	305,924	305,924
Final dividend proposed after the end of the reporting period of \$0.57 (2022 \$0.57) per share (<i>Remark</i>)	670,680	670,680
	976,604	976,604

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

Remark:

The Board has recommended the payment of a Final Dividend of \$0.57 per share for the year ended 31 December 2023 by way of Scrip Shares (2022: \$0.57 in cash). A circular containing further details of the Scrip Dividend Scheme will be published by the Company on or about Wednesday, 10 July 2024.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2023 \$'000	2022 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of \$0.57 (2022: \$0.57) per share	670,680	670,680

Notes to the Financial Statements

9 Deferred taxation

- (a) The components of deferred tax (liabilities)/assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Future benefit of tax losses \$'000	Revaluation of properties \$'000	Accelerated depreciation allowances \$'000	Others \$'000	Total \$'000
At 1 January 2022	16,334	(473,489)	(40,291)	(19,381)	(516,827)
Exchange adjustments (Charged)/Credited to the income statement	-	19,869	-	-	19,869
	(12,563)	1,030	(6,133)	(26,146)	(43,812)
At 31 December 2022	3,771	(452,590)	(46,424)	(45,527)	(540,770)
At 1 January 2023	3,771	(452,590)	(46,424)	(45,527)	(540,770)
Exchange adjustments Credited/(Charged) to the income statement	-	1,111	-	-	1,111
	58,291	35,563	(24,076)	(66,582)	3,196
At 31 December 2023	62,062	(415,916)	(70,500)	(112,109)	(536,463)
				2023 \$'000	2022 \$'000
Net deferred tax assets recognised in the consolidated statement of financial position				53,372	36,569
Net deferred tax liabilities recognised in the consolidated statement of financial position				(589,835)	(577,339)
				(536,463)	(540,770)

Notes to the Financial Statements

9 Deferred taxation (Continued)

(b) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of \$244,461,000 (2022: \$329,031,000) and temporary difference of \$478,748,000 (2022: \$398,601,000) as the probability of generating future taxable profits in order to utilise the tax losses and temporary difference is uncertain at this point of time. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from the operations in Mainland China expire five years after the relevant accounting year end date.

(c) Deferred tax liabilities not recognised

Deferred tax liabilities of \$36,118,000 (2022: \$18,479,000) have not been recognised in respect of the tax on PRC distributable profit as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

10 Investment properties

(a) Reconciliation of carrying amount

	Completed Investment properties \$'000	Investment properties under development \$'000	Total \$'000
Valuation			
At 1 January 2022	9,105,900	4,373,700	13,479,600
Additions	–	37,037	37,037
Disposals	(98,700)	–	(98,700)
Transfer in/(out)	304,400	(304,400)	–
Fair value adjustment	178,570	21,763	200,333
At 31 December 2022	9,490,170	4,128,100	13,618,270
At 1 January 2023	9,490,170	4,128,100	13,618,270
Additions	–	88,652	88,652
Disposals	(14,480)	–	(14,480)
Fair value adjustment	(96,070)	36,648	(59,422)
At 31 December 2023	9,379,620	4,253,400	13,633,020

The fair value adjustment on investment properties is recognised in the line item "Fair value changes on investment properties" on the face of the consolidated income statement.

Notes to the Financial Statements

10 Investment properties (Continued)**(b) Fair values measurement of investment properties**

The fair value of the Group's investment properties falls under Level 3 of the three-level fair value hierarchy as defined in HKFRS 13, "Fair value measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used valuation technique.

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2022: Nil).

The investment properties of the Group were revalued at 31 December 2023 by Vigers Appraisal and Consulting Limited, an external qualified professional valuer, who has appropriate qualifications and experience in the valuation of similar properties in the relevant locations. The Group's top management hold discussions with the valuer on the valuation assumptions and valuation results at each interim and annual reporting date.

Information about Level 3 fair value measurements

	Valuation techniques <i>(Note 2(a))</i>	Unobservable input	Rate	Remark
Completed investment properties	Income capitalisation approach	Capitalisation rate	3.00% to 4.50% (2022: 3.00% to 4.50%)	(1)
Investment properties under development	Direct comparison approach	Unit sale rate	\$14,200 per square foot (2022: \$13,500 per square foot)	(2)

Remarks:

Relationship of unobservable inputs to fair value:

- (1) The fair value is negatively correlated to the unobservable input that the lower the factor the higher the fair value.
- (2) The fair value is positively correlated to the unobservable input that the higher the factor the higher the fair value.

The movements during the year in the balance of these Level 3 fair value measurements are set out in note 10(a) to the financial statements.

Notes to the Financial Statements

10 Investment properties (Continued)

(c) Analysis of the carrying values of interests in leasehold investment properties

	2023 \$'000	2022 \$'000
In Hong Kong, with remaining lease term of:		
– 50 years or more	7,837,790	7,846,130
– between 10 and 50 years	5,795,230	5,772,140
	13,633,020	13,618,270

(d) Investment properties leased out

The Group leases out investment properties under operating leases. The leases typically run for an initial period of several months to four years. Some leases have an option to renew on expiry at which time all terms are renegotiated. Some leases have provisions for turnover rent. Turnover rent of \$2,906,000 was recognised in 2023 (2022: \$1,917,000).

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2023 \$'000	2022 \$'000
Within 1 year	230,140	206,200
After 1 year but within 2 years	113,158	98,031
After 2 years but within 3 years	38,085	30,518
After 3 years but within 4 years	5,094	6,082
After 4 years but within 5 years	–	1,082
	386,477	341,913

Notes to the Financial Statements

11 Property, plant and equipment

(a) Reconciliation of carrying amount

	Leasehold land held for own use \$'000	Other property, plant and equipment		Total \$'000
		Buildings \$'000	Others \$'000	
Cost				
At 1 January 2022	136,945	129,095	130,536	396,576
Exchange adjustments	–	–	(1,886)	(1,886)
Additions	–	–	2,418	2,418
Disposals	–	–	(449)	(449)
At 31 December 2022	136,945	129,095	130,619	396,659
At 1 January 2023	136,945	129,095	130,619	396,659
Exchange adjustments	–	–	(304)	(304)
Additions	–	–	2,212	2,212
Disposals	–	–	(2,765)	(2,765)
At 31 December 2023	136,945	129,095	129,762	395,802
Accumulated depreciation and amortisation				
At 1 January 2022	16,014	13,678	94,792	124,484
Exchange adjustments	–	–	(1,636)	(1,636)
Charge for the year	4,386	4,196	13,051	21,633
Written back on disposals	–	–	(431)	(431)
At 31 December 2022	20,400	17,874	105,776	144,050
At 1 January 2023	20,400	17,874	105,776	144,050
Exchange adjustments	–	–	(266)	(266)
Charge for the year	4,386	4,195	12,057	20,638
Written back on disposals	–	–	(1,786)	(1,786)
At 31 December 2023	24,786	22,069	115,781	162,636
Carrying value				
At 31 December 2023	112,159	107,026	13,981	233,166
At 31 December 2022	116,545	111,221	24,843	252,609

In 2023, an amount of \$177,000 (2022: \$169,000) included in the depreciation and amortisation charge for the year was capitalised under inventories.

Notes to the Financial Statements

11 Property, plant and equipment (Continued)

(b) The analysis of the carrying values of right-of-use assets by class of underlying asset is as follows:

	2023 \$'000	2022 \$'000
Ownership interests in leasehold land and buildings held for own use in Hong Kong with remaining lease term of: – between 10 and 50 years	219,185	227,766

(c) The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2023 \$'000	2022 \$'000
Depreciation charge of right-of-use assets by class of underlying asset: Ownership interests in leasehold land and buildings	8,581	8,582

(d) **Ownership interests in leasehold land and buildings held for own use**

The Group holds several buildings for its property management and retailing business. The Group is the registered owner of these property interests. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

Notes to the Financial Statements

12 Interests in property development

	2023 \$'000	2022 \$'000
At 1 January	2,687,050	1,870,030
Change in fair value recognised in profit or loss	2,374	420
Return of investment during the year	(1,000,000)	–
Addition through acquisition of a subsidiary during the year (Note 22(c))	–	816,600
At 31 December	1,689,424	2,687,050
Representing:		
Non-current	1,261,835	1,997,849
Current	427,589	689,201
	1,689,424	2,687,050

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 arrangement and other key terms of the co-investment agreements were disclosed in the Company's Circulars dated 30 October 2013 and 30 June 2022. The basis and estimations for arriving at the fair value of the interests in property development are further described in note 2(c).

During the year ended 31 December 2023, pursuant to the co-investment agreement, return of investment in relation to the property project at Huizhou of \$1,000,000,000 (2022: Nil) was made by Polytec Holdings and settled through the loan from a related company (non-cash transaction).

13 Interest in joint ventures and Amounts due from/to a joint venture

	2023 \$'000	2022 \$'000
Share of net assets	1,718,654	1,734,653
Loan to a joint venture	219,500	219,500
	1,938,154	1,954,153
Amount due from a joint venture	112,883	112,883
Amount due to a joint venture	(565,977)	(560,374)
	1,485,060	1,506,662

Loan to a joint venture is unsecured, interest bearing at a fixed rate with reference to bank lending rates and is not expected to be repaid within one year.

Notes to the Financial Statements

13 Interest in joint ventures and Amounts due from/to a joint venture (Continued)

The amount due from and to a joint venture are unsecured, interest-free and recoverable/repayable on demand.

During the year, no interest income is recognised from a joint venture (2022: Nil).

Details of the Group's interest in joint ventures which are accounted for using the equity method in the consolidated financial statements are as follows:

Joint venture	Place of incorporation/ operation	Proportion of ownership interest		Principal activities
		Direct	Indirect	
中海保利達地產(佛山)有限公司	Mainland China	50.0%	–	Property development and investment holding
佛山市山語湖酒店物業管理有限公司	Mainland China	–	50.0%	Hotel management

The joint ventures are unlisted corporate entities for which quoted market prices are not available.

Summarised financial information of 中海保利達地產(佛山)有限公司, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

	2023 \$'000	2022 \$'000
Gross amounts of the joint venture		
Current assets	5,099,070	5,132,531
Non-current assets	456,373	459,312
Current liabilities	(2,118,134)	(2,122,537)
Non-current liabilities	–	–
Net assets	3,437,309	3,469,306
Revenue	472,904	1,647,634
Profit for the year	21,645	23,376
Other comprehensive income	(53,640)	(338,354)
Total comprehensive income	(31,995)	(314,978)
Reconciled to the Group's interest in joint ventures		
Gross amounts of the net assets of the joint venture	3,437,309	3,469,306
Group's effective interest	50%	50%
Carrying amount in the consolidated financial statements	1,718,654	1,734,653

Notes to the Financial Statements

14 Interest in associated companies/Loan from an associated company

	2023 \$'000	2022 \$'000
Share of net assets	510,394	522,248
Loan to an associated company	805,568	772,248
Loan from an associated company	1,315,962 (43,719)	1,294,496 (44,353)
	1,272,243	1,250,143

Loan to an associated company is unsecured, interest-free and not expected to be repaid within one year. During the year, interest income of \$42,169,000 (2022: \$537,898,000) was recognised in profit or loss and included in the share of profits/(losses) of associated companies. As at 31 December 2023, accumulated accrued interest income of approximately RMB146,000,000 (2022: RMB186,000,000) due from an associated company has not been recognised as the Group considers it is not probable that the economic benefits will flow to the Group as at the end of the reporting period.

Loan from an associated company is unsecured, interest-free and repayable on demand.

All of the associated companies are unlisted corporate entities for which quoted market prices are not available.

Associated company	Place of incorporation/ operation	Proportion of ownership interest		Principal activities
		Direct	Indirect	
中海保利達地產（天津）有限公司	Mainland China	49.0%	–	Property development
Jeeves (HK) Limited	Hong Kong	–	34.5%	Provision of high class dry cleaning and valeting services
東莞市嘉安達房地產開發有限公司	Mainland China	–	40.0%	Property development

Notes to the Financial Statements

14 Interest in associated companies/Loan from an associated company (Continued)

All of the associated companies are accounted for using the equity method in the consolidated financial statements.

Summarised financial information of 中海保利達地產(天津)有限公司, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

	2023 \$'000	2022 \$'000
Gross amounts of the associated company		
Current assets	6,288,809	6,408,712
Non-current assets	830	1,213
Current liabilities	(5,302,023)	(5,398,901)
Non-current liabilities	–	–
Net assets	987,616	1,011,024
Revenue	363,229	7,779,857
Loss for the year	(9,018)	(1,210,189)
Other comprehensive income	(14,390)	(259,236)
Total comprehensive income	(23,408)	(1,469,425)
Interest income received/receivable from the associated company	42,169	537,898
Reconciled to the Group's interest in associated companies		
Gross amounts of the net assets of the associated company	987,616	1,011,024
Group's effective interest	49%	49%
Carrying amount in the consolidated financial statements	483,931	495,402

The aggregate financial information of other associated companies is as follows:

	2023 \$'000	2022 \$'000
Carrying amount in the consolidated financial statements	26,462	26,846
The Group's effective share of associated companies:		
Loss for the year	–	(953)
Other comprehensive income	(384)	(2,485)
Total comprehensive income	(384)	(3,438)

Notes to the Financial Statements

15 Other financial assets

	2023 \$'000	2022 \$'000
Non-current		
Investments measured at amortised cost		
Listed debt securities outside Hong Kong	27,119	285,794
	27,119	285,794
Current		
Investments measured at FVPL		
Listed equity securities in Hong Kong	12,269	14,628
Unlisted investment fund	8,813	28,982
	21,082	43,610
Total	48,201	329,404
Market value of listed debt securities	27,119	351,382

16 Inventories

	2023 \$'000	2022 \$'000
Land/Properties held for future development	4,777,342	4,760,041
Properties under development	17,356,547	17,051,884
Properties held for sale	4,415,077	3,733,896
Trading goods and consumables	2,822	3,904
	26,551,788	25,549,725

The amount of land/properties held for future development and properties under development expected to be recovered after more than one year is \$4,777,342,000 (2022: \$4,760,041,000) and \$13,818,094,000 (2022: \$17,051,884,000) respectively. All of the other inventories are expected to be recovered within one year.

Notes to the Financial Statements

16 Inventories (Continued)

The analysis of carrying value of land under inventories is as follows:

	2023 \$'000	2022 \$'000
In Hong Kong, with remaining lease term of:		
– 50 years or more	1,308,692	1,317,815
– between 10 and 50 years	11,107,241	11,288,861
	12,415,933	12,606,676
Outside Hong Kong, with remaining lease term of:		
– 50 years or more	2,905,994	3,079,516
– between 10 and 50 years	3,522,024	3,521,765
	6,428,018	6,601,281
	18,843,951	19,207,957

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2023 \$'000	2022 \$'000
Carrying amount on inventories sold	1,196,950	1,644,255

Notes to the Financial Statements

17 Trade and other receivables/Loans and advances

- (a) The following is an ageing analysis (based on the due date) of trade receivables and loans and advances (net of loss allowance) at 31 December:

	2023 \$'000	2022 \$'000
Current	444,648	539,286
Within 3 months	22,122	46,819
3 months to 6 months	3,587	5,875
More than 6 months	17,255	16,113
Trade receivables and loans and advances	487,612	608,093
Utility and other deposits	17,048	14,825
Prepaid tax	83,966	102,770
Other receivables and prepayments	487,459	340,367
	1,076,085	1,066,055
Representing:		
Non-current assets	306,716	356,135
Current assets	769,369	709,920
	1,076,085	1,066,055

Utility and other deposits of the Group of \$7,818,000 (2022: \$7,761,000) are expected to be recovered after more than one year.

Receivables and prepayments of the Group of \$192,729,000 (2022: \$195,967,000) are expected to be recovered after more than one year.

Notes to the Financial Statements

17 Trade and other receivables/Loans and advances (continued)

(b) Expected credit losses

As at 31 December 2023 and 2022, the Group measures loss allowance for trade receivables and loans and advances at an amount equal to lifetime ECLs. Given the Group has not experienced any significant credit losses in the past, holds sufficient rental deposits from tenants and hold properties as collateral from customers and borrowers to cover the potential exposure to credit risk, the allowance for ECLs is \$24,843,000 (2022: \$26,389,000).

The movement for the Group in the loss allowance for impairment of trade receivables and loans and advances during the year, including both specific and collective loss components, is as follows:

	2023 \$'000	2022 \$'000
At 1 January	26,389	25,341
Impairment loss recognised (note 4(c))	1,130	7,451
Impairment loss written back (note 4(c))	(1,413)	(3,727)
Uncollectible amounts written off	(1,263)	(2,676)
At 31 December	24,843	26,389

18 Trade and other payables

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

	2023 \$'000	2022 \$'000
Not yet due or on demand	2,125,394	2,249,483
Within 3 months	107	6,397
3 months to 6 months	–	121
More than 6 months	–	43
Trade payables	2,125,501	2,256,044
Rental and other deposits (Remark (1))	78,543	73,351
Other payables and accrued expenses (Remark (2))	778,061	641,181
Contract liabilities – deposits received on sale of properties (Remark (3))	1,898,721	722,211
	4,880,826	3,692,787

Remarks:

- (1) Rental and other deposits of the Group of \$43,011,000 (2022: \$63,069,000) are expected to be refunded after more than one year.
- (2) Other payables and accrued expenses of the Group of \$673,581,000 (2022: \$438,923,000) are expected to be settled after more than one year.
- (3) Deposits received on sale of properties of the Group of \$1,855,336,000 (2022: \$78,814,000) are expected to be recognised as income within one year.

Notes to the Financial Statements

18 Trade and other payables (Continued)

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Deposits received on sales of properties

The Group receives certain percentage of the amount of sale consideration as a deposit from customers when they sign the sale and purchase agreement relating to property sales. This deposit is recognised as a contract liability until the properties are completed and legally assigned to the customer. The rest of the sale consideration is typically paid when legal assignment is completed/accepted by the customer.

In some sale arrangements, the customers agree to pay the balance of the sale consideration early while construction is still ongoing, rather than when legal assignment is completed or the property is accepted by the customer. Such advance payment schemes result in contract liabilities being recognised throughout the remaining property construction period for the full amount of the sale consideration.

Movements in contract liabilities

	Deposits received on sale of properties	
	2023 \$'000	2022 \$'000
At 1 January	722,211	445,200
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(298,557)	(345,345)
Increase in contract liabilities as a result of deposits received from customers on sale of properties during the year	1,481,212	634,673
Exchange movement	(6,145)	(12,317)
At 31 December	1,898,721	722,211

19 Loan from a related company

Loan from a related company is unsecured, interest bearing at Hong Kong Interbank Offered Rate ("HIBOR") plus a margin per annum and is not expected to be repaid within one year.

Notes to the Financial Statements

20 Bank loans

At 31 December, bank loans were repayable as follows:

	2023 \$'000	2022 \$'000
Within 1 year or on demand	3,744,569	14,488,973
After 1 year but within 2 years	713,184	6,618,713
After 2 years but within 5 years	16,438,793	752,467
	17,151,977	7,371,180
	20,896,546	21,860,153

At 31 December, bank loans were secured and unsecured as follows:

	2023 \$'000	2022 \$'000
Bank loans		
– secured	19,194,540	10,460,803
– unsecured	1,702,006	11,399,350
	20,896,546	21,860,153

Interest on bank loans is charged at HIBOR plus a margin per annum in Hong Kong or by reference to interest rates for term loans published by the People's Bank of China.

Notes to the Financial Statements

21 Total equity

(a) Movements in components of equity and distribution of reserves

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Note	Share capital \$'000	Retained profits \$'000	Total \$'000
At 1 January 2022		8,636,490	4,806,615	13,443,105
Final dividend declared and paid	8(b)	–	(670,680)	(670,680)
Interim dividend declared and paid	8(a)	–	(305,924)	(305,924)
Profit and total comprehensive income for the year		–	731,130	731,130
At 31 December 2022		8,636,490	4,561,141	13,197,631
At 1 January 2023		8,636,490	4,561,141	13,197,631
Final dividend declared and paid	8(b)	–	(670,680)	(670,680)
Interim dividend declared	8(a)	–	(305,924)	(305,924)
Profit and total comprehensive income for the year		–	42,677	42,677
At 31 December 2023		8,636,490	3,627,214	12,263,704

At 31 December 2023, the aggregate amount of reserves available for distribution to shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance was \$3,627,214,000 (2022: \$4,561,141,000).

Notes to the Financial Statements

21 Total equity (continued)

(b) Share capital

	2023		2022	
	No. of shares	Amount \$'000	No. of shares	Amount \$'000
Ordinary shares, issued and fully paid At 1 January and 31 December	1,176,631,296	8,636,490	1,176,631,296	8,636,490

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(c) Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of bank borrowings, cash and cash equivalents and total equity, comprising issued share capital, reserves, retained profits and non-controlling interests.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital and maintains an appropriate gearing ratio determined as the Group's net borrowings (bank borrowings and net of cash and bank balances) over total equity. In view of this, the Group will balance its overall capital structure through the payment of dividends, new shares issues as well as raising new debts or redemption of existing debts. The Group's overall strategy remains unchanged from prior year and the gearing ratio as at 31 December 2023 is 111.5% (2022: 113.3%).

Notes to the Financial Statements

22 Notes to consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash used in operating activities:

	2023 \$'000	2022 \$'000
Profit before taxation	492,717	1,646,679
Adjustments for:		
Unclaimed dividend written back	(567)	(534)
Loss/(Gain) on disposal of other property, plant and equipment	974	(303)
(Gain)/Loss on disposal of investment properties	(3)	10,723
Gain on disposal of debt securities	–	(1,688)
Share of (profits)/losses of associated companies	(37,750)	56,048
Share of profits of joint ventures	(10,823)	(11,688)
Write down of inventories	163,263	206,369
Loss allowance of debts securities	156,267	69,258
Remeasurement of debts securities	–	149,564
Fair value changes on investment properties	59,422	(200,333)
Fair value changes on interests in property development	(2,374)	(420)
Fair value changes on equity securities and investment fund	22,528	23,282
Dividend income from equity securities	(849)	(1,231)
Interest income from debt securities	(103,358)	(157,530)
Bank interest income	(16,785)	(8,106)
Interest expenses	178,736	96,309
Depreciation and amortisation	20,461	21,464
Operating profit before working capital changes	921,859	1,897,863
Decrease in loans and advances	40,073	124,110
Increase in inventories	(389,645)	(9,614)
Decrease/(Increase) in trade and other receivables	16,794	(40,994)
Increase/(Decrease) in trade and other payable	1,176,391	(7,217,878)
Cash generated from/(used in) operations	1,765,472	(5,246,513)
Interest received	43,570	78,183
Dividends received from equity securities	849	1,231
Profits tax paid	(357,020)	(319,443)
Net cash generated from/(used in) operating activities	1,452,871	(5,486,542)

Notes to the Financial Statements

22 Notes to consolidated cash flow statement (Continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows financing activities.

	Bank loans (Note 20) \$'000	Loan from a related company (Note 19) \$'000	Loan from an associated company (Note 14) \$'000	Total \$'000
At 1 January 2022	14,702,066	1,199,073	48,458	15,949,597
Cash flows, net	7,353,374	38,330	–	7,391,704
Other changes:				
Non-cash repayment of loan from a related company (Notes 22(d)(i) and (ii))	–	(97,200)	–	(97,200)
Non-cash drawdown of loan from a related company (Notes 22(c))	–	816,600	–	816,600
Exchange adjustments	(195,287)	133,951	(4,105)	(65,441)
Total other changes	(195,287)	853,351	(4,105)	653,959
At 31 December 2022	21,860,153	2,090,754	44,353	23,995,260
At 1 January 2023	21,860,153	2,090,754	44,353	23,995,260
Cash flows, net	(934,774)	1,856,087	–	921,313
Other changes:				
Non-cash repayment of loan from a related company (Notes 22(d)(i), (ii) and (iii))	–	(1,171,189)	–	(1,171,189)
Exchange adjustments	(28,833)	13,533	(634)	(15,934)
Total other changes	(28,833)	(1,157,656)	(634)	(1,187,123)
At 31 December 2023	20,896,546	2,789,185	43,719	23,729,450

22 Notes to consolidated cash flow statement (Continued)

(c) Acquisition of a subsidiary

	2022 \$'000
Fair value of assets and liabilities of a subsidiary acquired	
Interest in property development, net assets acquired and total consideration on acquisition of a subsidiary	816,600
Less: Consideration settled through loan from a related company (<i>Notes 22(b)</i>)	(816,600)
Net cash outflow	–

On 20 May 2022, the Group had entered into an agreement with Polytec Holdings for the proposed acquisition of 100% equity interest of Able Elite Developments Limited, a wholly owned subsidiary of Polytec Holdings, at a consideration of \$816,600,000 and is fully settled through loan from a related company. The assets held by the subsidiary comprised of an interest in property development in Zhuhai, Mainland China (see note 12). The proposed acquisition was approved by the independent shareholders at an extraordinary general meeting on 20 July 2022 and the acquisition was completed on 25 July 2022.

(d) Non-cash transactions

- (i) During 2023, the Group repaid loan from a related company by transferring (1) the interest income received and repayment of a loan to an associated company amounting Nil (2022: \$2,389,000) and (2) return of investment from interests in property development (note 12) amounting to \$1,000,000,000 (2022: Nil).
- (ii) During 2023, the Group has settled loan from a related company of \$11,423,000 through a joint venture (2022: \$94,811,000).
- (iii) During 2023, the Group has made partial repayment of a loan from a related company by assigning cash flows of certain debt securities amounting to \$159,766,000 to a related company.

23 Capital commitments

Capital commitments outstanding at 31 December 2023 contracted but not provided for in the financial statements amounted to \$69,354,000 (2022: \$27,018,000).

24 Contingent liabilities

As at 31 December 2023, the Group had given guarantees to financial institutions in respect of performance bonds entered into by a subsidiary to the extent of \$35,055,000 (2022: \$29,757,000).

Notes to the Financial Statements

25 Pledge of assets

At 31 December 2023, properties having a value of approximately \$28,158,525,000 (2022: \$12,950,958,000) and deposits of \$14,279,000 (2022: \$17,612,000) were pledged to banks and insurance companies mainly to secure general banking facilities granted to the Group.

26 Subsidiaries

Details of the subsidiaries of Kowloon Development Company Limited, which principally affected the results, assets or liabilities of the Group, are as follows:

Subsidiary	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities
			Direct	Indirect	
Able Elite Developments Limited	British Virgin Islands	US\$1	100.0%	–	Investment holding
Best Award Investments Limited	British Virgin Islands	US\$1	100.0%	–	Property investment and investment holding
Best Power (Asia) Limited	Hong Kong	\$2	–	100.0%	Property development
China Total Limited	Hong Kong	\$1	100.0%	–	Property development and investment
Cinema City (Film Production) Company Limited	Hong Kong	\$5,000,000	–	85.0%	Cinematograph film distribution
Cinema City Company Limited	Hong Kong	\$1,000,000	–	85.0%	Cinematograph film distribution
Colour Luck Limited	Hong Kong	\$1	100.0%	–	Property investment
Country House Property Management Limited	Hong Kong	\$10,000	–	100.0%	Provision of property management, security, technical and house keeping services and investment holding
Easy Favour Limited	Hong Kong	\$1	–	100.0%	Property investment
Easy Living Consultant Limited	Hong Kong	\$1,000,000	–	56.9%	Provision of building surveying, property management and guarding services and investment holding

Notes to the Financial Statements

26 Subsidiaries (Continued)

Details of the subsidiaries of Kowloon Development Company Limited, which principally affected the results, assets or liabilities of the Group, are as follows: (Continued)

Subsidiary	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities
			Direct	Indirect	
Elegant Florist Limited	British Virgin Islands	US\$1,000	100.0%	–	Investment holding
Eversound Investments Limited	Hong Kong	\$1,000,000	–	100.0%	Property development and investment
Excel Billion Holdings Limited	Hong Kong	\$1	–	100.0%	Investment holding
Find Jade Limited	British Virgin Islands	US\$1	100.0%	–	Financial investments
Fullco Development Limited	Hong Kong	\$1	–	100.0%	Property development and investment
Fund Wealth Limited	Hong Kong	\$1	–	100.0%	Retail
Gold Ease Holdings Limited	Hong Kong	\$1	–	100.0%	Property investment
Golden Princess Amusement Company Limited	Hong Kong	\$100,000	85.0%	–	Distribution of films and investment holding
Golden Princess Film Production Limited	Hong Kong	\$10,000	–	85.0%	Cinematograph film distribution
Henmell Investment Limited	Hong Kong	\$2	–	100.0%	Property development and investment
Jumbo Power Enterprises Limited	Hong Kong	\$2	–	100.0%	Property development and investment
Kingbo Investment Limited	Hong Kong	\$1	100.0%	–	Property investment
Kowloon Development Engineering Limited	Hong Kong	\$2	–	100.0%	Engaging in construction contracts
Kowloon Development Finance Limited	Hong Kong	\$2,000,000	100.0%	–	Provision of financial services

Notes to the Financial Statements

26 Subsidiaries (Continued)

Details of the subsidiaries of Kowloon Development Company Limited, which principally affected the results, assets or liabilities of the Group, are as follows: (Continued)

Subsidiary	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities
			Direct	Indirect	
Kowloon Development Properties Company Limited	Hong Kong	\$1	100.0%	–	Project management
Li Profit Limited	Hong Kong	\$7,000,000	–	100.0%	Property development and investment
Mass Ventures International Limited	British Virgin Islands/ Hong Kong	US\$1	–	100.0%	Property investment
New Basic Holdings Limited	British Virgin Islands	US\$1	100.0%	–	Investment holding
Polytec Property (Wuxi) Limited (Remark 3)	Mainland China	\$602,500,000 (Remark 1)	–	100.0%	Property development and investment holding
Polytec Property Good Companion (Shenyang) Limited (Remark 3)	Mainland China	US\$34,800,000 (Remark 1)	–	100.0%	Property development
Top Sail International Limited	British Virgin Islands/ Hong Kong	US\$1	–	100.0%	Property development
Tyleelord Development & Agency Company Limited	Hong Kong	\$100,000	–	100.0%	Property investment
Un Chau Properties Limited	Hong Kong	\$2	–	100.0%	Property investment
Units Properties Limited	Hong Kong	\$2	–	100.0%	Property investment
Wealrise Investments Limited	Hong Kong	\$2	–	100.0%	Property investment
Wealth Genesis Limited	Hong Kong	\$2	100.0%	–	Property investment

Notes to the Financial Statements

26 Subsidiaries (Continued)

Details of the subsidiaries of Kowloon Development Company Limited, which principally affected the results, assets or liabilities of the Group, are as follows: (Continued)

Subsidiary	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities
			Direct	Indirect	
中山市長江兆業地產開發有限公司 (Remark 3)	Mainland China	\$80,000,000 (Remark 1)	-	70.0%	Property development
保利達地產(瀋陽)高悅有限公司 (Remark 3)	Mainland China	US\$10,000,000 (Remark 1)	-	100.0%	Property development and investment holding
上海揚業房地產開發有限公司	Mainland China	RMB250,000,000 (Remark 1)	-	100.0%	Property development
山西保頤置業有限公司	Mainland China	RMB20,000,000 (Remark 2)	-	100.0%	Property development

Remarks:

- (1) The amount represented the registered capital paid up.
- (2) The amount represented the registered capital not yet paid up.
- (3) Wholly foreign owned enterprise incorporated in Mainland China.

Notes to the Financial Statements

27 Staff retirement scheme

The Group operates a defined contribution staff retirement scheme. Contributions under the scheme are charged to the income statement as incurred. The amount of contributions is based on a specified percentage of the basic salary of the eligible employees. No forfeited contributions in respect of unvested benefits of staff leavers was utilised to reduce the Group's ongoing contributions during the year 2023 and 2022. There were no unutilised forfeited contributions at the end of the reporting period of both years. The Group's annual contribution for the year was \$354,000 (2022: 359,000).

Contributions to the Mandatory Provident Funds of \$20,364,000 (2022: \$17,114,000) as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance were charged to the income statement for the year.

Employees of the Group's subsidiaries in the Mainland China are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal governments. The Group's subsidiaries contributed funds of \$2,664,000 (2022: \$2,737,000), which were calculated on certain percentages of the average employee salary as agreed by the local municipal governments, to the schemes to fund the retirement benefits of the employees.

28 Material related party transactions

In addition to the transactions and balances disclosed above, the Group also entered into the following material related party transactions:

- (a) As at 31 December 2023, certain bank loans were secured by properties and shares of subsidiaries of Polytec Holdings having a total value of \$3,007,000,000 (2022: \$3,007,000,000) and guaranteed by these subsidiaries.
- (b) During the year ended 31 December 2023, the remuneration for key management personnel being short-term employee benefits amounted to \$17,932,000 (2022: \$17,610,000) as disclosed in notes 5(a) and 5(b). The remuneration of directors and senior management is recommended by the Remuneration Committee to the Board having regard to the performance and responsibilities of individuals and market trends.
- (c) Applicability of the Listing Rules relating to connected transactions. The related party transactions in respect of notes 28(a), 28(b) and note 22(c) above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, they are exempt from the disclosure requirements of Chapter 14A of the Listing Rules.

29 Financial risk management and fair values

The Group is exposed to interest rate, credit, liquidity, currency and other price risks which arise in the normal course of the Group's business as set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner and these risks are limited by the financial policies and practices undertaken by the Group.

(a) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing bank borrowings and borrowings from related companies. All the borrowings are on a floating rate basis. The risk is mainly concentrated on the fluctuation in interest rates arising from the Group's borrowings.

Interest rate risk is managed by the Group's management with defined policies through regular review to determine the strategy as of funding in floating/fixed rate mix appropriate to its current business profile, and to engage in relevant hedging arrangements at the appropriate time.

At 31 December 2023, it is estimated that an increase/decrease in interest rates by 100 basis points, with all other variables held constant, would have decreased/increased the Group's result attributable to shareholders of the Company and retained profits by approximately \$48 million (2022: \$67 million).

The sensitivity analysis has been determined based on the exposure to interest rate risk at the end of the reporting period. The analysis is prepared assuming the amount of interest bearing borrowings outstanding at the end of the reporting period was outstanding for the whole year. The analysis has been performed on the same basis for 2022.

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2023 and 2022 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

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 receivable and loans and advances. Collateral is usually obtained in respect of loans and advances to customers.

Cash at bank and deposits placed with financial institutions are with counterparties with sound credit ratings to minimise credit exposure.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

All of the Group's debt securities measured at amortised cost of \$27,119,000 (2022: \$285,794,000) at 31 December 2023. Management assessed the credit risk of each of the Group's investment in debt securities with reference to the grading by market credit rating agencies, where available, and default probability analysis performed by external agencies. As at the end of the reporting period, several debt securities were credit-impaired, based on the significant financial difficulty of the issuers noted.

The Group estimated credit loss based on the difference between the gross carrying amount and the present value of estimated future cash flow on the credited-impaired debt securities and respective 12 months default risks rate as at 31 December 2023 for the issuer of debt securities, which are obtained from external agencies.

Notes to the Financial Statements

29 Financial risk management and fair values (Continued)

(c) Liquidity risk

Cash management of the Company and wholly owned subsidiaries of the Group are substantially centralised at the Group level. The non-wholly owned subsidiaries are responsible for their own cash management, including the short term investment of cash surpluses with creditworthy financial institutions and the raising of loans to cover expected cash demands, in accordance with the established policies and strategies with the concurrence by the management of the Group. The Group's policy is to regularly monitor current, expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	Contractual undiscounted cash flows					Carrying amount \$'000
	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but less than 5 years \$'000	Undated \$'000	Total \$'000	
At 31 December 2023						
Trade and other payables	2,258,421	93,805	577,897	44,889	2,975,012	2,975,012
Bank loans	4,941,338	1,774,601	17,943,643	-	24,659,582	20,896,546
Loan from a related company	-	-	-	2,789,185	2,789,185	2,789,185
Amount due to a joint venture	565,977	-	-	-	565,977	565,977
Loan from an associated company	-	-	-	43,719	43,719	43,719
	7,765,736	1,868,406	18,521,540	2,877,793	31,033,475	27,270,439
At 31 December 2022						
Trade and other payables	2,458,418	410,818	27,102	64,072	2,960,410	2,960,410
Bank loans	15,067,546	6,733,759	776,587	-	22,577,892	21,860,153
Loan from a related company	-	-	-	2,090,754	2,090,754	2,090,754
Amount due to a joint venture	560,374	-	-	-	560,374	560,374
Loan from an associated company	-	-	-	44,353	44,353	44,353
	18,086,338	7,144,577	803,689	2,199,179	28,233,783	27,516,044

The Group is exposed to liquidity risk that arises from guarantees in respect of banking facilities and performance bond of a subsidiary. The guarantees are callable if the subsidiary is unable to meet its obligations. Further details are set out in to note 24.

Notes to the Financial Statements

29 Financial risk management and fair values (continued)**(d) Currency risk**

The Group owns assets and conducts its business mainly in Hong Kong and Mainland China.

The Group's primary foreign currency exposures arise from its direct property development and investments in Mainland China. The Group is mainly exposed to the effects of fluctuation in Renminbi. Where appropriate and cost efficient, the Group seeks to finance these investments by Renminbi borrowings and as future returns from these investments are denominated in Renminbi, exposure to Renminbi currency risk is minimised.

Management considers this risk is insignificant to the Group as a whole but still manages and monitors this risk to ensure that its net exposure is kept to an acceptable low level.

(e) Fair values measurement of financial instruments**Financial assets and liabilities measured at fair value**

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 13, "Fair value measurement", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data

	2023 \$'000	2022 \$'000
Assets		
Level 1		
Other financial assets		
– Listed equity securities in Hong Kong	12,269	14,628
Level 2		
Other financial assets		
– Unlisted investment fund	8,813	28,982
Level 3		
Interests in property development	1,689,424	2,687,050

29 Financial risk management and fair values (Continued)

(e) Fair values measurement of financial instruments (Continued)

Financial assets and liabilities measured at fair value (Continued)

During the year ended 31 December 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2022: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of unlisted investment fund was determined with reference to the fair value of underlying investment portfolio and adjustments or related transaction costs.

The movement during the year in the balance of Level 3 fair value measurements are set out in note 12 to the financial statements.

The Group is also exposed to property price risk through its interests in property development. The Group has a team reporting to the top management which performs the valuation of the interests in property development required for financial reporting purposes. Discussions of valuation processes and results are held between the top management and the team at least once every six months, in line with the Group's half-yearly reporting dates. The key unobservable market data used in the models of development project at Huizhou and Zhuhai in Mainland China includes estimated selling prices of the underlying properties which are derived from observable market data, including average market prices of residential properties in Mainland China, with certain adjustments to reflect the impacts of those factors on the development. The adjustments to the average market selling price range from -10% to +10%. The fair value measurement is positively correlated to adjustments to the selling prices of the underlying properties. At 31 December 2023, it is estimated that an increase/decrease of 5% in the expected/forecasted selling price of the underlying properties at Huizhou and Zhuhai of the Group's interests in property development, with all other variables held constant, would have increased/decreased the Group's retained profits by \$65,389,000/\$43,548,000 (2022: \$66,926,000/\$66,920,000).

The analysis has been determined assuming that the changes in the selling price of the underlying properties had occurred at the end of the reporting period and had been applied to the exposure to property price risk in existence at that date. The analysis has been performed on the same basis as for 2022 and taken into account of the expiration of the land concession as set out in note 2(c).

Notes to the Financial Statements

30 Company-level statement of financial position

Note	2023		2022	
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment		1,273		1,726
Interest in subsidiaries		15,941,794		16,239,618
Interest in joint ventures		584,079		584,079
Interest in an associated company		1,008,999		963,792
		17,536,145		17,789,215
Current assets				
Loans to subsidiaries	2,304,066		2,128,114	
Trade and other receivables	3,183		3,066	
Cash and bank balances	163,839		77,521	
	2,471,088		2,208,701	
Current liabilities				
Trade and other payables	544,674		427,264	
Amounts due to subsidiaries	32,963		34,505	
Amount due to a joint venture	565,977		560,374	
Loans from subsidiaries	181,361		150,801	
Current taxation	131,079		123,561	
	1,456,054		1,296,505	
Net current assets		1,015,034		912,196
Total assets less current liabilities		18,551,179		18,701,411
Non-current liabilities				
Loan from a related company	2,789,185		2,090,754	
Loans from subsidiaries	3,498,116		3,412,786	
Deferred tax liabilities	174		240	
		6,287,475		5,503,780
NET ASSETS		12,263,704		13,197,631

Notes to the Financial Statements

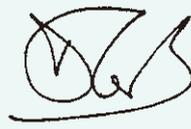
30 Company-level statement of financial position (Continued)

	Note	2023		2022	
		\$'000	\$'000	\$'000	\$'000
Capital and reserves					
Share capital			8,636,490		8,636,490
Reserves			3,627,214		4,561,141
TOTAL EQUITY	21(a)		12,263,704		13,197,631

Approved and authorised for issue by the board of directors on 22 March 2024.



Or Wai Sheun
Director



Lai Ka Fai
Director

31 Non-adjusting event after the reporting period

As announced on 1 February 2024, the Group entered into a sale and purchase agreement with Polytec Holdings (the "Agreement"), pursuant to which the Group has conditionally agreed to sell 60% equity interest together with 60% shareholder's loan of a subsidiary owning a property development project in Shanghai at a consideration of \$1,391,957,000.

The completion of the disposal is subject to the fulfilment or waiver of certain conditions precedent as set out in the Agreement as well as the independent shareholders' approval at the extraordinary general meeting of the Company to be held on Wednesday, 5 June 2024. Details of the disposal were disclosed in the announcement and circular of the Company dated 1 February 2024 and 22 March 2024 respectively.

32 Comparative figures

Certain comparative figures have been adjusted to conform to current year's presentation.

33 Parent and ultimate holding company

At 31 December 2023, the Directors consider the parent company and ultimate holding company to be Intellinsight Holdings Limited and New Explorer Developments Limited, which are both incorporated in the British Virgin Islands. Neither entity produces financial statements available for public use.

Notes to the Financial Statements

34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, "Presentation of financial statements: Classification of liabilities as current or non-current (2020 amendments)"	1 January 2024
Amendments to HKAS 1, "Presentation of financial statements: Non-current liabilities with covenants (2022 amendments)"	1 January 2024
Amendments to HKFRS 16, "Leases: Lease liability in a sale and leaseback"	1 January 2024
Amendments to HKAS 7, "Statement of cash flows" and HKFRS 7, "Financial Instruments: Disclosures: Supplier finance arrangements"	1 January 2024
Amendments to HKAS 21, "The effects of changes in foreign: exchange rates: Lack of exchangeability"	1 January 2025

The Group is in the progress of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

Particulars of Properties

31 December 2023

A. Major Investment Properties

Location	Usage	Category of Lease	Approximate Total Gross Floor Area (sq m)	Group's Interest (%)
Hong Kong Pioneer Centre 750 Nathan Road Mongkok	Commercial	Long lease	45,891 sq m and 124 Car Parking Spaces	100
20th Floor of Argyle Centre Phase 1 688 Nathan Road and 65 Argyle Street Mongkok	Commercial	Medium-term lease	1,465	100
2nd to 23rd Floor and the Roof of The Elgin 51 Elgin Street Central	Residential	Long lease	1,327	100
The Whole Shop Spaces on Basement Peninsula Centre 67 Mody Road Tsim Sha Tsui	Commercial	Long lease	1,767 sq m and 10 Car Parking Spaces	100
32 Shop Units on Basement, Ground Floor, Mezzanine Floor and 1st Floor Sino Centre 582-592 Nathan Road Mongkok	Commercial	Medium-term lease	614	100

Particulars of Properties

31 December 2023

B. Major Properties Under Development/Held For Sale

Location	Usage	Approximate Total Site Area (sq m)	Approximate Total Gross Floor Area (sq m)	Status	Expected Date of Completion	Group's Interest (%)
Hong Kong						
35 Clear Water Bay Road Ngau Chi Wan	Residential and Commercial	22,400	201,000	Foundation works in progress	2026 – 2028	100
6 High Street Sai Ying Pun <i>(Remark)</i>	Residential and Commercial	500	4,700	Foundation works completed	2025/2026	60
Mainland China						
<i>The Gardenia (翠堤灣)</i> West of Daba Road Shenhe District Shenyang	Residential and Commercial	1,100,000	2,000,000	Modification for subsequent development plan in progress	To be determined	100
<i>Le Cove City (江灣城)</i> 6 Hun Nan Er Road Hun Nan Xin District Shenyang	Residential and Commercial	165,000	630,000	Superstructure works for Phase 5A in progress	Phase 5A 2025/2026	100
<i>Le Cove City (江灣城)</i> Tongyun Road and Gongyun Road Liangxi District Wuxi	Residential and Commercial	69,000	365,000	Interior fitting-out works for Phase 4 in progress	Phase 4 Mid-2024	100
<i>Polytec Luxury Mansion (保利達•貴府)</i> South of Public Security Bureau West of Wenyuan Street East of Sanxian Avenue North of Jie Highway Jiexiu	Residential and Commercial	181,000	463,000	Structural works for Phase 1 completed	Phase 1 End-2024	100

Remark:

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

Particulars of Properties

31 December 2023

C. Major Land Held For Future Development

Location	Usage	Approximate Total Site Area (sq m)	Approximate Total Gross Floor Area (sq m)	Group's Interest (%)
Mainland China 14/8 Qiu 176 Jiefang Siping Road Yangpu District Shanghai	Residential, Commercial and Office	21,000	75,000	100

D. Properties Under Development/Held For Sale of Joint Venture

Location	Usage	Approximate Total Site Area (sq m)	Approximate Total Gross Floor Area (sq m)	Status	Expected Date of Completion	Group's Interest (%)
Mainland China <i>The Lake (山語湖)</i> Heshun Meijing Shuiku Sector Lishui Town Nanhai District Foshan	Residential and Commercial	4,021,000	1,600,000	Construction works for Phase 5 in progress	Phase 5 2024/2025	50

Particulars of Properties

31 December 2023

E. Properties Under Development/Held For Sale of Associated Company

Location	Usage	Approximate Total Site Area (sq m)	Approximate Total Gross Floor Area (sq m)	Status	Expected Date of Completion	Group's Interest (%)
Mainland China						
City Plaza (城市廣場) Lot No. Jin Dong Liu 2004-066 Intersection of Shiyijing Road and Liuwei Road Hedong District Tianjin	Residential and Commercial	136,000	850,000	Construction works for Phase 3B in progress	Phase 3B 2025/2026	49

Particulars of Properties

31 December 2023

F. Interests in Property Development

Location	Usage	Approximate Total Site Area (sq m)	Approximate Total Gross Floor Area (sq m)	Status	Expected Date of Completion	Group's Interest (%)
Mainland China						
<i>Le Cove Garden</i> (江灣南岸花園)	Residential and Commercial	146,000	520,000	Planning works for Phase 3 in progress	Phase 3 2025/2026	60.0
Dongjiang North Shore Wangjiang Lot Huicheng District Huizhou (Remark)						
<i>Hengda Guangchang</i> (亨達廣場)	Commercial, Office and Hotel Apartment	38,000	194,000	Foundation works for Phase 1 completed	Phase 1 2025	70
Northwest side of the intersection of Jiuzhou Avenue and Yingbin South Road Xiangzhou District Zhuhai (Remark)						

Remark:

The development of these properties are under the co-investment agreements with a related company.



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