



九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

Stock Code 股份代號: 34

ANNUAL REPORT
年報 2025



Kowloon Development Company Limited

九龍建業有限公司

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 2.8 million sq m of attributable gross floor area in Hong Kong and Mainland China as at 31 December 2025. 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，於二零二五年十二月三十一日，其於香港及中國大陸土地儲備之應佔總樓面面積約2,800,000平方米。集團亦從事金融投資及投資控股業務。



Artist's Impression of Upper Manor (Hong Kong)
半山名匯(香港)之電腦構想圖

Contents

2	Corporate Information
4	Group's Business Structure
5	Highlights
6	Five-Year Financial Summary
8	Chairman's Statement
12	Review of Operations
26	Sustainability
30	Financial Review
32	Profile of Directors
34	Corporate Governance Report
55	Report of the Directors
61	Independent Auditor's Report
68	Consolidated Statement of Profit or Loss
69	Consolidated Statement of Profit or Loss and Other Comprehensive Income
70	Consolidated Statement of Financial Position
72	Consolidated Statement of Changes in Equity
73	Consolidated Cash Flow Statement
74	Notes to the Financial Statements
142	Particulars of Properties

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 Hsu Duff Karman (*Chairman*)

Mr Lok Kung Chin, Hardy

Ms Ng Chi Man

Remuneration Committee

Mr Lok Kung Chin, Hardy (*Chairman*)

Mr Li Kwok Sing, Aubrey

Mr Hsu Duff Karman

Mr Lai Ka Fai

Corporate Information

Corporate and Shareholder 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

Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wan Chai, Hong Kong

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: 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

Tai Fung Bank

United Overseas Bank

Financial Calendar

Interim results announcement	22 August 2025
Interim dividend paid	7 January 2026
Annual results announcement	20 March 2026
2026 Annual General Meeting	3 June 2026
Ex-dividend date for final dividend	11 June 2026
Closure of register of members – 2026 Annual General Meeting	29 May 2026 – 3 June 2026 (both dates inclusive)
– Final dividend	15 June 2026 – 16 June 2026 (both dates inclusive)
Record date – 2026 Annual General Meeting	3 June 2026
– Final dividend	16 June 2026
Final dividend payable	8 July 2026

*Group's Business Structure*KOWLOON
DEVELOPMENT
COMPANY LIMITED(A member of the Polytec group)
Stock Code: 34HONG KONG
PROPERTY**Property Development**

Major development projects:

- Upper Manor
- Clear Water Bay Road
- Fuk Chak Street

Development Landbank:

206,000 sq m

Property Investment

Flagship investment property:

- Pioneer Centre

Investment Landbank:

54,000 sq m

Property Management

Properties under management:

1,102,000 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)
- The Lake (Foshan)
山語湖 (佛山)
- 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:

2,562,000 sq m

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

Highlights

- For the year ended 31 December 2025, underlying profit of the Group attributable to Shareholders amounted to HK\$628 million, compared to HK\$450 million in 2024, representing an increase of 39.6%. The underlying earnings per share for 2025 were HK\$0.48, compared to HK\$0.36 in 2024.
- Taking into account fair value changes on the Group's interests in the property development and revaluation losses on its investment properties, the Group's profit attributable to Shareholders for the year ended 31 December 2025 amounted to HK\$131 million, compared to HK\$116 million in 2024, representing an increase of 12.9%.
- Final dividend of HK\$0.14 per share is proposed. Full year dividend for 2025 amounts to HK\$0.24 per share.

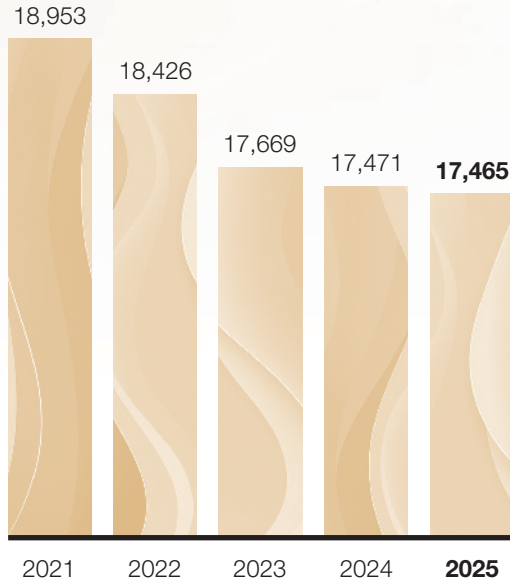


Artist's Impression of Upper Manor (Hong Kong)

Five-Year Financial Summary

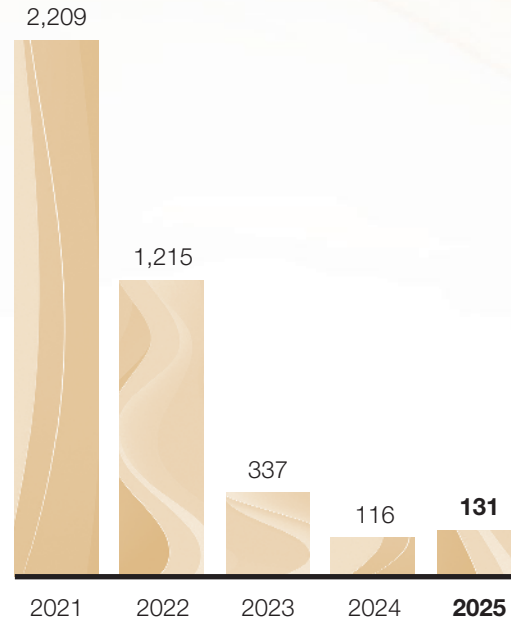
Shareholders' Equity

HK\$ million



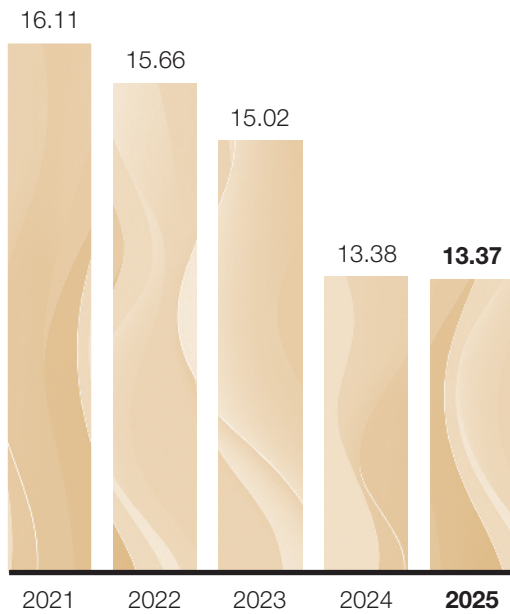
Profit Attributable to Shareholders

HK\$ million



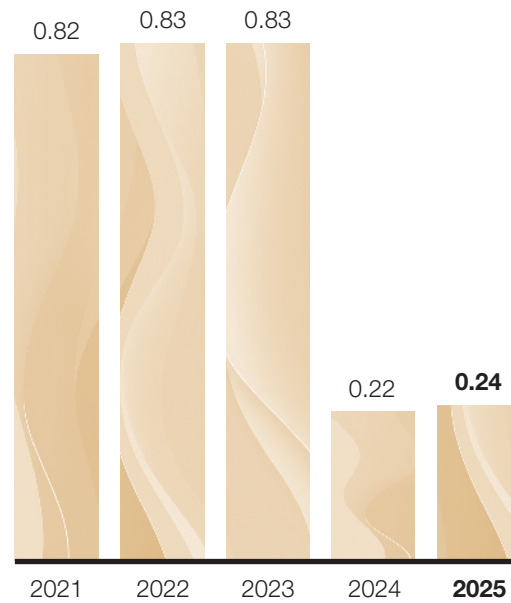
Net Asset Value per Share

HK\$



Dividends per Share

HK\$ (Note 2)



Five-Year Financial Summary

Key Consolidated Statement of Profit or Loss Data

<i>HK\$ million</i>	2021	2022	2023	2024	2025
Revenue	2,050	4,582	2,943	5,390	4,953
Profit from Operations	2,397	1,787	623	317	76
Profit Attributable to Shareholders	2,209	1,215	337	116	131
Earnings per Share (<i>HK\$</i>)	1.88	1.03	0.29	0.09	0.10
Underlying Profit Attributable to					
Shareholders (<i>Note 3</i>)	642	1,107	573	450	628
Underlying Earnings per Share (<i>HK\$</i>) (<i>Note 3</i>)	0.55	0.94	0.49	0.36	0.48
Dividends	965	977	977	287	313
Dividends per Share (<i>HK\$</i>) (<i>Note 2</i>)	0.82	0.83	0.83	0.22	0.24

Key Consolidated Statement of Financial Position Data

<i>HK\$ million</i>	2021	2022	2023	2024	2025
Non-Current Assets	20,164	19,796	18,769	19,394	18,714
Current Assets	27,953	27,970	28,963	23,314	22,772
Total Assets	48,117	47,766	47,732	42,708	41,486
Current Liabilities	(14,629)	(19,191)	(9,433)	(6,508)	(4,529)
Non-Current Liabilities	(14,414)	(10,039)	(20,531)	(18,633)	(19,401)
Net Assets	19,074	18,536	17,768	17,567	17,556
Share Capital	8,636	8,636	8,636	9,307	9,307
Reserves	10,317	9,790	9,033	8,164	8,158
Shareholders' Equity	18,953	18,426	17,669	17,471	17,465
Non-controlling Interests	121	110	99	96	91
Total Equity	19,074	18,536	17,768	17,567	17,556
Net Asset Value per Share (<i>HK\$</i>)	16.11	15.66	15.02	13.38	13.37
Gearing Ratio (%) (<i>Note 4</i>)	71.61	113.27	111.53	104.36	98.85

Notes:

- The financial information in this summary is extracted from the published financial statements for the last five years.
- The payment of the final dividend for 2023 was by way of new fully paid shares of the Company.
- 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 net of cash and bank balances over total equity.

Chairman's Statement

Group Results and Dividends

For the year ended 31 December 2025, underlying profit of Kowloon Development Company Limited (the "Company") and its subsidiaries (collectively, the "Group") attributable to shareholders of the Company ("Shareholders") amounted to HK\$628 million, compared to HK\$450 million in 2024, representing an increase of 39.6%. The underlying earnings per share for 2025 were HK\$0.48, compared to HK\$0.36 in 2024.

Taking into account fair value changes on the Group's interests in the property development and revaluation losses on its investment properties, the Group's profit attributable to Shareholders for the year ended 31 December 2025 amounted to HK\$131 million, compared to HK\$116 million in 2024, representing an increase of 12.9%.

The Board of Directors of the Company (the "Board") has recommended the payment of a final dividend of HK\$0.14 per share for the year ended 31 December 2025 (2024: HK\$0.12). Together with the 2025 interim dividend of HK\$0.10 per share (2024: HK\$0.10), the full year dividend for 2025 amounts to HK\$0.24 per share (2024: HK\$0.22).

The final dividend will be payable on Wednesday, 8 July 2026 to shareholders whose names appear on the register of members of the Company on Tuesday, 16 June 2026, subject to the approval of shareholders at the 2026 Annual General Meeting of the Company.

Market Overview and Business Review

In 2025, the Hong Kong residential property market experienced a trend of initial decline followed by a recovery. The market continued to face adjustment pressure in the first half of the year. However, entering the second half of the year, market conditions warmed up significantly, driven by two key factors: firstly, US dollar interest rates continued to fall, leading to a corresponding reduction in local mortgage rates; secondly, housing demand strengthened, with rents continuing to climb, stimulating end-users and investors to actively enter the market, resulting in a rise in both prices and transaction volume in the residential market during the second half of the year.

As for commercial buildings, both office rents and vacancy rates continued to face pressure in 2025. Although office demand became more active before the year-end, vacancy rates remained high. For retail shops, despite ongoing shifts in consumption patterns, rents and demand in core districts stabilised by the end of 2025, owing to both the moderate overall economic growth and the rebound in tourist arrivals.

In Mainland China, the effectiveness of the Central Government's series of policies to stabilise the real estate market remains to be seen. In 2025, property prices in 100 cities continued to adjust, and market confidence was recovering slowly. It is hoped that more effective policies will be introduced in 2026.



Show Flat of Upper Manor (Hong Kong)

Chairman's Statement



Show Flat of Upper Manor (Hong Kong)

Development Property Sales

In Hong Kong, the Group launched the presale of units at Upper Manor, a residential and commercial development project located on High Street in Sai Ying Pun where it holds a 60% interest, in July 2025. The presale was well received by the market, with all 111 residential units rapidly presold, achieving outstanding results. Together with the presale proceeds from Upper Manor, total presales/sales from the Group's development projects amounted to approximately HK\$2.2 billion for the year under review, with presales/sales attributable to the Group of approximately HK\$1.8 billion based on its interests.

In Mainland China, total presales/sales of the Group's development projects amounted to approximately RMB1.6 billion for the year ended 31 December 2025, with presales/sales attributable to the Group of approximately RMB1.3 billion based on its interests.

Property Development

For the year under review, the Group formed a joint venture with an independent third party. In accordance with the Land (Compulsory Sale for Redevelopment) Ordinance, the joint venture successfully unified the ownership of the lot located at Nos. 24, 26, 28 and 30 Fuk Chak Street, Kowloon, Hong Kong in February 2025. The site is proposed to be redeveloped into a high-rise commercial/residential composite building, adding an attributable gross floor area ("GFA") of approximately 2,300 sq m to the Group's readily developable landbank.

Property Investment

Gross rental income generated from the Group's investment property portfolio in Hong Kong for 2025 amounted to HK\$265 million, compared to HK\$286 million in 2024, representing a decrease of 7.3%.

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.

Chairman's Statement

Prospects

Entering 2026, the Group continues to make full progress on the superstructure works for the Clear Water Bay Road development project in Ngau Chi Wan. With a GFA exceeding 2,000,000 sq ft, the project represents a sizeable undertaking and the Group's most strategically significant core development focus at present. It boasts a prime location with direct access to Choi Hung MTR Station and is connected to the Choi Hung East Station of the Smart and Green Mass Transit System in East Kowloon, which was approved for construction by the Government in August 2025. The project, upon completion, will become the core of a dual-rail interchange transportation hub in East Kowloon, drawing substantial transition passenger flows. This not only positions the project as an iconic new supply in the district but will also directly benefit from the business opportunities arising from the improved transportation network. Currently, the project is planned to be completed in phases, with the first phase targeted for completion in the first half of 2027.

Site demolition works for the Group's 50%-owned joint development project located on Fuk Chak Street in Tai Kok Tsui were completed in early 2026, with construction scheduled to commence in mid-2026.

All projects of the Group in Mainland China are currently progressing with caution.

In Shenyang, the design plan of the Phase 4 development of The Gardenia is currently in the approval stage.

In Jiexiu, Shanxi, the Phase 1 development of Polytec Luxury Mansion, featuring over 700 residential units, has achieved satisfactory sales results, with over 90% of the units already sold while the planning works for the Phase 2 development are underway.



Artist's Impression of Upper Manor (Hong Kong)

Chairman's Statement

In Zhuhai, the Phase 1 development of Hengda Guangchang offers 1,192 apartments and three-storey retail shops. Interior fitting-out works are currently underway, with completion and occupancy expected in the first half of 2026.

The sale of the remaining units of the Group's joint development projects in Foshan and Tianjin will continue during this year. The construction works for Phase 5 development of The Lake (Foshan) have been completed. As for City Plaza (Tianjin), the superstructure works for the Phase 3B development are in progress, with completion expected by the end of 2027.

The Yangpu project in Shanghai is the Group's 40%-owned joint development project. The preliminary construction licence has been obtained and site formation works have been completed. Preparations for foundation works are currently underway.

The Group's development project, Le Cove City, in Wuxi has been fully completed, with sales activities progressing steadily.

Barring unforeseen circumstances, the Group anticipates that sales from Upper Manor (expected to be completed in the first half of 2026), together with the Group's rental income, in Hong Kong will account for the majority of the Group's results and revenue in 2026.

Notwithstanding the deep adjustments experienced by the Hong Kong residential market in recent years, the Group's property sales performance was satisfactory in the year under review. In view of such success, the Group will actively seek suitable investment opportunities in the Hong Kong residential market, laying a solid foundation for future earnings growth.

In 2025, despite the ongoing challenges in the property development markets of Mainland China and Hong Kong, the Group nonetheless advanced steadily and ensured profitability. This was achieved through the visionary guidance of the Board and the dedicated efforts of our staff, for which I hereby express my sincere appreciation!

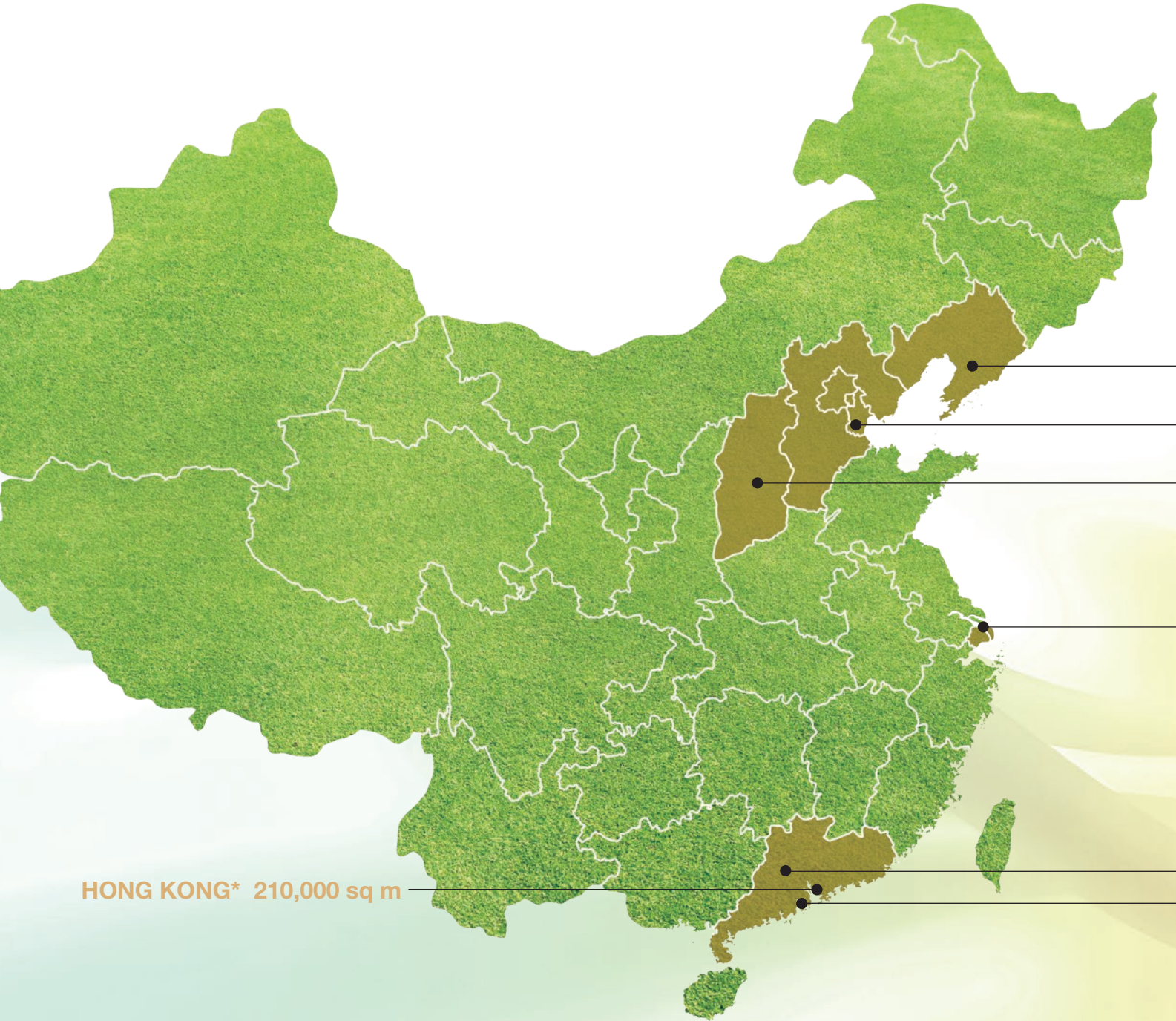


Or Wai Sheun
Chairman

Hong Kong, 20 March 2026

Review of Operations

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



* representing 100% project coverage in GFA

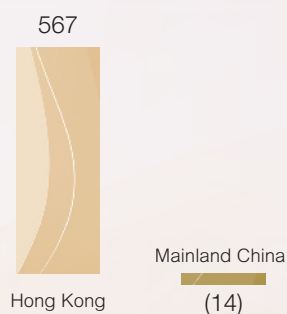
Review of Operations

Key Operating Results for 2025

Total operating profit in the property development segment amounted to HK\$553 million, which was mainly generated from development projects in Hong Kong.

Operating Profit/(Loss) – Property Development Geographic Distribution for 2025

HK\$ million



MAINLAND CHINA* 5,817,000 sq m

Shenyang 2,630,000 sq m

Tianjin 850,000 sq m

Jiexiu 463,000 sq m

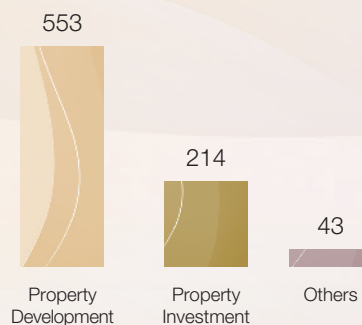
Shanghai 75,000 sq m

Foshan 1,600,000 sq m

Zhuhai 199,000 sq m

Operating Profit by Segment for 2025

HK\$ million



Review of Operations **Hong Kong**

Property Development

As at 31 December 2025, the Group's landbank for development amounted to approximately 2.8 million sq m of attributable GFA. The Group's major property projects under planning and development are set out as follows:

Hong Kong*Upper Manor*

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 4,600 sq m. The Group has a 60% interest in this residential and commercial development project.

**Location**

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

Approx. GFA

4,600 sq m

Project Status

Superstructure works in progress

Usage

Residential and Commercial

Expected Date of Completion

First half 2026

Group's Interest

60%

Approx. Total Site Area

500 sq m



Artist's Impression

Review of Operations **Hong Kong**

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.



Note: Smart and Green Mass Transit System in East Kowloon

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

Approx. GFA
201,000 sq m

Project Status
Superstructure works in progress

Usage
Residential and Commercial

Expected Date of Completion
2027 – 2029

Group's Interest
100%

Approx. Total Site Area
22,400 sq m

Fuk Chak Street Project

The site is located at Nos. 24, 26, 28 and 30 Fuk Chak Street in Tai Kok Tsui. This is a joint venture residential and commercial development project of the Group. The site is proposed to be developed into a high-rise commercial/residential composite building with a GFA of approximately 4,600 sq m.



Location
Nos. 24, 26, 28 and 30
Fuk Chak Street,
Tai Kok Tsui, Kowloon,
Hong Kong

Approx. GFA
4,600 sq m

Project Status
Demolition works in progress

Usage
Residential and Commercial

Expected Date of Completion
Second half 2028

Group's Interest
50%

Approx. Total Site Area
500 sq m

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 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 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

380,000 sq m

Project Status

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

Expected Date of Completion

Phase 5A to be determined



Artist's Impression of Phase 5 development

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

697,000 sq m

Project Status

Design approval for Phase 4
(approx. GFA of 249,000 sq m)
in progress

Expected Date of Completion

Phase 4 to be determined



Artist's Impression of Phase 4 development

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

1,074,000 sq m

Project Status

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

Expected Date of Completion

Remaining development
to be determined



Phase 5 development

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, commercial and office 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 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

Approx. GFA
850,000 sq m

Approx. GFA Booked
473,000 sq m

Usage

Residential, Commercial and Office

Project Status

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

Group's Interest
49%

Approx. Total Site Area
136,000 sq m

Expected Date of Completion
Phase 3B end-2027



Phase 1, Phase 2 and Phase 3 developments

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 40%-owned by the Group and has 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

40%

Approx. Total Site Area

21,000 sq m

Approx. GFA

75,000 sq m

Project Status

Preparations for foundation works
in progress

Expected Date of Completion

End-2029



Artist's Impression

Polytec Luxury Mansion (Shanxi) **保利達·貴府(山西)**

The site is located in the northwest 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 Wen Yuan Street,
East of Sanxian Avenue,
North of Jie Highway, Jiexiu, China

Approx. GFA
463,000 sq m

Approx. GFA Booked
67,000 sq m

Usage

Residential and Commercial

Project Status

Planning works for Phase 2
(approx. GFA of 143,000 sq m)
in progress

Group's Interest

100%

Approx. Total Site Area

181,000 sq m

Expected Date of Completion

Phase 2 to be determined



Entrance of Phase 1 development

Hengda Guangchang (Zhuhai) 亨達廣場(珠海)

The site is located in the Xiangzhou District of Zhuhai which is about 3 km from Gongbei Port. It is intended to be developed into two phases, with Phase 1 comprising office towers, a commercial podium, the basement and a neighbourhood centre, and Phase 2 comprising 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 Apartment

Group's Interest

70%

Approx. Total Site Area

38,000 sq m

Approx. GFA

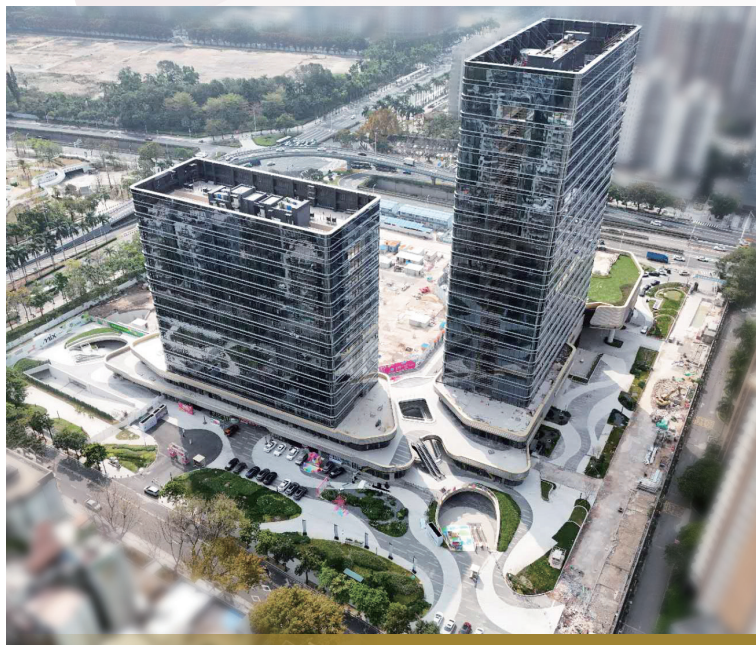
199,000 sq m

Project Status

Interior fitting-out works for Phase 1 (approx. GFA of 66,000 sq m) in progress

Expected Date of Completion

Phase 1 first half 2026



Phase 1 development

Review of Operations

Property Investment

Gross rental income generated from the Group's investment property portfolio in Hong Kong for 2025 amounted to HK\$265 million, compared to HK\$286 million in 2024, representing a decrease of 7.3%.

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 and light public housing. As at 31 December 2025, the total area of properties under management was maintained at approximately 1,102,000 sq m (2024: 1,348,000 sq m).

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 while the relevant risk owners are responsible for implementing those risk mitigating measures and providing feedback on their effectiveness. The principal risks and uncertainties set out below may have a material impact on the Group's businesses, operating results, financial position or prospects, but they are by no means exhaustive or comprehensive.



Pioneer Centre (Hong Kong)

Review of Operations

Key Risks and Uncertainties (Continued)**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 economic recovery and a downturn in the property market may have a continuous influence on our property development business. Other risks include interest rate fluctuations, financing availability, political and social stability, government policies, as well as the taxes and stamp duties imposed on the residential property sales in the Group's operating geographies.

The Group's profitability may also be constrained 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 cannot be completed on schedule or within budget, or our residential units cannot be sold at the planned price and pace. Failure to comply with the safety procedures or safety management systems of the construction sites may result in serious or fatal injuries, property damage, project delays, fines and prosecutions, as well as suspension of work or loss of licences. The Group's reputation may be affected by delayed handover of residential units and quality issues. The Group's prospects are also contingent upon the state of supply of land affected by land policies in different geographical areas.

Regulatory Risk

The Group operates in highly-regulated markets and industries where changes to the regulatory landscape may significantly impact its businesses, whereby requiring compliance with all 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 other statutory requirements applicable to its diverse operations across 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 its businesses. The analysis of these risks is illustrated in detail in the notes to the financial statements.

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 control under the co-investment agreements. The relevant risks include that these business partners may not continue their co-operative relationships with the Group, take action 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 systems and data are exposed to unauthorised access or damage caused by cyber threats, especially as the worldwide cybercrime and malware attacks happen more frequently nowadays. Failure to protect the Group's computer systems and data may lead to loss or leakage of critical information or even disruptions to the normal operations of the business.

Review of Operations

Investment Risk

The Group engages in business activities involving financial investments in investment funds in other recognised financial markets outside Hong Kong. These financial investments may be exposed to liquidity risk, and their market values may be affected by market volatility, the corporate performance of issuing institutions, economic factors, and changes in government policies and regulations in relevant sectors.

Environmental, Social and Governance (“ESG”) Risks

ESG risks are broad in scope and may significantly and negatively impact and hinder the long-term sustainable growth of the Group. For the environmental aspect, the risks may include climate change, extreme weather events, energy efficiency as well as waste and noise management. For the social aspect, the risks may involve employees’ health and safety, supply chain, community engagement, customer privacy as well as business ethics and integrity. For the governance aspect, the Group should be concerned about board composition and diversity, compliance with laws and regulations, shareholders’ rights as well as risk management and internal control.

Human Resources

As at 31 December 2025, the Group had a total of 1,992 employees (2024: 2,476 employees), of which 1,909 were Hong Kong staff and 83 were Mainland China staff. During the year, total staff costs decreased to HK\$615 million (2024: HK\$668 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 lunch gatherings for employees during the year to promote team spirit and loyalty, and encourage communication among departments.

Sustainability

Key Highlights Review for 2025

The following are some of our key ESG achievements in 2025, including milestones, awards and certifications received, as well as environmental and social initiatives:

Environmental Actions and Commitments

Our First Climate-related Target

The Group targets a 30% reduction in Scope 1 and Scope 2 greenhouse gas emissions intensity by the end of 2035, compared to the 2022 baseline, across its business operations within the existing ESG reporting scope (*Note*) and excluding property construction business in Hong Kong and property development business in Mainland China.

Note: For details of the ESG reporting scope, please refer to the Company's ESG Report 2025.

Manor Hill — BEAM Plus New Buildings (V1.2) (Final Silver)



Upper Manor — Provisional Pre-Requisites Achieved under BEAM Plus Certification



Energywi\$e and Wastewi\$e Certificate



Among the properties under our management, nine of them have obtained both the Energywi\$e Certificate and the Wastewi\$e Certificate, while another two properties have attained one of the two certificates as at 31 December 2025.

Sustainability

Installation of Solar Panels



Solar panels were installed at two properties managed by Country House Property Management Limited (“Country House”), a subsidiary of the Company, and at four plants of a company with the same ultimate substantial shareholder of the Company.

Employees and Service Excellence

2024 Security Services Best Training Award
(Award of Silver) – Country House



Awards of Manpower Developer – The Company and
Country House



Community and Sustainable Development

Donation to Wang Fuk Court in Tai Po

HK\$6 million was donated to the “Support Fund for Wang Fuk Court in Tai Po” by Or Wai Sheun’s Family, the family of the Chairman and substantial shareholder of the Company, and the Company.

Lok Sin Tong Social Housing Scheme



The Group procured to provide transitional housing under Lok Sin Tong Social Housing Scheme for families in need and one hundred housing units have been provided under the scheme from 2023 to 2024. During the year, the lease term of these housing units was extended to 2027 or 2028.

Environmental Policies and Performances

The Group is dedicated to high standards of environmental protection. By minimising the impact on our community and conserving resources amongst employees and tenants, we are striving to improve our environmental performance continually. Since 2007, the Group has been a corporate member of WWF-Hong Kong, supporting the Non-Governmental Organisation's work in 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 continually evaluate 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 in the workplace, we have adopted various environmentally friendly and energy-saving policies and measures, and continuously educate our staff. In addition, the establishment of waste recycling systems and participation in a variety of recycling programmes at our headquarters and major properties under our management have demonstrated the Group's dedication to waste reduction and fostering a sustainability mind-set. We also work and communicate closely with our contractors to minimise the generation of effluent and waste. Meanwhile, we actively reduce the environmental impact of residential buildings and properties under our management, while improving environmental quality and user satisfaction. Our residential development project, namely Manor Hill, in Tseung Kwan O has integrated an "All-Electric Home" design concept and achieved Final Silver rating under BEAM Plus New Buildings (V1.2). Apart from Manor Hill, our recent residential development project, namely Upper Manor, in Sai Ying Pun has achieved the provisional pre-requisites under BEAM Plus certification. Moreover, environmental protection initiatives are also widely applied to our property management business. Among the properties under our management, nine of them have obtained both the Energywise Certificate and the Wastewise Certificate, while another two properties have attained one of the two certificates as at 31 December 2025.

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.

Sustainability

Relationships with Stakeholders

The Group formulated an integrated human capital strategy to recruit, develop and motivate employees, ensuring employees are provided with a competitive remuneration package, appropriate training and development opportunities, while also aligning their performance goals with the Group's business objectives. The Group is committed to providing a working environment that is free from all forms of discrimination. In accordance with the internal policies, the Group forbids all forms of discrimination based on gender, religion, race, family status, disability and age in all processes relating to employment, including but not limited to recruitment, promotion, internal transfer and termination. Management and staff at all levels are responsible for ensuring all employees work 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 has successfully provided high-quality properties, products and services to meet customer needs by maintaining good relationships and close communication with business partners, banks, contractors and suppliers.

Additionally, communication with our stakeholders is particularly critical as the Group sets forth its sustainability framework. Therefore, we have developed a systematic materiality assessment as a bridge to more effectively address various stakeholders' concerns. Based on the survey results of the previous year, our ESG working group collaborates with the ESG consultant to conduct desktop research and peer analysis, aiming to align stakeholders' perspectives on the Group's ESG material issues with the industry benchmarks.

Apart from the Group's continuous efforts towards improvement in relationships with its stakeholders, the Group is also committed to delivering support to the community needs. 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 one hundred housing units have been provided under the scheme from 2023 to 2024. During the year, the lease term of twenty housing units was extended to 2027, while the lease term for the remaining eighty housing units was extended to 2028. In addition, we have donated to domestic charities and our employees have participated in a number of community activities and volunteer services. In November 2025, a tragic fire at Wang Fuk Court in Tai Po resulted in a significant loss of life and severe disruption to residents' lives. Deeply saddened by the incident, Or Wai Sheun's Family, the family of the Chairman and substantial shareholder of the Company, and the Company promptly donated a total of HK\$6 million to the "Support Fund for Wang Fuk Court in Tai Po" established by the Government of the Hong Kong Special Administrative Region to provide urgent relief to the affected residents and help alleviate their immediate hardships.

ESG Reporting

In accordance with the requirements under the ESG Reporting Code set out in Appendix C2 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. The Group strictly adheres to the latest requirements as stipulated in Part D: Climate-related Disclosures under the ESG Reporting Code (effective from 1 January 2025), collaborates with the ESG consultant on analysis of climate-related risks and opportunities, has established its first climate-related target focusing on carbon emissions reduction and enhancing operational climate resilience, and also discloses Scope 3 greenhouse gas emissions to enable comprehensive tracking of its carbon footprint. Additionally, the Group has mapped its strategies and initiatives with the United Nations Sustainable Development Goals ("UNSDGs") and identified eight UNSDGs that are closely aligned with its ESG strategies and contributions.

Financial Review

Financial resources and bank borrowings

As at 31 December 2025, the Group's total bank borrowings amounted to HK\$18,527 million, a reduction from HK\$19,125 million in 2024, comprising of HK\$1,686 million repayable within one year and HK\$16,841 million repayable after one year. With cash and bank balances totalling HK\$1,173 million, the Group's net bank borrowings have reduced to HK\$17,354 million as at 31 December 2025. Loan from a related company is recorded at HK\$2,112 million as of the same date. The Group's gearing ratio (calculated on the basis of net bank borrowings over total equity) was 98.8% as at 31 December 2025 (31 December 2024: 104.4%).

During the year, sales of the property projects in Hong Kong contributed cash inflows of approximately HK\$2,421 million to the Group, mainly from sales and presales of Manor Hill and Upper Manor. Furthermore, the Group recorded approximately HK\$872 million cash inflows from presales and sales of various development projects in Mainland China, mainly from sales of Le Cove City, Wuxi and Polytec Luxury Mansion, Shanxi.

Over the past few years, the Group has continued to prioritise the reduction of its gearing ratio as part of its financial management strategy. To support this objective, the Group has implemented various initiatives, including the disposal of non-core assets. During the years, the Group disposed of certain offices, shops and car parking spaces in its residential projects in Mainland China. In addition, the Group disposed of its film distribution and related rights that had been held for decades, following interest expressed by a third party, with the transaction completed in July 2025. This one-off disposal enabled the Group to realise value from a legacy asset that has not been part of its active operations and contributed positively to cash flow. In total, non-core assets amounting to over HK\$655 million were realised during the years, further strengthening the Group's financial position.

By divesting these non-core assets, the Group is able to sharpen its focus on core business, which not only helps to reduce debt levels but also enhances cash flow and supports long-term value creation for shareholders. In addition, proceeds from the presale of Upper Manor and the forthcoming Phase 1 and Phase 2 launches of the Clear Water Bay Road project in Hong Kong, together with the presales and sales of various projects in Mainland China, are expected to generate further cash inflows in the near term. These cash inflows will further strengthen the Group's liquidity and overall financial position.

During the year, the Group has cautiously advanced its development projects in Hong Kong and Mainland China and expended a total of approximately HK\$1,282 million for construction costs. In February 2025, a joint venture formed by the Group with an independent third party achieved unified ownership of the various properties located at Nos. 24, 26, 28, and 30 Fuk Chak Street, Hong Kong through a compulsory sale successfully.

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 RMB. Since revenue generated from the development projects in Mainland China funds local development costs which are also denominated in RMB, it serves as a natural hedge against the exchange rate risk of RMB.

With the financing facilities in place, recurrent 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 2025, the Group had commitments mainly in connection with the Group's investment properties amounting to HK\$250 million.

Pledge of assets

As at 31 December 2025, properties having a value of HK\$26,379 million and deposits of HK\$13 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 2025, the Group had given guarantees to financial institutions in respect of performance bonds entered into by a subsidiary to the extent of HK\$38 million.

Profile of Directors

Board of Directors

Executive Directors

Mr OR Wai Sheun, aged 74, 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. 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 61, 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. 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 47, 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 Intellinsight Holdings Limited, the substantial shareholder of the Company, and 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 46, 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 20 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 73, was an *Executive Director* of the Company from January 2002 to March 2013 and has been re-designated as a *Non-executive Director* 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 67, has been a *Non-executive Director* of the Company since January 2002. He is also a director of certain subsidiaries of the Group. 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 76, 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 50 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 Pokfulam Development Company Limited (listed on the Stock Exchange of Hong Kong). Mr Li was an independent non-executive director of Café de Coral Holdings Limited (listed on the Stock Exchange of Hong Kong) from November 1994 to September 2024 as well. 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 76, 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 55 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 58, 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

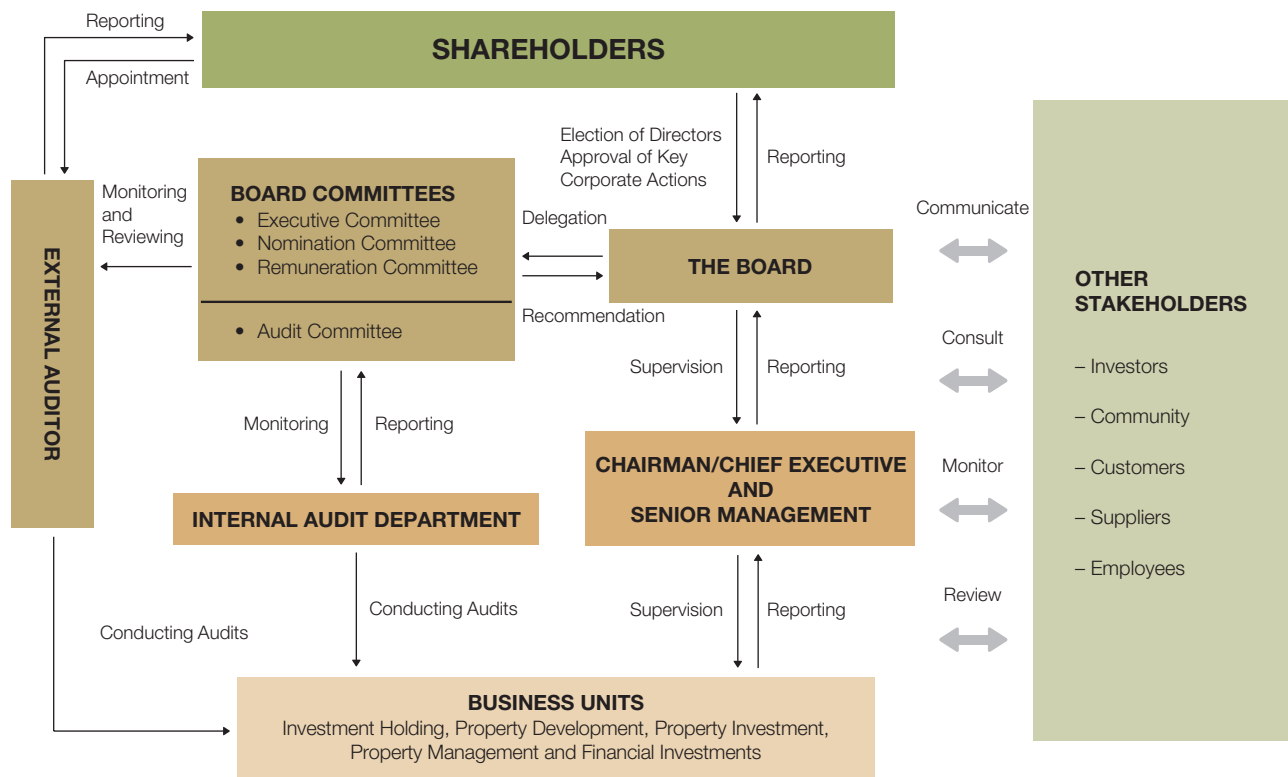
The Board of Directors of the Company (the “Board”) is accountable to the shareholders of the Company (“Shareholder(s)”) for good corporate governance. Accordingly, the Board has considered carefully the requirements of the Corporate Governance Code (the “CG Code”) set out in Appendix C1 to the Rules 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 2025, the Company has complied with all the code provisions set out in Part 2 of Appendix C1 to the Listing Rules (each a “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 has been renumbered to F.1.3 with effect from 1 July 2025) (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. Training programmes 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 2025, the Board comprises nine members:

Executive Directors (ED)

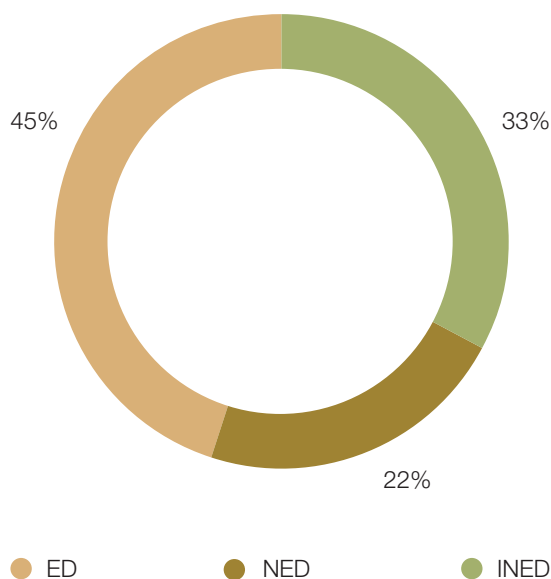
- Mr Or Wai Sheun (*Chairman*)
- Mr Lai Ka Fai
- Mr Or Pui Kwan*
- Mr Lam Yung Hei*

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

Board of Directors (Continued)

One-third of the Board comprises Independent Non-executive Directors. 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 32 and 33 of this Annual Report.

The Board is governed by 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 newly appointed Director shall hold office only until the first annual general meeting of the Company after his appointment and shall then 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 for his further appointment. Mr Hsu Duff Karman, who had by then served on the Board for more than two years, was re-elected as Independent Non-executive Director at the 2025 Annual General Meeting of the Company (the "2025 AGM"). The Board's view on Mr Hsu's independent status was set out in the 2025 AGM circular. The re-election of Mr Li Kwok Sing, Aubrey, Independent Non-executive Director who has served on the Board for more than nine years, is to be considered by vote on a separate resolution at the forthcoming 2026 Annual General Meeting of the Company (the "2026 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 enhancing the capability of decision-making and effectiveness in dealing with organisational changes, the Company adopted a Board Diversity Policy which sets 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:

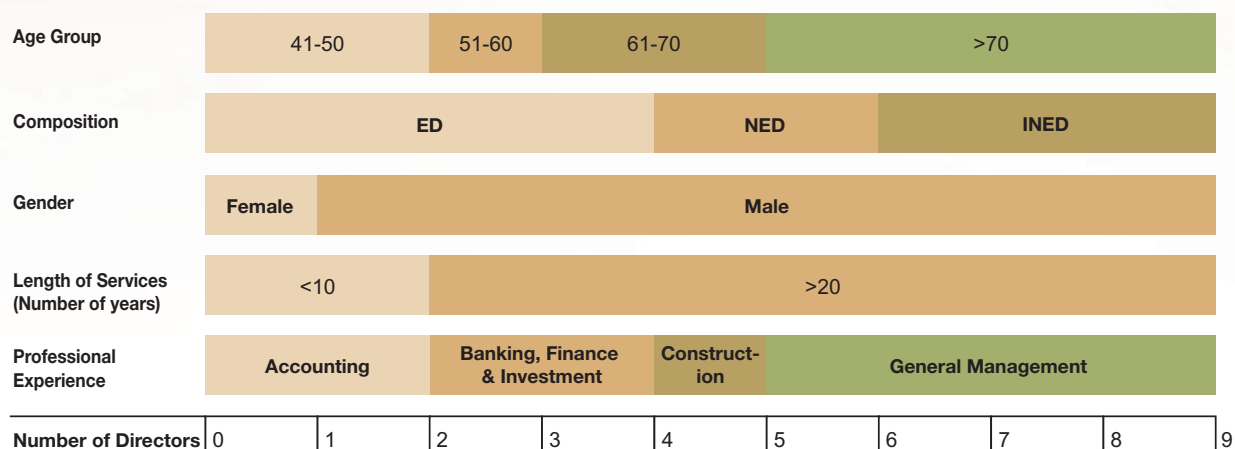
- (i) maintain different genders on the Board;
- (ii) a sufficient number of Independent Non-executive Directors representing not less than one-third of the Board and ensure that all of them devote sufficient time and attention to the Company's affairs;
- (iii) ensure all Directors would participate in continuous professional development, and suitable training(s) should be provided by the Company when necessary, to develop and refresh their knowledge and skills;
- (iv) 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;
- (v) 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; and
- (vi) the Nomination Committee should review annually each Director's time commitment to the Company's affairs. Directors' attendance records at the Board, committees and general meetings should be disclosed in the Corporate Governance Report of the Company.

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. As at 31 December 2025, 11.1% of the Board members were female, and there were no females represented in senior management (*Note*). The Board will continue to take opportunities to increase the proportion of its female members over time as and when suitable candidates are identified.

Corporate Governance Report

Diversity (Continued)**Board Diversity Policy** (Continued)

The Board composition and diversity as at 31 December 2025 are as follows:



ED – Executive Directors

NED – Non-executive Directors

INED – Independent Non-executive Directors

During the year, the review of the implementation and effectiveness of the Board Diversity Policy and such mechanism(s) has been conducted and confirmed by the Board.

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

Workforce Diversity Policy

The Company values diversity and is committed to fostering a diverse and inclusive workplace. It promotes gender empowerment, equality and diversity, and ensures equal opportunities in recruitment, training and development, compensation and career advancement. As at 31 December 2025, 55.9% of our workforce is female. The Company aims to maintain at least 50% female workforce in the coming years.

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 to 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 skills, backgrounds 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 advisers, 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 is nominated by the Nomination Committee, the Board shall consider, if appropriate, recommending 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 July 2025. No candidate was nominated to directorship in 2025.

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 in deciding his/her own remuneration.

In determining the 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 practices, workload, scale and complexity of the Company's businesses, and the responsibilities 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 for Board approval and reviews such arrangements periodically to ensure that they remain appropriate to the Company's needs.

The Board meets regularly. Four regular 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 materials for preview at least three days before the regular Board meetings. Draft minutes were sent 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 committee 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 are available on the website of "HKEXnews" at www.hkexnews.hk (except the one for the Executive Committee) and the website of the Company at www.kdc.com.hk or can be obtained from 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 2025.

Major Responsibilities:

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

Works performed during the year:

- performed a review of the risk management and internal control systems;
- performed a review of and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- performed a review of the Company's policies and practices on corporate governance, its compliance with the CG Code and the disclosure in this Corporate Governance Report;
- performed a review of the ESG Report; and
- performed a review of and monitored the training and continuous professional development of Directors and senior management.

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: Four meetings were held and the committee members met the external auditor two times during 2025 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");
- 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;
- performed a review of terms of reference of the Audit Committee and recommended amendments for Board approval; and
- performed reviews of Inside Information Policy (For All Staff) and Publication of Inside Information Policy and Procedure (For Directors and Executive Committee), and recommended amendments for Board approval.

Corporate Governance Report

Nomination Committee

Members: Mr Hsu Duff Karman[#] (Chairman), Mr Lok Kung Chin, Hardy[#] and Ms Ng Chi Man

Two out of three Nomination Committee members are Independent Non-executive Directors, and one member is of a different gender from the others.

Meeting Schedule: Two meetings were held during 2025.

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 or re-appointment of Directors and succession planning for Directors;
- 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; and
- to support the Company's regular evaluation of the Board's performance.

Works performed during the year:

- performed a review of the structure, size and composition of the Board;
- performed an assessment of the independence of Independent Non-executive Directors;
- performed reviews of the Director Nomination Policy and its implementation, and recommended amendments to such policy for Board approval;
- performed reviews of the Board Diversity Policy and its implementation, including the measurable objectives set for implementing the policy, and monitored the progress made on achieving those measurable objectives, and recommended amendments to such policy for Board approval;
- performed a review of the implementation and effectiveness of the mechanism(s) to ensure independent views and input are available to the Board, monitored their operation, and refined the mechanism(s);
- made recommendations to the Board on the re-appointment of Directors, succession planning for Directors and the changes in composition of the Nomination Committee; and
- performed a review of terms of reference of the Nomination Committee and recommended amendments for Board approval.

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: Four meetings were held during 2025.

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; and
- to review and/or approve matters relating to share schemes (if any) under Chapter 17 of the Listing Rules.

Works performed during the year:

- performed reviews of the Remuneration Policy, organisational structure and human resources deployment, and recommended amendments to such policy for Board approval;
- performed an annual review of the remuneration of Executive Directors and senior management;
- performed a review of the Directors' fees proposal submitted by management; and
- performed a review of terms of reference of the Remuneration Committee and recommended amendments for Board approval.

[#] 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 Executive Committee has been delegated the following responsibilities by the Board and makes recommendations to the Board on these matters, including:

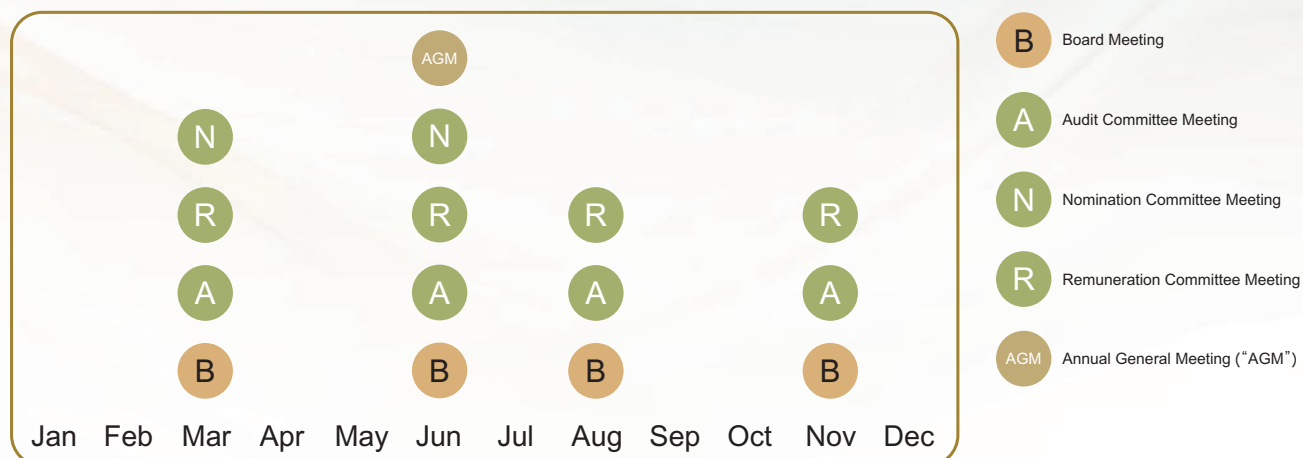
- (i) to develop and review the Company's policies and practices on corporate governance;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and 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 41 of this Corporate Governance Report.

Corporate Governance Report

Time Commitment

Timeline for the Board, Board committees and general meetings held in 2025 is set out below:



The Board has regularly reviewed the contribution of the Directors and is satisfied that all of them have devoted sufficient time during 2025 for the fulfilment of their duties as Directors. The number of the Board, Board committees and general meetings eligible for attendance and attended by each Director during the year is set out below:

Board Members	Number of meetings attended/held in 2025				2025 AGM [#]
	Board Meetings	Audit Committee Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	
<i>Executive Directors</i>					
Mr Or Wai Sheun (Chairman)	4/4	–	2/2 [△]	–	0/1*
Mr Lai Ka Fai	4/4	–	–	4/4	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	–	0/0 [△]	–	1/1
Mr Yeung Kwok Kwong	4/4	4/4	–	–	1/1
<i>Independent Non-executive Directors</i>					
Mr Li Kwok Sing, Aubrey	4/4	4/4	–	4/4	1/1
Mr Lok Kung Chin, Hardy	4/4	4/4	2/2	4/4	1/1
Mr Hsu Duff Karman	4/4	4/4	2/2	4/4	1/1
Total Meetings Held	4	4	2	4	1
Average Attendance Rate	100%	100%	100%	100%	89% [^]

[#] Representatives of the external auditor had attended the 2025 AGM.

* Mr Or Wai Sheun was unable to attend the 2025 AGM due to a medical treatment.

[△] With effect from 1 July 2025, Mr Or Wai Sheun ceased to act as the chairman of the Nomination Committee and Ms Ng Chi Man became a member of the Nomination Committee.

[^] Percentage is approximation due to rounding.

Corporate Governance Report

Board Committees (Continued)**Time Commitment** (Continued)

During 2025, the Independent Non-executive Directors played a vital monitoring role in corporate transactions including providing advice on the transactions that might constitute discloseable and/or connected transaction(s) under the Listing Rules. They also advised on maintaining sufficient cash flow for the Company, raised awareness of potential new risks and guided the Company on the classification of risk factors in light of its business.

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 training programmes on a regular basis to develop and refresh the Directors' knowledge and skills. To ensure Directors' compliance with the Listing Rules and strengthen their 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. During the year, the Company 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 training programmes based on records provided to the Company:

Board Members	Attending in-house training programmes 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 C3 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.

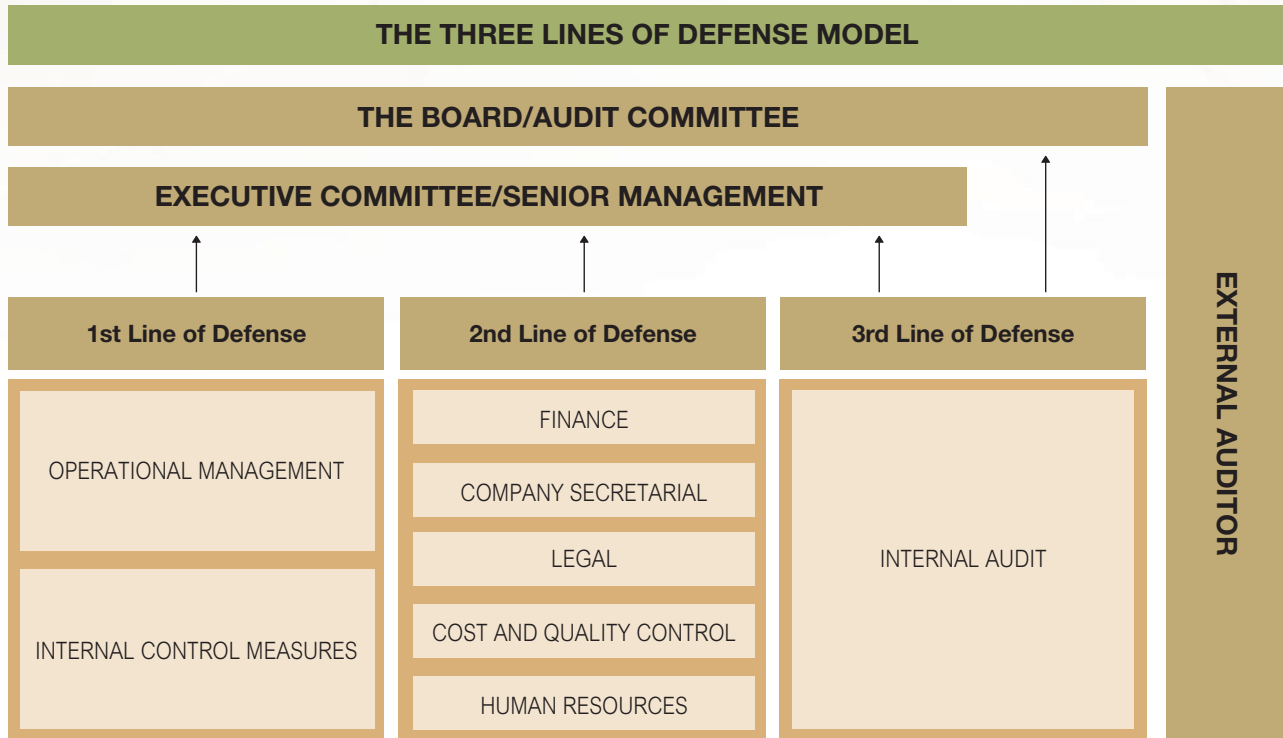
Accountability and Audit

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 business updates and monthly management report 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 follows 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.

Accountability and Audit (Continued)**Risk Management and Internal Control** (Continued)

The Group's risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to mitigate and monitor rather than completely eliminate risks, including but not limited to financial, operational, compliance as well as ESG risks. These systems play a key role in managing risks significant to achieving corporate objectives, ensuring good corporate governance practices, safeguarding the Shareholders' investments and the Group's assets. Emerging risks that may lead to significant negative impact are identified and monitored on an ongoing basis. The systems comprise the Group's policies, procedures, and standards to ensure effective management, including a well-defined organisational structure with specified authority limits and responsibilities, a basis for reviewing 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 the responsibility to identify and analyse the risks underlying the achievement of business objectives, and to determine how such risks should be managed and mitigated. With the support of the Audit Committee, the effectiveness of the risk management and internal control systems is reviewed at least annually. The review assesses all material controls, including financial, operational, compliance and ESG controls. The assessment considers the changes in the 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 also covers the regular reports provided by management on significant issues identified during their daily operations, and the action plans to resolve significant internal control deficiencies, 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.

Corporate Governance Report

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, published on the Group's intranet, informs all employees of the Group's expectations and places them under specific obligations to maintain the highest standards of honesty and trustworthiness in their work. The Whistleblowing Policy, published on the Company's website and the Group's intranet, establishes an effective channel allowing employees and other stakeholders to communicate their concerns and findings to management. The Group aims to embed risk awareness and control responsibility within its corporate culture, considering them integral components of its 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 Company's shares.

Linkage between Corporate Governance and ESG

The Group has developed a comprehensive ESG governance framework to incorporate ESG management into its operational and decision-making processes. The Board focuses on creating sustainable and responsible growth within the Group's business and operations while delivering shared value to all stakeholders. The well-established corporate governance structure of the Group enables us to effectively identify, evaluate and manage any risks and opportunities, including those related to ESG and climate factors.

The Board is responsible and accountable for overseeing the Group's ESG matters, including the formulation and implementation of ESG-related policies, measures, performance and risk management. Under the leadership of the Board, the involvement of relevant departments and business units facilitates the smooth adoption of ESG practices, covering all aspects from policy development to action plan implementation. The ESG working group, chaired by one of the Executive Directors and comprising personnel from the Group's various business units, has been established to collect and analyse ESG data, set ESG strategy and guidance of the Group, monitor ESG-related market trends and industry practices, evaluate the effectiveness of ESG policies and measures, track and review the progress of the Group's ESG-related targets and ensure compliance with applicable ESG-related laws and regulations. The ESG working group collaborates with the ESG consultant to conduct materiality assessment and climate risk assessment, assist in identifying and assessing the Group's ESG risks and opportunities, as well as coming up with mitigation measures for identified risks. The representatives of the ESG working group together with the ESG consultant report to the Board at least once a year to ensure the Board is well-informed about the Group's ESG commitments and progress.

Internal Audit

The IAD reports to the Chairman and the Audit Committee and 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 of controlling and mitigating risks, and ensuring 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 are prepared by the IAD, and submitted to the Audit Committee for review. The IAD follows up on audit findings to ensure they are addressed and properly managed by management.

During the year, the Audit Committee held three meetings with senior IAD staff to discuss the role, objectives, scope and work 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. Based on the results of the review for the year ended 31 December 2025, 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 or 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.

Corporate Governance Report

Accountability and Audit (Continued)**Financial Reporting** (Continued)

The Company recognises that a clear, balanced and timely presentation of financial reports is crucial in maintaining the confidence of stakeholders. Reasonable disclosure of the Company's financial position and prospects is provided in the reports. 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 restrictions are in place for employees to follow. The Inside Information Policy (For All Staff) has been communicated to staff through the Group's intranet. Senior officers of the Group have been identified and authorised to handle and respond to 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.

External Auditor

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

	2025 HK\$'000
Audit services	2,370
Non-audit services	
Tax and business advisory services	65
Others	661

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

Shareholder Relations**Communication with Shareholders**

The Board has established a Shareholders Communication Policy and is dedicated to maintaining an ongoing dialogue with Shareholders and the investment community. It is also committed to facilitating constructive engagement with Shareholders and to understanding their views on matters affecting the Company. The policy is subject to annual review to ensure its effectiveness. It aims to ensure that the Shareholders and the investment community are provided with ready and timely access to all publicly available information about the Company, in order to enable the Shareholders to exercise their rights in an informed manner, and to allow the Shareholders and the 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 also takes the initiative to disclose the inside information to comply with the latest statutory requirements under Part XIVA of the SFO and to provide voluntary information/business updates in a timely manner.

Corporate Governance Report

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 regularly.

Shareholders can direct their questions about their shareholdings to the Company's share registrar. They can request 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 an annual basis.

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

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 be 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				2025
	2021	2022	2023	2024	
Total voting rights present at the AGM					
Number of shares represented	853,590,676	852,484,856	855,847,093	528,942,245	974,518,159
Percentage of shares represented	72.55%	72.45%	72.74%	44.95%	74.61%
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	1,306,206,058

During the year, the Board met and communicated with Shareholders at the 2025 AGM, 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 a poll and the Company's share registrar was appointed as scrutineer for the vote-taking. The external auditor also attended the 2025 AGM to answer questions regarding the conduct of the audit, the preparation and contents of the auditor's report, and auditor independence.

Shareholder Relations (Continued)

General Meetings (Continued)

The 2025 AGM was held at 9th Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong on 4 June 2025. 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 2024 (100.00%);
- to declare a final dividend for the year ended 31 December 2024 (100.00%);
- to re-elect Mr Or Wai Sheun, Ms Ng Chi Man and Mr Hsu Duff Karman as Directors and to authorise the Board to fix the Directors' remuneration (99.97%, 98.55%, 99.97% and 100.00% respectively);
- to re-appoint KPMG as auditor and authorise the Board to fix the auditor's remuneration (100.00%);
- 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 (98.54%);
- 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 (98.55%).

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

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 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 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.

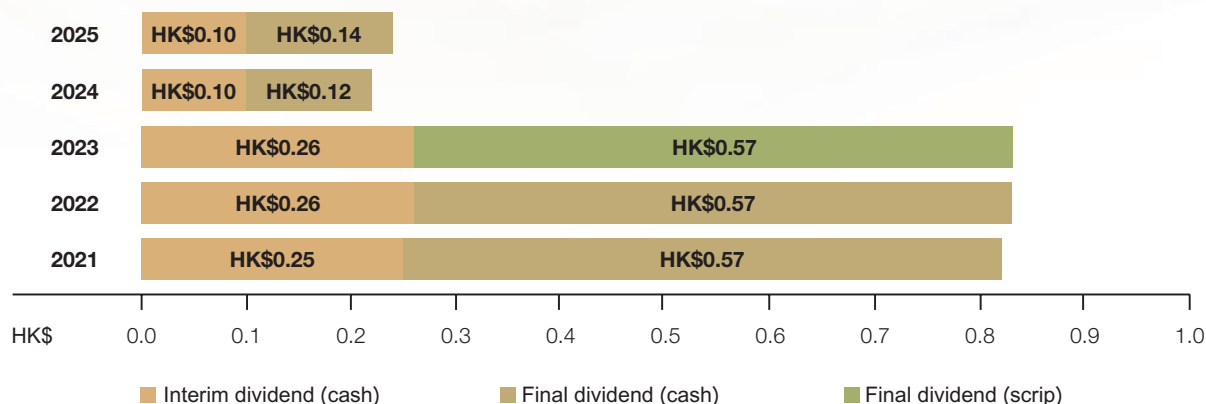
Corporate Governance Report

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.

Dividends per share

Financial Year



Remarks:

- (1) The payment of the final dividend for 2023 was by way of new fully paid shares of the Company.
- (2) The final dividend for 2025 is subject to the approval of the Shareholders at the 2026 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, 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 notice shall be given to the Company during the period (being a period of at least seven days) commencing on the day after the dispatch of the notice of general meeting at which elections to the office of Director are to be considered and ending on the day that falls seven days before the date of such meeting (both days inclusive). Detailed procedures can be found on the Company's website.

Shareholders' Rights (Continued)

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

- Shareholders holding at least 5% of the total voting rights of all the Shareholders having a right to vote at EGM, on a one vote per share basis, 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 general nature of the business to be dealt with at the EGM, and may include the text of the resolution that may properly be moved and is intended to be moved at the EGM, authenticated by the relevant Shareholders making the request and may consist of several documents in like form, each authenticated 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 for 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 the meeting must be called for a date not more than three months after the date on which the Directors become subject to the requirement to call a meeting.

Procedures for Shareholders to put forward proposals at shareholders' meetings

- Shareholders representing at least 2.5% of the total voting rights of all the Shareholders who have a right to vote on the resolution at the AGM to which the requests relate or at least fifty Shareholders who have a right to vote on the resolution at the AGM to which requests relate may propose resolution(s) to be moved at AGM by submitting a written requisition.
- The written requisition must identify the proposed resolution(s) of which notice is to be given and must be authenticated by the relevant Shareholders and be deposited at the Company's registered office for the attention of the Company Secretary not less than six weeks before the relevant AGM to which the requests relate, or if later, the time at which notice is given of that meeting.
- 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.
- If the requisition is verified to be not in order, 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 2025.

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 2025, 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 aforementioned sections form part of this report.

Dividends

An interim dividend of HK\$0.10 per share (2024: HK\$0.10) was paid on 7 January 2026. The Board of Directors (the “Board”) recommends that a final dividend of HK\$0.14 per share be paid in respect of the year ended 31 December 2025 (2024: HK\$0.12).

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 2025.

Reserves

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

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at 31 December 2025 are set out in notes 19 and 20 to the financial statements.

Report of the Directors

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\$1,196,000 (2024: HK\$132,000).

Properties

Particulars of major properties and property interests of the Group are shown on pages 142 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 2025 are set out in note 3(d) to the financial statements.

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 Hsu Duff Karman, *Independent Non-executive Director*

In accordance with Article 109(A) of the Articles of Association of the Company, Mr Lai Ka Fai, Mr Lam Yung Hei and Mr Li Kwok Sing, Aubrey will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Report of the Directors

Particulars of the Directors' emoluments, disclosed pursuant to Section 383 of the Companies Ordinance and Appendix D2 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 32 and 33 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 proposed for 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).

Directors' Interests and Short Positions

As at 31 December 2025, the interests of the Directors or chief executive of the Company 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 C3 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	959,588,243	73.46%	2
Mr Lok Kung Chin, Hardy	Founder and beneficiary of trusts	1,581,926	0.12%	3
Mr Lai Ka Fai	Personal	833,703	0.06%	
Mr Yeung Kwok Kwong	Personal	199,822	0.02%	
Mr Or Pui Kwan	Personal	48,290	0.00%	
Mr Lam Yung Hei	Personal	16,101	0.00%	

Notes:

- (1) The percentage of shareholding is calculated based on 1,306,206,058 shares, being the total number of issued ordinary shares of the Company as at 31 December 2025.
- (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.

Report of the Directors

Directors' Interests and Short Positions (Continued)

Save as disclosed above, as at 31 December 2025, none of the Directors or chief executive 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.

Substantial Shareholder's Interest

As at 31 December 2025, the substantial shareholder (other than the Directors or chief executive of the Company) who had an interest 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	959,588,243	73.46%	2

Notes:

- (1) The percentage of shareholding is calculated based on 1,306,206,058 shares, being the total number of issued ordinary shares of the Company as at 31 December 2025.
- (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 2025, the Company had not been notified by any persons (other than the Directors or chief executive 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 fellow subsidiaries which transaction, arrangement or contract subsisted during or at the end of 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 32 and 33 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 2025, 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 34 to 54 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 2025, 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 2026 Annual General Meeting, the register of members of the Company will be closed from Friday, 29 May 2026 to Wednesday, 3 June 2026, 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 2026 Annual 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, 28 May 2026. The shareholders whose names appear on the register of members of the Company on Wednesday, 3 June 2026, being the record date of the 2026 Annual General Meeting, will be entitled to attend and vote at the 2026 Annual General Meeting.

For the purpose of determining shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 15 June 2026 to Tuesday, 16 June 2026, 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, 12 June 2026. Subject to the approval by the shareholders at the 2026 Annual General Meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company on Tuesday, 16 June 2026, being the record date for determination of entitlement to the proposed final dividend.

Auditor

The Group's consolidated financial statements for the year ended 31 December 2025 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, 20 March 2026

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 141, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other 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 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards 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 ("HKSA") 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"), as applicable to audits of financial statements of public interest entities. We have also 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”) 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 2025, 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 and in Hong Kong.</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>Our audit procedures to assess the net realisable value of PUD and PHS 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, with the assistance of our internal valuation specialists, 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, on a sample basis; and

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”) owned by the Group, joint ventures and associated companies (Continued)

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

The Key Audit Matter	How the matter was addressed in our audit
<p>We identified the assessment of net realisable value of PUD and PHS 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>	<ul style="list-style-type: none">• 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.

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 2025, 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>Our audit procedures to address the valuation of IP and IPUD included the following:</p>
<p>The fair values of IP and IPUD as at 31 December 2025 were assessed by management based on valuations prepared by a qualified external property valuer.</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;
<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>	<ul style="list-style-type: none"> • 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

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 HKFRS Accounting Standards 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 HKSAs, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 (practising certificate number: P07070).

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

20 March 2026

*Consolidated Statement of Profit or Loss*for the year ended 31 December 2025
(Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
Revenue	3(a)	4,953,323	5,389,846
Cost of sales		(2,276,597)	(3,320,966)
Other revenue		53,471	54,248
Other net expenses	4(a)	(802,849)	(199,689)
Depreciation and amortisation		(11,472)	(18,036)
Staff costs		(588,890)	(651,757)
Selling, marketing and distribution expenses		(624,629)	(464,564)
Other operating expenses		(130,632)	(137,981)
Fair value changes on investment properties	10	(347,091)	(335,238)
Fair value changes on interests in property development	12	(148,464)	1,207
Profit from operations		76,170	317,070
Finance costs	4(b)	(138,673)	(204,654)
Share of profits of associated companies		84,354	21,713
Share of profits of joint ventures		27,952	126
Profit before taxation	4	49,803	134,255
Income tax	6(a)	73,977	(19,735)
Profit for the year		123,780	114,520
Attributable to:			
Shareholders of the Company		130,575	115,662
Non-controlling interests		(6,795)	(1,142)
Profit for the year		123,780	114,520
Earnings per share – Basic and diluted	7	\$0.10	\$0.09

The notes on pages 74 to 141 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2025
(Expressed in Hong Kong dollars)

	2025 \$'000	2024 \$'000
Profit for the year	123,780	114,520
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	38,842	(130,707)
Release of exchange reserve on translation of financial statements of subsidiaries outside Hong Kong	–	17,082
Share of other comprehensive income of joint ventures and associated companies	113,653	(70,719)
	152,495	(184,344)
Total comprehensive income for the year	276,275	(69,824)
Attributable to:		
Shareholders of the Company	281,938	(67,676)
Non-controlling interests	(5,663)	(2,148)
Total comprehensive income for the year	276,275	(69,824)

The notes on pages 74 to 141 form part of these financial statements.

*Consolidated Statement of Financial Position*at 31 December 2025
(Expressed in Hong Kong dollars)

	Note	2025		2024	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Investment properties	10		13,186,630		13,416,380
Property, plant and equipment	11		209,114		217,631
Interests in property development	12		762,068		1,239,499
Interest in joint ventures	13		1,605,797		1,898,578
Interest in associated companies	14		2,442,825		2,245,931
Trade and other receivables	17		65,819		68,716
Loans and advances	17		147,384		178,250
Deferred tax assets	9(a)		294,942		129,013
			18,714,579		19,393,998
Current assets					
Inventories	16		19,390,724		21,278,307
Interests in property development	12		780,099		451,132
Trade and other receivables	17		589,982		642,582
Loans and advances	17		14,818		17,132
Other financial assets	15		7,947		20,895
Amount due from a related company	12		758,767		–
Amount due from a joint venture	13		56,675		112,883
Cash and bank balances			1,172,587		791,467
			22,771,599		23,314,398
Current liabilities					
Trade and other payables	18		2,525,255		3,231,671
Amount due to a joint venture	13		–		557,725
Amount due to an associated company	14		43,865		42,784
Bank loans	20		1,685,978		2,374,807
Current taxation			274,018		301,250
			4,529,116		6,508,237
Net current assets			18,242,483		16,806,161
Total assets less current liabilities			36,957,062		36,200,159
Non-current liabilities					
Loan from a related company	19		2,112,220		1,378,777
Bank loans	20		16,840,811		16,749,987
Deferred tax liabilities	9(a)		447,596		503,869
			19,400,627		18,632,633
NET ASSETS			17,556,435		17,567,526

Consolidated Statement of Financial Position

at 31 December 2025

(Expressed in Hong Kong dollars)

	Note	2025		2024	
		\$'000	\$'000	\$'000	\$'000
CAPITAL AND RESERVES					
Share capital	21(b)		9,307,169		9,307,169
Reserves			8,158,544		8,163,972
Total equity attributable to the shareholders of the Company			17,465,713		17,471,141
Non-controlling interests			90,722		96,385
TOTAL EQUITY			17,556,435		17,567,526

Approved and authorised for issue by the board of directors on 20 March 2026.



Or Wai Sheun
Director



Lai Ka Fai
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2025
(Expressed in Hong Kong dollars)

	Note	Attributable to shareholders of the Company					Non-controlling interests	Total equity
		Share capital	Capital reserve	Exchange reserves	Retained profits	Total		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2024		8,636,490	(176,595)	(269,663)	9,479,206	17,669,438	98,533	17,767,971
Changes in equity for 2024								
Profit for the year		—	—	—	115,662	115,662	(1,142)	114,520
Other comprehensive income		—	—	(183,338)	—	(183,338)	(1,006)	(184,344)
Total comprehensive income		—	—	(183,338)	115,662	(67,676)	(2,148)	(69,824)
Dividends approved in respect of the previous year	8(b)	—	—	—	(670,679)	(670,679)	—	(670,679)
Dividends approved in respect of the current year	8(a)	—	—	—	(130,621)	(130,621)	—	(130,621)
Shares issued in respect of scrip dividends of 2023 final dividends	21(b)	670,679	—	—	—	670,679	—	670,679
At 31 December 2024		9,307,169	(176,595)	(453,001)	8,793,568	17,471,141	96,385	17,567,526
At 1 January 2025		9,307,169	(176,595)	(453,001)	8,793,568	17,471,141	96,385	17,567,526
Changes in equity for 2025								
Profit for the year		—	—	—	130,575	130,575	(6,795)	123,780
Other comprehensive income		—	—	151,363	—	151,363	1,132	152,495
Total comprehensive income		—	—	151,363	130,575	281,938	(5,663)	276,275
Dividends approved in respect of the previous year	8(b)	—	—	—	(156,745)	(156,745)	—	(156,745)
Dividends approved in respect of the current year	8(a)	—	—	—	(130,621)	(130,621)	—	(130,621)
At 31 December 2025		9,307,169	(176,595)	(301,638)	8,636,777	17,465,713	90,722	17,556,435

The notes on pages 74 to 141 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2025
(Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
Net cash generated from operating activities	22(a)	1,458,993	1,758,532
Investing activities			
Proceeds from disposal of property, plant and equipment		68	250
Proceeds from disposal of investment properties		–	2,999
Proceeds from disposal of equity securities		10,650	254
Proceeds from disposal of subsidiaries	22(c)	–	126,865
Additions to investment properties		(57,435)	(47,500)
Additions to property, plant and equipment		(3,098)	(2,789)
Increase in loan to a joint venture		(26,114)	–
Net cash (used in)/generated from investing activities		(75,929)	80,079
Financing activities			
Drawdown of bank loans	22(b)	5,846,100	6,775,700
Repayment of bank loans	22(b)	(6,446,682)	(7,161,499)
Interest paid		(801,678)	(1,159,097)
Increase/(Decrease) in loan from a related company	22(b)	684,567	(270,704)
Dividends paid to shareholders of the Company		(287,034)	(305,614)
Net cash used in financing activities		(1,004,727)	(2,121,214)
Net increase/(decrease) in cash and cash equivalents		378,337	(282,603)
Cash and cash equivalents at 1 January		791,467	1,080,599
Effect of foreign exchange rate changes		2,783	(6,529)
Cash and cash equivalents at 31 December		1,172,587	791,467
Analysis of balances of cash and cash equivalents at 31 December			
Cash and bank balances		1,172,587	791,467

The notes on pages 74 to 141 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 HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“HKFRSs”), 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 new or amended HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group.

The Group has applied amendments to HKAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability* issued by the HKICPA to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

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

(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 stated at their fair value, as explained in the accounting policies set out below.

The preparation of the financial statements in conformity with HKFRS Accounting Standards 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.

(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 statement of profit or loss from or to the date of their acquisition or disposal, as appropriate.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 Material Accounting Policies (Continued)

(d) Interest in subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, 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 statement of profit or loss and the consolidated statement of profit or loss and other 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 profit or loss. 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 it is classified as held for sale (or included in a disposal group classified as held for sale).

Notes to the Financial Statements
(Expressed in Hong Kong dollars)

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 the financial and operating policies.

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 statement of profit or loss, 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 profit or loss and other 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 it is classified as held for sale (or included in a disposal group classified as held for sale).

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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 statement of profit or loss.

(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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 Material Accounting Policies (Continued)**(j) Inventories****(i) Properties held for future development**

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

(Expressed in Hong Kong dollars)

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 ECLs, 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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

(Expressed in Hong Kong dollars)

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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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.

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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 Material Accounting Policies (Continued)

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

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

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).

Notes to the Financial Statements
(Expressed in Hong Kong dollars)

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

(Expressed in Hong Kong dollars)

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 value);
- 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.

Notes to the Financial Statements
(Expressed in Hong Kong dollars)

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 expense comprises current tax and deferred tax. It is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax comprises the estimated tax payable or recoverable on the taxable income or loss for the year and any adjustments to tax payable or recoverable in respect of previous years. The amount of current tax payable or recoverable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

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

(Expressed in Hong Kong dollars)

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 measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(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 profit or loss 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 profit or loss 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.

(ii) Sale of properties

Revenue arising from the sale of properties is recognised in profit or loss 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 consolidated statement of financial position under contract liabilities.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 Material Accounting Policies (Continued)**(t) Recognition of revenue** (Continued)**(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 profit or loss.

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 profit or loss when the profit or loss on disposal is recognised.

(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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 Material Accounting Policies (Continued)

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

(i) Financial guarantees issued (Continued)

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 profit or loss 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.

Notes to the Financial Statements
(Expressed in Hong Kong dollars)

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

(Expressed in Hong Kong dollars)

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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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 LSP, 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 MPF 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 OCI. 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 Material Accounting Policies (Continued)

(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 properties held for future development and properties under development and held for sale

Management determines the net realisable value of 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 properties held for future development and properties under development and held for sales 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)**(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 financial investments, the provision of finance services, the provision of property management 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

(Expressed in Hong Kong dollars)

3 Segment Reporting (Continued)

(a) Disaggregation of revenue

	2025	2024
	\$'000	\$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Sale of properties	3,348,285	4,447,526
Property management service income	373,463	455,436
Others	184,946	151,002
	3,906,694	5,053,964
Revenue from other sources:		
Rental income	264,690	285,730
Distribution from interests in property development	758,767	–
Others	23,172	50,152
	4,953,323	5,389,846

In accordance with HKFRS 15, "Revenue from contracts with customers", revenue from sale of properties and other business of \$3,533,000,000 (2024: \$4,599,000,000) are recognised at a point in time. Revenue from property management service income is recognised over time.

At 31 December 2025, the aggregate amount of revenue expected to be recognised in the consolidated statement of profit loss 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 \$804,106,000 (2024: \$1,921,167,000), 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 12 months (2024: within the next 12 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

(Expressed in Hong Kong dollars)

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.

	2025				
	Property development				Others (Remark 1) \$'000
	Total	Hong Kong	Mainland China	Property investment	
\$'000	\$'000	\$'000	\$'000		
Revenue	4,953,323	2,199,815	1,907,237	264,690	581,581
Reportable segment profit/(loss)	810,101	567,073	(13,609)	213,564	43,073
Fair value changes on investment properties	(347,091)	–	–	(347,091)	–
Fair value changes on interests in property development	(148,464)	–	(148,464)	–	–
Head office and corporate expenses	(126,070)				
Finance costs	(138,673)				
Profit before taxation	49,803				
Share of profits of associated companies	84,354	–	84,354	–	–
Share of profits/(losses) of joint ventures	27,952	(111)	28,063	–	–
Interest income	23,172	–	–	–	23,172
Depreciation and amortisation	(11,472)	–	–	–	(11,472)

Remark 1: Others included revenue from property management services \$373,463,000 (2024: \$455,436,000) and the relevant segment loss of \$22,505,000 (2024: segment profit of \$7,674,000).

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3 Segment Reporting (Continued)

(b) Segment results and assets (Continued)

	2024					
	Total	Property development			Property investment	Others (Remark 1)
		Hong Kong	Mainland China			
	\$'000	\$'000	\$'000	\$'000	\$'000	
Revenue	5,389,846	2,074,314	2,373,212	285,730	656,590	
Reportable segment profit	774,930	492,907	10,833	229,056	42,134	
Fair value changes on investment properties	(335,238)	–	–	(335,238)	–	
Fair value changes on interests in property development	1,207	–	1,207	–	–	
Head office and corporate expenses	(101,990)					
Finance costs	(204,654)					
Profit before taxation	134,255					
Share of profits of associated companies	21,713	–	21,713	–	–	
Share of profits of joint ventures	126	–	126	–	–	
Interest income	49,255	–	–	–	49,255	
Depreciation and amortisation	(18,036)	–	–	–	(18,036)	

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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	
	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000
Hong Kong (place of domicile)	2,990,849	2,993,063	13,551,445	13,632,823
Mainland China	1,908,004	2,375,924	3,892,921	4,145,697
Others	54,470	20,859	–	–
	4,953,323	5,389,846	17,444,366	17,778,520

In addition to the above non-current assets, the Group has interests in property development of \$762,068,000 (2024: \$1,239,499,000) in Mainland China.

(d) Major customers and suppliers

During the year ended 31 December 2025, the Group has recognised distribution from interests in property development of \$758,767,000 under the property development segment, which exceeded 10% of the Group's revenue. Except for this, less than 30% of the Group's sales and less than 30% of the Group's purchase were attributable to the Group's five largest customers and five largest suppliers respectively.

During the year ended 31 December 2024, less than 30% of the Group's sales and less than 30% of the Group's purchase were attributable to the Group's five largest customers and five largest suppliers respectively.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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 fair value losses on other financial assets of \$2,196,000 (2024: fair value gains on other financial assets of \$100,000), write down of inventories of \$842,000,000 (2024: \$196,294,000), offset by the write back of construction cost accruals of \$41,450,000 (2024: Nil).

(b) Finance costs

	2025 \$'000	2024 \$'000
Interest on bank loans	696,173	1,040,782
Interest on loan from a related company	93,076	101,959
Less: Amount capitalised (<i>Remark</i>)	(650,576)	(938,087)
	138,673	204,654

Remark: Borrowing costs were capitalised at rates of 1.73% – 5.68% (2024: 4.84% – 6.98%) per annum.

(c) Other items

	2025 \$'000	2024 \$'000
Auditors' remuneration	4,296	4,206
Depreciation and amortisation	11,472	18,036
Staff costs	588,890	651,757
Total staff costs	615,060	668,018
Less: Amount capitalised	(26,170)	(16,261)
Impairment of trade receivables and loans and advances recognised (<i>note 17(b)</i>)	981	2,223
Impairment of trade receivables and loans and advances written back (<i>note 17(b)</i>)	(2,116)	(1,605)
Rentals receivable from investment properties less outgoings	(210,399)	(235,827)
Rental income	(264,690)	(285,730)
Less: Outgoings	54,291	49,903
Interest income	(23,172)	(49,255)

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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	2025 Total \$'000
Executive directors					
Mr Or Wai Sheun	–	–	–	–	–
Mr Lai Ka Fai	–	2,813	440	260	3,513
Mr Or Pui Kwan	–	1,450	200	18	1,668
Mr Lam Yung Hei	–	1,450	400	18	1,868
Non-executive directors					
Ms Ng Chi Man	340	–	–	–	340
Mr Yeung Kwok Kwong	340	–	–	–	340
Independent non-executive directors					
Mr Li Kwok Sing, Aubrey	340	–	–	–	340
Mr Lok Kung Chin, Hardy	340	–	–	–	340
Mr Hsu Duff Karman	340	–	–	–	340
	1,700	5,713	1,040	296	8,749

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

5 Directors' and Management's Emoluments (Continued)**(a) Directors' emoluments** (Continued)

	Directors' fees \$'000	Salaries, allowances and benefits in kind \$'000	Performance related bonuses \$'000	Provident fund contributions \$'000	2024 Total \$'000
Executive directors					
Mr Or Wai Sheun	–	–	–	–	–
Mr Lai Ka Fai	–	2,775	400	256	3,431
Mr Or Pui Kwan	–	1,430	180	18	1,628
Mr Lam Yung Hei	–	1,430	360	18	1,808
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 Hsu Duff Karman	320	–	–	–	320
	1,600	5,635	940	292	8,467

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

5 Directors' and Management's Emoluments (Continued)

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, one (2024: one) is director whose emoluments are disclosed in note 5(a). The aggregate of the emoluments in respect of the remaining four (2024: four) individuals are as follows:

	2025	2024
	\$'000	\$'000
Salaries and allowances	8,345	8,453
Performance related bonuses	2,980	1,820
Provident fund contributions	264	226
	11,589	10,499

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

	2025	2024
\$1,500,001–\$2,000,000	–	1
\$2,000,001–\$2,500,000	2	2
\$2,500,001–\$3,000,000	1	–
\$3,500,001–\$4,000,000	–	1
\$4,000,001–\$4,500,000	1	–

Notes to the Financial Statements
(Expressed in Hong Kong dollars)

6 Income Tax

(a) Taxation in the consolidated statement of profit or loss represents:

	2025 \$'000	2024 \$'000
<i>Current tax – Hong Kong</i>		
Provision for the year	115,022	126,047
Over-provision in respect of prior years	(1,002)	(237)
	114,020	125,810
<i>Current tax – Outside Hong Kong</i>		
Provision for the year	16,316	55,588
Under/(Over)-provision in respect of prior years	3,257	(2,381)
	19,573	53,207
<i>Land appreciation tax (“LAT”)</i>	2,558	854
<i>Withholding tax</i>	13,830	–
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(223,958)	(160,136)
	(73,977)	19,735

The provision for Hong Kong Profits Tax is calculated at 16.5% (2024: 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 in respect of undistributed earnings for the year of 2025 and 2024.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

6 Income Tax (Continued)

(b) Reconciliation between tax (credit)/expense and accounting profit at applicable tax rates:

	2025	2024
	\$'000	\$'000
Profit before taxation	49,803	134,255
Tax at applicable tax rates	(8,250)	33,923
Non-deductible expenses	103,577	99,774
Non-taxable income	(144,135)	(7,277)
Unrecognised tax losses	18,378	8,715
Previously unrecognised tax losses utilised	(20,155)	(55,433)
Tax effect of previously recognised deferred tax liabilities now derecognised	–	(58,034)
LAT on properties sold	(26,367)	854
Under/(Over)-provision in respect of prior years	2,255	(2,618)
Others	720	(169)
Actual tax (credit)/expense	(73,977)	19,735

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 \$130,575,000 (2024: \$115,662,000) and the weighted average number of ordinary shares in issue during the year of 1,306,206,058 (2024: 1,236,271,186).

(b) Diluted earnings per share

There were no dilutive potential shares in existence during the years ended 31 December 2025 and 2024.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

8 Dividends**(a) Dividends attributable to the year**

	2025	2024
	\$'000	\$'000
Interim dividend declared of \$0.10 (2024: declared of \$0.10) per share	130,621	130,621
Final dividend proposed after the end of the reporting period of \$0.14 (2024: \$0.12) per share	182,869	156,745
	313,490	287,366

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

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

	2025	2024
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the year of \$0.12 (2024: \$0.57) per share (<i>Remark</i>)	156,745	670,679

Remark:

The Board of Directors had recommended the payment of a Final Dividend of \$0.57 per share for the year ended 31 December 2023 by way of Scrip Shares. A circular containing further details of the Scrip Dividend Scheme was despatched by the Company to the Shareholders on 9 July 2024.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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 2024	62,062	(415,916)	(70,500)	(112,109)	(536,463)
Exchange adjustments Credited/(Charged) to profit or loss	–	1,471	–	–	1,471
	36,953	130,234	(1,081)	(5,970)	160,136
At 31 December 2024	99,015	(284,211)	(71,581)	(118,079)	(374,856)
At 1 January 2025	99,015	(284,211)	(71,581)	(118,079)	(374,856)
Exchange adjustments Credited/(Charged) to profit or loss	–	(1,756)	–	–	(1,756)
	15,180	204,562	(693)	4,909	223,958
At 31 December 2025	114,195	(81,405)	(72,274)	(113,170)	(152,654)
				2025	2024
				\$'000	\$'000
Net deferred tax assets recognised in the consolidated statement of financial position				294,942	129,013
Net deferred tax liabilities recognised in the consolidated statement of financial position				(447,596)	(503,869)
				(152,654)	(374,856)

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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 \$309,386,000 (2024: \$268,364,000) and temporary difference of \$514,945,000 (2024: \$547,147,000) 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 \$29,116,000 (2024: \$29,652,000) 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 2024	9,379,620	4,253,400	13,633,020
Additions	148	121,450	121,598
Disposals	(3,000)	–	(3,000)
Fair value adjustment	(308,588)	(26,650)	(335,238)
At 31 December 2024	9,068,180	4,348,200	13,416,380
At 1 January 2025	9,068,180	4,348,200	13,416,380
Additions	–	117,341	117,341
Fair value adjustment	(506,950)	159,859	(347,091)
At 31 December 2025	8,561,230	4,625,400	13,186,630

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 statement of profit or loss.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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 (2024: Nil).

The investment properties of the Group were revalued at 31 December 2025 and 2024 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 result 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	3.50% to 4.50% (2024: 3.25% to 4.50%)	(1)
Investment properties under development	Direct comparison approach	Unit sale rate	\$14,100 per square foot (2024: \$14,200 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
(Expressed in Hong Kong dollars)**10 Investment Properties** (Continued)**(c) Analysis of the carrying values of interests in leasehold investment properties**

	2025	2024
	\$'000	\$'000
In Hong Kong, with remaining lease term of:		
– 50 years or more	7,115,590	7,595,360
– between 10 and 50 years	6,071,040	5,821,020
	13,186,630	13,416,380

(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 \$1,504,000 was recognised in 2025 (2024: \$1,605,000).

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:

	2025	2024
	\$'000	\$'000
Within 1 year	175,160	193,658
After 1 year but within 2 years	78,310	94,782
After 2 years but within 3 years	11,483	24,467
After 3 years but within 4 years	2,230	301
After 4 years but within 5 years	515	–
	267,698	313,208

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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 2024	136,945	129,095	129,762	395,802
Exchange adjustments	–	–	(436)	(436)
Additions	–	–	2,789	2,789
Disposals	–	–	(2,112)	(2,112)
Disposal of subsidiaries (note 22(d))	–	–	(677)	(677)
At 31 December 2024	136,945	129,095	129,326	395,366
At 1 January 2025	136,945	129,095	129,326	395,366
Exchange adjustments	–	–	503	503
Additions	–	–	3,098	3,098
Disposals	–	–	(1,749)	(1,749)
At 31 December 2025	136,945	129,095	131,178	397,218
Accumulated depreciation, amortisation and impairment losses				
At 1 January 2024	24,786	22,069	115,781	162,636
Exchange adjustments	–	–	(386)	(386)
Charge for the year	4,387	4,195	9,582	18,164
Written back on disposals	–	–	(2,071)	(2,071)
Disposal of subsidiaries (note 22(d))	–	–	(608)	(608)
At 31 December 2024	29,173	26,264	122,298	177,735
At 1 January 2025	29,173	26,264	122,298	177,735
Exchange adjustments	–	–	469	469
Charge for the year	4,387	4,195	2,947	11,529
Written back on disposals	–	–	(1,629)	(1,629)
At 31 December 2025	33,560	30,459	124,085	188,104
Carrying value				
At 31 December 2025	103,385	98,636	7,093	209,114
At 31 December 2024	107,772	102,831	7,028	217,631

In 2025, an amount of \$57,000 (2024: \$128,000) included in the depreciation and amortisation charge for the year was capitalised under inventories.

Notes to the Financial Statements
(Expressed in Hong Kong dollars)**11 Property, Plant and Equipment** (Continued)**(b) Analysis of the carrying values of right-of-use assets by class of underlying asset is as follows:**

	2025 \$'000	2024 \$'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	202,021	210,603

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

	2025 \$'000	2024 \$'000
Depreciation charge of right-of-use assets by class of underlying asset: Ownership interests in leasehold land and buildings	8,582	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.

12 Interests in Property Development

	2025 \$'000	2024 \$'000
At 1 January	1,690,631	1,689,424
Distribution	(758,767)	–
Change in fair value recognised in profit or loss	610,303	1,207
Net changes in fair value	(148,464)	1,207
At 31 December	1,542,167	1,690,631
Representing:		
Non-current assets	762,068	1,239,499
Current assets	780,099	451,132
	1,542,167	1,690,631

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

12 Interests in Property Development (Continued)

Interests in property development represent the Group's interests in the development of various properties located at Huizhou and Zhuhai in Mainland China under co-investment agreements with a related company, Polytec Holdings International Limited ("Polytec Holdings"). Details of the funding arrangements and other key terms of the co-investment agreements were disclosed in the Company's Circulars dated 30 October 2013 and 30 June 2022. 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 2025, pursuant to the co-investment agreement in relation to a property development project, distribution of \$758,767,000 (2024: Nil) made by Polytec Holdings to the Group was recognised in profit or loss.

As at 31 December 2025, the amount due from a related company of \$758,767,000 (2024: Nil) was arisen from the distribution from the interest in property development. The amount is unsecured, interest-free and subsequently settled after the year end.

13 Interest in Joint Ventures and Amounts due from/to a Joint Venture

	2025 \$'000	2024 \$'000
Share of net assets	1,579,683	1,679,078
Loan to joint ventures	26,114	219,500
	1,605,797	1,898,578
Amount due from a joint venture	56,675	112,883
Amount due to a joint venture	-	(557,725)
	1,662,472	1,453,736

Loan to a joint venture as at 31 December 2025 is unsecured, interest-free and is not expected to be repaid within one year.

Loan to a joint venture as at 31 December 2024 was unsecured, interest bearing at a fixed rate with reference to bank lending rates and was not expected to be repaid within one year.

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 joint ventures (2024: Nil).

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

13 Interest in Joint Ventures and Amounts due from/to a Joint Venture (Continued)

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

Joint venture	Place of establishment/ operation	Proportion of ownership interest		Principal activities
		Direct	Indirect	
939 Management Company Limited	Hong Kong	–	28.45%	Retail
Bloomity Limited	British Virgin Islands	–	50.00%	Investment holding
Dynamic Summit Limited	British Virgin Islands	–	50.00%	Property development
Fortune Point Ventures Limited	British Virgin Islands	–	50.00%	Investment holding
Marwin Investment Limited	Hong Kong	–	50.00%	Property development
Sunny Palace Limited	British Virgin Islands	–	50.00%	Property development
Takeda Investment Limited	British Virgin Islands	–	50.00%	Investment holding
中海保利達地產(佛山)有限公司	Mainland China	50.00%	–	Property development and investment holding
佛山市山語湖酒店物業管理有限公司	Mainland China	–	50.00%	Hotel management

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

13 Interest in Joint Ventures and Amounts due from/to a Joint Venture (Continued)

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:

	2025 \$'000	2024 \$'000
Gross amounts of the joint venture		
Current assets	4,081,845	5,367,958
Non-current assets	444,333	441,371
Current liabilities	(1,581,705)	(2,451,172)
Non-current liabilities	–	–
Net assets	2,944,473	3,358,157
Revenue	760,678	90,063
Profit for the year	56,126	252
Other comprehensive income	83,382	(79,404)
Total comprehensive income	139,508	(79,152)
Reconciled to the Group's interest in the joint venture		
Gross amounts of the net assets of the joint venture	2,944,473	3,358,157
Group's effective interest	50%	50%
Carrying amount in the consolidated financial statements	1,472,236	1,679,078

The aggregate financial information of other joint ventures are as follows:

	2025 \$'000	2024 \$'000
Carrying amount in the consolidated financial statement	107,447	–
The Group's effective share of other joint ventures:		
Loss for the year	(111)	–
Other comprehensive income	–	–
Total comprehensive income	(111)	–

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

14 Interest in Associated Companies/Amount due to an Associated Company

	2025 \$'000	2024 \$'000
Share of net assets	821,074	742,512
Loan to associated companies	1,621,751	1,503,419
	2,442,825	2,245,931
Amount due to an associated company	(43,865)	(42,784)
	2,398,960	2,203,147

Loan to an associated company is unsecured, interest-free and not expected to be repaid within one year. During the year, interest income of \$41,178,000 (2024: \$13,965,000) was recognised in profit or loss and included in the share of profits of associated companies. As at 31 December 2025, accumulated accrued interest income of approximately RMB116,000,000 (2024: RMB132,000,000) 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.

Amount due to 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 establishment/ operation	Proportion of ownership interest		Principal activities
		Direct	Indirect	
Jeeves (HK) Limited	Hong Kong	–	34.50%	Provision of high class dry cleaning and valeting services
Parawin Limited	Hong Kong	–	40.00%	Investment holding
Rideon Limited	British Virgin Islands	–	40.00%	Investment holding
上海城昱置業有限公司	Mainland China	–	40.00%	Property development
上海揚業房地產開發有限公司	Mainland China	–	40.00%	Property development
中海保利達地產(天津)有限公司	Mainland China	49.00%	–	Property development
東莞市嘉安達房地產開發有限公司	Mainland China	–	40.00%	Property development
瀋陽智信企業管理發展有限公司 (formerly known as “瀋陽智信資產管理有限公司”)	Mainland China	–	40.00%	Investment holding

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

14 Interest in Associated Companies/Amount due to an Associated Company (Continued)

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:

	2025 \$'000	2024 \$'000
Gross amounts of the associated company		
Current assets	5,923,522	6,012,561
Non-current assets	210	476
Current liabilities	(4,825,067)	(5,030,788)
Non-current liabilities	–	–
Net assets	1,098,665	982,249
Revenue	330,657	104,954
Profit for the year	90,307	15,994
Other comprehensive income	26,109	(21,361)
Total comprehensive income	116,416	(5,367)
Interest income received/receivable from the associated company	41,178	13,962
Reconciled to the Group's interest in the associated company		
Gross amounts of the net assets of the associated company	1,098,665	982,249
Group's effective interest	49%	49%
Carrying amount in the consolidated financial statements	538,346	481,302

Summarised financial information of Rideon Limited and its subsidiaries, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

	2025 \$'000	2024 \$'000
Gross amounts of the associated company		
Current assets	3,899,994	3,695,422
Non-current assets	41	55
Current liabilities	(3,259,591)	(3,107,194)
Non-current liabilities	–	–
Net assets	640,444	588,283
Revenue	–	–
Loss for the year	(2,691)	(216)
Other comprehensive income	54,852	(125,206)
Total comprehensive income	52,161	(125,422)
Reconciled to the Group's interest in the associated company		
Gross amounts of the net assets of the associated company	640,444	588,283
Group's effective interest	40%	40%
Carrying amount in the consolidated financial statements	256,178	235,313

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

14 Interest in Associated Companies/Amount due to an Associated Company (Continued)

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

	2025 \$'000	2024 \$'000
Carrying amount in the consolidated financial statement	26,550	25,897
The Group's effective share of other associated companies:		
Loss for the year	–	–
Other comprehensive income	653	(566)
Total comprehensive income	653	(566)

15 Other Financial Assets

	2025 \$'000	2024 \$'000
Current		
Investments measured at FVPL		
Listed equity securities in Hong Kong	–	10,752
Unlisted investment fund	7,947	10,143
	7,947	20,895

16 Inventories

	2025 \$'000	2024 \$'000
Properties held for future development	828,669	1,098,703
Properties under development	16,139,151	15,174,481
Properties held for sale	2,419,755	5,001,058
Trading goods and consumables	3,149	4,065
	19,390,724	21,278,307

The amount of properties held for future development and properties under development expected to be recovered after more than one year is \$828,669,000 (2024: \$1,098,703,000) and \$15,646,604,000 (2024: \$15,174,481,000) respectively. All of the other inventories are expected to be recovered within one year.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

16 Inventories (Continued)

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

	2025	2024
	\$'000	\$'000
In Hong Kong, with remaining lease term of:		
– 50 years or more	1,006,289	1,276,324
– between 10 and 50 years	10,383,198	10,756,856
	11,389,487	12,033,180
Outside Hong Kong, with remaining lease term of:		
– 50 years or more	1,161,664	1,377,884
– between 10 and 50 years	930,506	924,663
	2,092,170	2,302,547
	13,481,657	14,335,727

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

	2025	2024
	\$'000	\$'000
Carrying amount on inventories sold	2,276,597	3,320,966
Write down of inventories	842,000	196,294
	3,118,597	3,517,260

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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:**

	2025	2024
	\$'000	\$'000
Current	290,800	368,761
Within 3 months	34,424	39,186
3 months to 6 months	608	568
More than 6 months	18,318	17,002
Trade receivables and loans and advances	344,150	425,517
Utility and other deposits	14,587	18,937
Prepaid tax	89,393	85,087
Other receivables and prepayments	369,873	377,139
	818,003	906,680
Representing:		
Non-current assets	213,203	246,966
Current assets	604,800	659,714
	818,003	906,680

Utility and other deposits of the Group of \$7,664,000 (2024: \$8,993,000) are expected to be recovered after more than one year.

Other receivables and prepayments of the Group of \$213,814,000 (2024: \$216,200,000) are expected to be recovered after more than one year.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

17 Trade and Other Receivables/Loans and Advances (Continued)

(b) Expected credit losses

As at 31 December 2025 and 2024, 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 \$21,397,000 (2024: \$25,394,000).

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:

	2025 \$'000	2024 \$'000
At 1 January	25,394	24,843
Impairment loss recognised (<i>note 4(c)</i>)	981	2,223
Impairment loss written back (<i>note 4(c)</i>)	(2,116)	(1,605)
Uncollectible amounts written off	(2,862)	(67)
At 31 December	21,397	25,394

18 Trade and Other Payables

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

	2025 \$'000	2024 \$'000
Not yet due or on demand	1,504,405	2,006,034
Within 3 months	243	293
Trade payables	1,504,648	2,006,327
Rental and other deposits (<i>Remark (1)</i>)	79,380	80,413
Other payables and accrued expenses (<i>Remark (2)</i>)	434,867	620,285
Contract liabilities – deposits received on sale of properties (<i>Remark (3)</i>)	506,360	524,646
	2,525,255	3,231,671

Remarks:

- (1) Rental and other deposits of the Group of \$40,568,000 (2024: \$44,214,000) are expected to be refunded after more than one year.
- (2) Other payables and accrued expenses of the Group of \$317,847,000 (2024: \$612,107,000) are expected to be settled after more than one year.
- (3) Deposits received on sale of properties of the Group of \$506,360,000 (2024: \$524,646,000) are expected to be recognised as income within one year.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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	
	2025 \$'000	2024 \$'000
At 1 January	524,646	1,898,721
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	(473,557)	(1,779,885)
Increase in contract liabilities as a result of deposits received from customers on sale of properties during the year	444,479	453,078
Exchange movement	10,792	(47,268)
At 31 December	506,360	524,646

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 are not expected to be repaid within one year.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

20 Bank Loans

At 31 December, bank loans were repayable as follows:

	2025 \$'000	2024 \$'000
Within 1 year or on demand	1,685,978	2,374,807
After 1 year but within 2 years	9,672,130	380,870
After 2 years but within 5 years	7,168,681	16,369,117
	16,840,811	16,749,987
	18,526,789	19,124,794

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

	2025 \$'000	2024 \$'000
Bank loans		
– secured	18,484,789	18,985,294
– unsecured	42,000	139,500
	18,526,789	19,124,794

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

(Expressed in Hong Kong dollars)

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 2024		8,636,490	3,627,214	12,263,704
Final dividend declared and paid	8(b)	–	(670,679)	(670,679)
Interim dividend declared	8(a)	–	(130,621)	(130,621)
Profit and total comprehensive income for the year		–	161,752	161,752
Shares issued in respect of scrip dividends of 2023 final dividends	21(b)	670,679	–	670,679
At 31 December 2024		9,307,169	2,987,666	12,294,835
At 1 January 2025		9,307,169	2,987,666	12,294,835
Final dividend declared and paid	8(b)	–	(156,745)	(156,745)
Interim dividend declared	8(a)	–	(130,621)	(130,621)
Profit and total comprehensive income for the year		–	2,858,185	2,858,185
At 31 December 2025		9,307,169	5,558,485	14,865,654

At 31 December 2025, 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 \$5,558,485,000 (2024: \$2,987,666,000).

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

21 Total Equity (Continued)

(b) Share capital

	2025		2024	
	No. of shares	Amount \$'000	No. of shares	Amount \$'000
Ordinary shares, issued and fully paid:				
At 1 January	1,306,206,058	9,307,169	1,176,631,296	8,636,490
Shares issued in respect of scrip dividends	–	–	129,574,762	670,679
At 31 December	1,306,206,058	9,307,169	1,306,206,058	9,307,169

On 17 July 2024, the Company issued and allotted a total of 129,574,762 ordinary shares at an issue price of \$5.176 per ordinary share to the shareholders who elected to receive shares in the Company in lieu of cash in respect of 2023 final dividend pursuant to the scrip dividend arrangement announced by the Company on 22 March 2024. The new ordinary shares rank pari passu in all respects with existing ordinary shares of the Company.

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 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 2025 is 98.8% (2024: 104.4%).

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

22 Notes to Consolidated Cash Flow Statement**(a) Reconciliation of profit before taxation to net cash generated from operating activities**

	2025 \$'000	2024 \$'000
Profit before taxation	49,803	134,255
Adjustments for		
Unclaimed dividend written back	(635)	(580)
Loss/(Gain) on disposal of other property, plant and equipment	52	(209)
Loss on disposal of investment properties	–	1
Loss on disposal of equity securities and investment fund	102	33
Share of profits of associated companies	(84,354)	(21,713)
Share of profits of joint ventures	(27,952)	(126)
Distribution from interests in property development	(758,767)	–
Write down of inventories	842,000	196,294
Fair value changes on investment properties	347,091	335,238
Fair value changes on interests in property development	148,464	(1,207)
Fair value changes on equity securities and investment fund	2,196	(100)
Dividend income from equity securities	–	(897)
Interest income from debt securities	–	(20,859)
Bank interest income	(8,032)	(10,252)
Interest expenses	138,673	204,654
Depreciation and amortisation	11,472	18,036
Operating profit before working capital changes	660,113	832,568
Decrease in loans and advances	33,180	27,164
Decrease in inventories	1,496,580	2,230,594
Decrease in trade and other receivables	59,752	134,555
Decrease in trade and other payables	(616,500)	(1,400,387)
Cash generated from operations	1,633,125	1,824,494
Interest received	7,980	10,895
Dividends received from equity securities	–	897
Profits tax paid	(182,112)	(77,754)
Net cash generated from operating activities	1,458,993	1,758,532

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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	Total \$'000
At 1 January 2024	20,896,546	2,789,185	23,685,731
Net cash flows	(385,799)	(270,704)	(656,503)
Other changes:			
Non-cash repayment of loan from a related company (notes 22(d), 22(e)(i) and (ii))	–	104,241	104,241
Disposal of subsidiaries (note 22(c))	(1,374,725)	(1,252,761)	(2,627,486)
Exchange adjustments	(11,228)	8,816	(2,412)
Total other changes	(1,385,953)	(1,139,704)	(2,525,657)
At 31 December 2024 and 1 January 2025	19,124,794	1,378,777	20,503,571
Net cash flows	(600,582)	684,567	83,985
Other changes:			
Non-cash repayment of loan from a related company (note 22(e)(i))	–	45,523	45,523
Exchange adjustments	2,577	3,353	5,930
Total other changes	2,577	48,876	51,453
At 31 December 2025	18,526,789	2,112,220	20,639,009

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

22 Notes to Consolidated Cash Flow Statement (Continued)**(c) Fair value of net assets of subsidiaries disposed**

	2025	2024
	\$'000	\$'000
Fair value of assets of subsidiaries disposed		
Property, plant and equipment	–	69
Inventories	274,065	3,732,706
Trade and other receivables	102	7,392
Cash and cash equivalents	–	12,331
Tax recoverable	113	–
Trade and other payables	(19,307)	(57,845)
Bank loans	–	(1,374,725)
Net assets disposed and total consideration receivable on disposal of subsidiaries	254,973	2,319,928
Deposit received in prior year	(124,100)	–
Total consideration received on disposal of subsidiaries	130,873	2,319,928
Satisfied by		
Consideration settled through loan from a related company	–	1,252,761
Fair value of interest recognised as “Interest in joint ventures” in the consolidated statement of financial position	130,873	–
Fair value of interest retained and recognised as “Interest in associated companies” in the consolidated statement of financial position	–	927,971
Cash	–	139,196
Total consideration received on disposal of subsidiaries	130,873	2,319,928
Analysis of net cash inflow from disposal of subsidiaries		
	2025	2024
	\$'000	\$'000
Cash consideration received	–	139,196
Cash and cash equivalents disposed of	–	(12,331)
Net cash inflow from disposal of subsidiaries	–	126,865

On 23 January 2025, the Group had entered into agreements for the disposal of 100% equity interest of wholly owned subsidiaries together with the assignment of shareholder's loans for an aggregate consideration of \$277,798,000. The completion of these disposal took place on the same date.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

22 Notes to Consolidated Cash Flow Statement (Continued)

(c) Fair value of net assets of subsidiaries disposed (Continued)

On 1 February 2024, the Group had entered into an agreement with Polytec Holdings for the disposal of 60% equity interest of certain wholly owned subsidiaries together with the assignment of 60% shareholder's loan for an aggregate consideration of \$1,391,957,000, of which \$428,223,000 for the purchase of shares and \$963,734,000 for the assignment of the shareholder's loan. The completion of this disposal took place on 11 June 2024.

(d) Acquisition of subsidiaries

	2024 \$'000
Fair value of assets and liabilities of subsidiaries acquired	
Inventories, net assets acquired and total consideration on acquisition of subsidiaries	88,864
Less: Consideration settled through loan from a related company (<i>note 22(b)</i>)	(88,864)
Net cash outflow	–

On 13 December 2024, the Group had entered into two agreements with Polytec Holdings in relation to the acquisition of 100% equity interest with the assignment of shareholder's loan of Dynamic Summit Limited and Sunny Palace Limited at an aggregate consideration of \$88,864,000 and the acquisition was completed on the same date.

(e) Non-cash transactions

- (i) During 2025, the Group through a related company provided advances to an associated company of \$45,523,000 (2024: \$63,355,000).
- (ii) During 2024, the Group has made partial repayment of a loan from a related company by assigning cash flows of certain debt securities amounting to \$47,978,000 to a related company.

23 Capital Commitments

Capital commitments outstanding at 31 December 2025 contracted but not provided for in the financial statements amounted to \$249,667,000 (2024: \$77,594,000).

24 Contingent Liabilities

As at 31 December 2025, the Group had given guarantees to financial institutions in respect of performance bonds entered into by a subsidiary to the extent of \$37,746,000 (2024: \$38,419,000).

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

25 Pledge of Assets

At 31 December 2025, properties having a value of approximately \$26,379,405,000 (2024: \$26,925,746,000) and deposits of \$13,279,000 (2024: \$14,279,000) were pledged to banks and insurance companies mainly to secure general banking facilities granted to the Group.

26 Subsidiaries

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

Subsidiary	Place of establishment/ operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities
			Direct	Indirect	
181 Limited	Hong Kong	\$1	–	100.00%	Property investment
Able Elite Developments Limited	British Virgin Islands	US\$1	100.00%	–	Investment holding
Acme Fortune Ventures Limited	British Virgin Islands	US\$1	100.00%	–	Property investment
Best Award Investments Limited	British Virgin Islands	US\$1	100.00%	–	Property investment and investment holding
Best Edges Global Limited	British Virgin Islands	US\$1	100.00%	–	Property investment
Best Power (Asia) Limited	Hong Kong	\$2	–	100.00%	Property development
Big Spread Investment Limited	Hong Kong	\$1	–	100.00%	Property investment
Burgeon Pro Investments Limited	British Virgin Islands	US\$1	100.00%	–	Property investment
China Total Limited	Hong Kong	\$1	100.00%	–	Property development and investment
Cinema City (Film Production) Company Limited	Hong Kong	\$5,000,000	–	85.00%	Cinematograph film distribution
Cinema City Company Limited	Hong Kong	\$1,000,000	–	85.00%	Cinematograph film distribution
Colour Luck Limited	Hong Kong	\$1	100.00%	–	Property investment

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

26 Subsidiaries (Continued)

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

Subsidiary	Place of establishment/ operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities
			Direct	Indirect	
Country House Property Management Limited	Hong Kong	\$10,000	–	100.00%	Provision of property management, security, technical and house keeping services and investment holding
Ease Forward Limited	British Virgin Islands	US\$1	100.00%	–	Investment holding
Easy Favour Limited	Hong Kong	\$1	–	100.00%	Property investment
Easy Living Consultant Limited	Hong Kong	\$1,000,000	–	56.90%	Provision of building surveying, property management and guarding services and investment holding
Elegant Florist Limited	British Virgin Islands	US\$1,000	100.00%	–	Investment holding
Eversound Investments Limited	Hong Kong	\$1,000,000	–	100.00%	Property development and investment
Excel Billion Holdings Limited	Hong Kong	\$1	–	100.00%	Investment holding
Find Jade Limited	British Virgin Islands	US\$1	100.00%	–	Financial Investments
Fullco Development Limited	Hong Kong	\$1	–	100.00%	Property development and investment
Fund Wealth Limited	Hong Kong	\$1	–	100.00%	Retail
Giant Gate International Limited	British Virgin Islands	US\$1	100.00%	–	Property investment
Global Fields Enterprises Limited	British Virgin Islands	US\$1	100.00%	–	Property investment
Gold Ease Holdings Limited	Hong Kong	\$1	–	100.00%	Property investment
Golden Princess Amusement Company Limited	Hong Kong	\$100,000	85.00%	–	Distribution of films and investment holding
Golden Princess Film Production Limited	Hong Kong	\$10,000	–	85.00%	Cinematograph film distribution

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

26 Subsidiaries (Continued)

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

Subsidiary	Place of establishment/ operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities
			Direct	Indirect	
Greater Shine Limited	British Virgin Islands	US\$1	–	100.00%	Property investment and investment holding
Henmell Investment Limited	Hong Kong	\$2	–	100.00%	Property development and investment
High Grace Corporation Limited	Hong Kong	\$100	–	100.00%	Property investment
Hong Kong Golden Legend Limited	Hong Kong	\$100	–	100.00%	Property investment
Jumbo Power Enterprises Limited	Hong Kong	\$2	–	100.00%	Property development and investment
Kingbo Investment Limited	Hong Kong	\$1	100.00%	–	Property investment
Kowloon Development Agency Limited	British Virgin Islands	US\$1	100.00%	–	Property investment and investment holding
Kowloon Development Engineering Limited	Hong Kong	\$2	–	100.00%	Engaging in construction contracts
Kowloon Development Finance Limited	Hong Kong	\$2,000,000	100.00%	–	Provision of financial services
Kowloon Development Properties Company Limited	Hong Kong	\$1	100.00%	–	Project management
Li Profit Limited	Hong Kong	\$7,000,000	–	100.00%	Property development and investment
Mass Ventures International Limited	British Virgin Islands/ Hong Kong	US\$1	–	100.00%	Property investment
New Basic Holdings Limited	British Virgin Islands	US\$1	100.00%	–	Investment holding
Polytec Property (Wuxi) Limited (Remark 3)	Mainland China	\$10,000,000 (Remark 1)	–	100.00%	Property development and investment holding
Polytec Property Good Companion (Shenyang) Limited (Remark 3)	Mainland China	US\$5,000,000 (Remark 1)	–	100.00%	Property development

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

26 Subsidiaries (Continued)

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

Subsidiary	Place of establishment/ operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities
			Direct	Indirect	
Skyland Incorporation Limited	Hong Kong	\$10,000	–	100.00%	Property investment
Top Sail International Limited	British Virgin Islands/ Hong Kong	US\$1	–	100.00%	Property development
Total Bright Corporation Limited	Hong Kong	\$1	–	100.00%	Property investment
Tyleelord Development & Agency Company Limited	Hong Kong	\$100,000	–	100.00%	Property investment
Un Chau Properties Limited	Hong Kong	\$2	–	100.00%	Property investment
Units Properties Limited	Hong Kong	\$2	–	100.00%	Property investment
Wealrise Investments Limited	Hong Kong	\$2	–	100.00%	Property investment
Wealth Genesis Limited	Hong Kong	\$2	100.00%	–	Property investment
Yuanman Enterprise Limited	Hong Kong	\$1	–	100.00%	Property investment
山西保頤置業有限公司	Mainland China	RMB20,000,000 (Remark 2)	–	100.00%	Property development
中山市長江兆業地產開發有限公司 (Remark 3)	Mainland China	\$80,000,000 (Remark 1)	–	70.00%	Property development
保利達地產(瀋陽)高悅有限公司 (Remark 3)	Mainland China	US\$5,000,000 (Remark 1)	–	100.00%	Property development and investment holding

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 enterprises incorporated in Mainland China.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

27 Staff Retirement Scheme

The Group operates a defined contribution staff retirement scheme. Contributions under the scheme are charged to profit or loss 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 2025 and 2024. 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 \$339,000 (2024: \$335,000).

Contributions to the Mandatory Provident Funds of \$22,103,000 (2024: \$28,490,000) as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance were charged to profit or loss 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 \$2,058,000 (2024: \$2,361,000), 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 2025, certain bank loans were secured by properties and shares of subsidiaries of Polytec Holdings having a total value of \$2,668,605,000 (2024: \$2,668,605,000) and guaranteed by these subsidiaries.
- (b) During the year ended 31 December 2025, the remuneration for key management personnel being short-term employee benefits amounted to \$20,338,000 (2024: \$18,966,000) 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 22(c), 22(d), 28(a) and 28(b) and 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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 2025, 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 \$78,000,000 (2024: \$54,000,000).

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 2024.

(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 2025 and 2024 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 receivables 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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. With the ongoing relationships with major financial institution, management expects to maintain continuous and sufficient sources of funding to meet its anticipated liquidity requirements.

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 2025						
Trade and other payables	1,655,035	66,137	249,583	42,695	2,013,450	2,013,450
Bank loans	2,534,803	9,965,836	7,477,494	–	19,978,133	18,526,789
Loan from a related company	–	–	–	2,112,220	2,112,220	2,112,220
Amount due to an associated company	–	–	–	43,865	43,865	43,865
	4,189,838	10,031,973	7,727,077	2,198,780	24,147,668	22,696,324
At 31 December 2024						
Trade and other payables	2,042,507	61,806	548,002	46,513	2,698,828	2,698,828
Bank loans	3,334,903	1,299,795	17,155,811	–	21,790,509	19,124,794
Loan from a related company	–	–	–	1,378,777	1,378,777	1,378,777
Amount due to a joint venture	557,725	–	–	–	557,725	557,725
Amount due to an associated company	–	–	–	42,784	42,784	42,784
	5,935,135	1,361,601	17,703,813	1,468,074	26,468,623	23,802,908

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

(Expressed in Hong Kong dollars)

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

	2025	2024
	\$'000	\$'000
Assets		
Level 1		
Other financial assets		
– Listed equity securities in Hong Kong	–	10,752
Level 2		
Other financial assets		
– Unlisted investment fund	7,947	10,143
Level 3		
Interests in property development	1,542,167	1,690,631

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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 2025, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2024: 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 of related transaction costs.

The movements 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 2025, it is estimated that an increase/decrease of 5% in the expected/forecasted selling price of the underlying properties of the Group's interests in property development, with all other variables held constant, would have increased/decreased the Group's retained profits by \$59,113,000/\$64,440,000 (2024: \$65,866,000/\$42,502,000).

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 2024 and taken into account of the expiration of the land concession as set out in note 2(c).

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

30 Company-level Statement of Financial Position

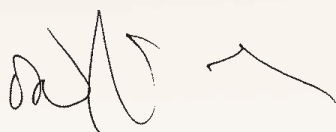
	Note	2025		2024	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment			699		835
Interest in subsidiaries			15,359,434		14,655,524
Interest in joint ventures			584,079		584,079
Interest in an associated company			1,068,111		1,023,967
			17,012,323		16,264,405
Current assets					
Loans to subsidiaries		1,995,268		1,997,361	
Trade and other receivables		3,301		3,106	
Cash and bank balances		737,941		228,582	
			2,736,510		2,229,049
Current liabilities					
Trade and other payables		244,854		365,193	
Amounts due to subsidiaries		119		130	
Amount due to a joint venture		–		557,725	
Loans from subsidiaries		93,227		73,404	
Current taxation		124,013		125,955	
			462,213		1,122,407
Net current assets			2,274,297		1,106,642
Total assets less current liabilities			19,286,620		17,371,047
Non-current liabilities					
Loan from a related company	19	2,112,220		1,378,777	
Loans from subsidiaries		2,308,652		3,697,326	
Deferred tax liabilities		94		109	
			4,420,966		5,076,212
NET ASSETS			14,865,654		12,294,835

Notes to the Financial Statements
(Expressed in Hong Kong dollars)


30 Company-level Statement of Financial Position (Continued)

	Note	2025		2024	
		\$'000	\$'000	\$'000	\$'000
CAPITAL AND RESERVE					
Share capital	21(b)		9,307,169		9,307,169
Reserves			5,558,485		2,987,666
TOTAL EQUITY					
	21(a)		14,865,654		12,294,835

Approved and authorised for issue by the board of directors on 20 March 2026.



Or Wai Sheun
Director



Lai Ka Fai
Director

31 Parent and Ultimate Holding Company

At 31 December 2025, 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

(Expressed in Hong Kong dollars)

32 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the year ended 31 December 2025

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 2025 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 HKFRS 9, “Financial instruments” and HKFRS 7, “Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments”	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, Presentation and disclosure in financial statements	1 January 2027
HKFRS 19, Subsidiaries without public accountability: disclosures	1 January 2027

The Group is in the process of assessing the expected impact of these developments in the period of initial application. So far it has concluded that the adoption of the new or amended standards is unlikely to have a significant impact on the consolidated financial statements except for the following:

HKFRS 18, Presentation and disclosure in financial statements

HKFRS 18 will replace HKAS 1 Presentation of financial statements and aims to improve the transparency and comparability of information about an entity’s financial statements. HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under HKFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt HKFRS 18 and is still assessing the impact of its adoption.

Particulars of Properties

31 December 2025

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 2025

B. Major Properties Under Development

Location	Usage	Approximate Total Site Area (sq m)	Approximate Total Gross Floor Area (sq m)	Project 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	Superstructure works in progress	2027–2029	100
<i>Upper Manor</i> 6 High Street Sai Ying Pun (Remark)	Residential and Commercial	500	4,600	Superstructure works in progress	First half 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	Design approval for Phase 4 in progress	Phase 4 to be determined	100
<i>Le Cove City (江灣城)</i> 6 Hun Nan Er Road Hun Nan District Shenyang	Residential and Commercial	165,000	630,000	Modification of planning for Phase 5A in progress	Phase 5A to be determined	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	Planning works for Phase 2 in progress	Phase 2 to be determined	100

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

Particulars of Properties

31 December 2025

C. Properties Under Development/Held For Sale of Joint Ventures

Location	Usage	Approximate Total Site Area (sq m)	Approximate Total Gross Floor Area (sq m)	Project Status	Expected Date of Completion	Group's Interest (%)
Hong Kong 24, 26, 28 and 30 Fuk Chak Street Tai Kok Tsui	Residential and Commercial	500	4,600	Demolition works in progress	Second half 2028	50
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 completed	Remaining development to be determined	50

D. Properties Under Development/Held For Sale of Associated Companies

Location	Usage	Approximate Total Site Area (sq m)	Approximate Total Gross Floor Area (sq m)	Project Status	Expected Date of Completion	Group's Interest (%)
Mainland China <i>City Plaza (城市廣場)</i> Lot No. Jin Dong Liu 2004-066 Intersection of Shiyijing Road and Liuwei Road Hedong District Tianjin	Residential, Commercial and Office	136,000	850,000	Superstructure works for Phase 3B in progress	Phase 3B end-2027	49
14/8 Qiu 176 Jiefang Siping Road Yangpu District Shanghai	Residential, Commercial and Office	21,000	75,000	Preparations for foundation works in progress	End-2029	40

E. Interest in Property Development

Location	Usage	Approximate Total Site Area (sq m)	Approximate Total Gross Floor Area (sq m)	Project Status	Expected Date of Completion	Group's Interest (%)
Mainland China <i>Hengda Guangchang (亨達廣場)</i> Northwest side of the intersection of Jiuzhou Avenue and Yingbin South Road Xiangzhou District Zhuhai (Remark)	Commercial, Office and Apartment	38,000	199,000	Interior fitting-out works for Phase 1 in progress	Phase 1 first half 2026	70

Remark: The development of this property is under the co-investment agreement with a related company.



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