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九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 34)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023
AND
PROPOSED ADOPTION OF NEW ARTICLES OF ASSOCIATION

HIGHLIGHTS

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

GROUP RESULTS AND DIVIDENDS

For the year ended 31 December 2023, the Group's profit attributable to shareholders of the Company (the "Shareholders") amounted to HK\$337 million, compared to HK\$1,215 million in 2022, representing a decrease of 72.3%. Excluding revaluation changes from the Group's investment properties and fair value changes on its interests in the property development as well as fair value changes for financial investments, underlying profit attributable to Shareholders for 2023 fell to HK\$573 million from HK\$1,107 million in 2022, representing a decrease of 48.2%. The underlying earnings per share for 2023 were HK\$0.49 compared to HK\$0.94 in 2022.

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

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

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

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

MARKET OVERVIEW AND BUSINESS REVIEW

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

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

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

Development Property Sales

In Hong Kong, the Group continued to promote the sale of the remaining units of its wholly-owned residential development project, namely Manor Hill, in Tseung Kwan O. Over 870 residential units at Manor Hill were sold as at 31 December 2023, with sale proceeds of approximately HK\$1.2 billion being recognised for the year under review.

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

Property Development

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

Major Property Projects under Planning and Development

Property Project	District/City	Usage	Approx. Total Site Area (sq m)	Approx. GFA (sq m)	Approx. GFA Booked [※] (sq m)	Group's Interest	Project Status	Expected Date of Completion
Hong Kong								
High Street	Sai Ying Pun, Hong Kong	Residential & commercial	500	4,700	—	60%	Foundation works completed	2025/2026
Clear Water Bay Road	Ngau Chi Wan, Kowloon	Residential & commercial	22,400	201,000	—	100%	Foundation works in progress	2026 – 2028
Mainland China								
Le Cove City (Shenyang) 江灣城 (瀋陽)	Hun Nan Xin District, Shenyang	Residential & commercial	165,000	630,000	374,000	100%	Superstructure works for Phase 5A (approx. GFA of 40,000 sq m) in progress	Phase 5A 2025/2026
The Gardenia (Shenyang) 翠堤灣 (瀋陽)	Shenhe District, Shenyang	Residential & commercial	1,100,000	2,000,000	678,000	100%	Modification for subsequent development plan in progress	To be determined
Le Cove Garden (Huizhou) 江灣南岸花園 (惠州)	Huicheng District, Huizhou	Residential & commercial	146,000	520,000	371,000	60%	Planning works for Phase 3 (approx. GFA of 96,000 sq m) in progress	Phase 3 2025/2026

Major Property Projects under Planning and Development (Continued)

Property Project	District/City	Usage	Approx. Total Site Area (sq m)	Approx. GFA (sq m)	Approx. GFA Booked* (sq m)	Group's Interest	Project Status	Expected Date of Completion
Mainland China (Continued)								
The Lake (Foshan) 山語湖 (佛山)	Nanhai District, Foshan	Residential & commercial	4,021,000	1,600,000	998,000	50%	Construction works for Phase 5 (approx. GFA of 83,000 sq m) in progress	Phase 5 2024/2025
Le Cove City (Wuxi) 江灣城 (無錫)	Liangxi District, Wuxi	Residential & commercial	69,000	365,000	126,000	100%	Interior fitting-out works for Phase 4 (approx. GFA of 170,000 sq m) in progress	Phase 4 Mid-2024
City Plaza (Tianjin) 城市廣場 (天津)	Hedong District, Tianjin	Residential & commercial	136,000	850,000	450,000	49%	Construction works for Phase 3B (approx. GFA of 280,000 sq m) in progress	Phase 3B 2025/2026
Yangpu (Shanghai) 楊浦 (上海)	Yangpu District, Shanghai	Residential, commercial & office	21,000	75,000	—	100%	Preliminary construction licence obtained and construction works to commence	2026
Polytec Luxury Mansion (Shanxi) 保利達•貴府 (山西)	Jiexiu	Residential & commercial	181,000	463,000	—	100%	Structural works for Phase 1 (approx. GFA of 88,000 sq m) completed	Phase 1 End-2024
Hengda Guangchang (Zhuhai) 亨達廣場 (珠海)	Xiangzhou District, Zhuhai	Commercial, office & hotel apartment	38,000	199,000	—	70%	Foundation works for Phase 1 (approx. GFA of 66,000 sq m) completed	Phase 1 2025

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

Property Investment

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

Financial Investments

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

IMPORTANT EVENT SINCE THE END OF THE FINANCIAL YEAR

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

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

PROSPECTS

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

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

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

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

The foundation works for the Group's 60%-owned residential and commercial development project on High Street in Sai Ying Pun (Hong Kong) had been completed. It is expected that the presale will likely be launched after the middle of the year.

The land exchange procedure for the Clear Water Bay Road project located in Ngau Chi Wan (Hong Kong) was completed in January 2022 and the foundation and geotechnical works are in full progress. The project has a GFA exceeding 2,000,000 sq ft, which is favourably located in the vicinity of the entrances of Choi Hung MTR Station and are easily accessible.

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

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

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

The sale of the remaining units of the Group's joint venture development projects in Foshan and Tianjin, namely The Lake and City Plaza, respectively, will continue during the year. The construction works for the Phase 5 development of The Lake are in progress and the presale was launched. With regard to City Plaza, the Phase 3A development has been completed early this year while the construction works for the Phase 3B development are in progress.

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

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

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

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

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

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

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

It is expected that the Group's development projects in Hong Kong, namely Manor Hill (completed), the High Street project (under construction) and the Clear Water Bay Road project (under construction), will contribute considerably to the Group's results and earnings in coming years, barring any unforeseen circumstances.

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

CONSOLIDATED RESULTS

The consolidated results of the Group for the year ended 31 December 2023 together with the comparative figures of 2022 are as follows:

Consolidated Income Statement for the year ended 31 December 2023

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

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2023

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

Consolidated Statement of Financial Position

At 31 December 2023

		2023		2022	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Investment properties			13,633,020		13,618,270
Property, plant and equipment			233,166		252,609
Interests in property development	8		1,261,835		1,997,849
Interest in joint ventures			1,938,154		1,954,153
Interest in associated companies			1,315,962		1,294,496
Other financial assets			27,119		285,794
Trade and other receivables	9		101,980		112,133
Loans and advances	9		204,736		244,002
Deferred tax assets			53,372		36,569
			<u>18,769,344</u>		<u>19,795,875</u>
Current assets					
Inventories		26,551,788		25,549,725	
Interests in property development	8	427,589		689,201	
Trade and other receivables	9	751,559		691,303	
Loans and advances	9	17,810		18,617	
Other financial assets		21,082		43,610	
Amount due from a joint venture		112,883		112,883	
Cash and bank balances		1,080,599		864,590	
		<u>28,963,310</u>		<u>27,969,929</u>	

Consolidated Statement of Financial Position *(continued)**At 31 December 2023*

		2023		2022	
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities					
Trade and other payables	10	4,880,826		3,692,787	
Amount due to a joint venture		565,977		560,374	
Loan from an associated company		43,719		44,353	
Bank loans		3,744,569		14,488,973	
Current taxation		198,595		404,345	
		<u>9,433,686</u>		<u>19,190,832</u>	
Net current assets			<u>19,529,624</u>		<u>8,779,097</u>
Total assets less current liabilities			38,298,968		28,574,972
Non-current liabilities					
Loan from a related company		2,789,185		2,090,754	
Bank loans		17,151,977		7,371,180	
Deferred tax liabilities		589,835		577,339	
			<u>20,530,997</u>		<u>10,039,273</u>
NET ASSETS			<u>17,767,971</u>		<u>18,535,699</u>
Capital and reserves					
Share capital		8,636,490		8,636,490	
Reserves		9,032,948		9,789,095	
Total equity attributable to the shareholders of the Company			17,669,438		18,425,585
Non-controlling interests			<u>98,533</u>		<u>110,114</u>
TOTAL EQUITY			<u>17,767,971</u>		<u>18,535,699</u>

1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The 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”).

The financial information relating to the financial years ended 31 December 2023 and 2022 included in this announcement of annual results does not constitute the Company’s statutory annual consolidated financial statements for those financial years but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2023 in due course. The Company’s auditor has reported on those financial statements for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain amendments to HKFRSs that are first effective for the current accounting period of the Group.

- HKFRS 17, “Insurance contracts”
- Amendments to HKAS 8, “Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates”
- Amendments to HKAS 1, “Presentation of financial statements” and HKFRS Practice Statement 2, “Making materiality judgements: Disclosure of accounting policies”

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- Amendments to HKAS 12, “Income taxes: Deferred tax related to assets and liabilities arising from a single transaction”
- Amendments to HKAS 12, “Income taxes: International tax reform – Pillar Two model rules”

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

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

3 SEGMENT REPORTING

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

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

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

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

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

3 SEGMENT REPORTING (CONTINUED)

(a) Segment results and assets

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

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

Remark 1:

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

3 SEGMENT REPORTING (CONTINUED)

(a) Segment results and assets (continued)

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

3 SEGMENT REPORTING (CONTINUED)

(a) Segment results and assets (continued)

	2023				
	Property development			Property investment	Others (Remark 2)
	Total	Hong Kong	Mainland China		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	46,516,807	15,600,452	16,607,442	13,645,455	663,458
Deferred tax assets	53,372				
Cash and bank balances	1,080,599				
Head office and corporate assets	81,876				
Total assets	<u>47,732,654</u>				
Interest in associated companies	1,315,962	–	1,315,962	–	–
Interest in and amount due from joint ventures	2,051,037	–	2,051,037	–	–
	2022				
	Property development			Property investment	Others (Remark 2)
	Total	Hong Kong	Mainland China		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	46,773,407	15,551,966	16,592,004	13,637,350	992,087
Deferred tax assets	36,569				
Cash and bank balances	864,590				
Head office and corporate assets	91,238				
Total assets	<u>47,765,804</u>				
Interest in associated companies	1,294,496	–	1,294,496	–	–
Interest in and amount due from joint ventures	2,067,036	–	2,067,036	–	–

Remark 2:

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

3 SEGMENT REPORTING (CONTINUED)

(b) Geographic information

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

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

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

4 PROFIT BEFORE TAXATION

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

(a) **Other net expenses**

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

(b) **Finance costs**

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

(c) **Other items**

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Depreciation and amortisation of property, plant and equipment	20,461	21,464
Interest income	(140,681)	(187,743)
Staff costs	606,516	614,251
Total staff costs	<u>621,279</u>	<u>633,306</u>
Less: Amount capitalised	<u>(14,763)</u>	<u>(19,055)</u>

5 INCOME TAX

Taxation in the consolidated income statement represents:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax		
Provision for profits tax		
– Hong Kong	108,037	312,034
– Outside Hong Kong	57,795	48,038
	<u>165,832</u>	<u>360,072</u>
Land appreciation tax (“LAT”)	3,779	32,919
Deferred tax	<u>(3,196)</u>	<u>43,812</u>
	<u>166,415</u>	<u>436,803</u>

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

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

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

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK\$337,195,000 (2022: HK\$1,214,934,000) and the weighted average number of ordinary shares in issue during the year of 1,176,631,296 (2022: 1,176,631,296).

(b) Diluted earnings per share

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

7 DIVIDENDS

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

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

Remark:

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

8 INTERESTS IN PROPERTY DEVELOPMENT

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

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

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

9 TRADE AND OTHER RECEIVABLES/LOANS AND ADVANCES

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

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

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

10 TRADE AND OTHER PAYABLES

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

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

FINANCIAL REVIEW

Financial resources and bank borrowings

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

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

Considering the current high interest rate level, increasingly challenging operating environment in the property development in Mainland China and the time expected for the Group to realise its investment in the projects, the Group has proposed to dispose of its 60% equity interest in Rideon Limited (the "Disposal"), a wholly-owned subsidiary of the Group which holds a property development project in Shanghai, at a consideration of HK\$1,391,957,000 to Polytec Holdings on 1 February 2024. Details of the Disposal were disclosed in the announcement of the Company on the same date. The Group intends to apply the consideration for the purposes of repayment of borrowings and general working capital of the Group, which will improve the Group's financial position and cash flow.

In response to high interest rates, the management has also considered to reduce the Group's gearing ratio as part of its prudent financial management and planned to reduce its gearing by various measures, including but not limited to disposals of non-core assets. During the year under review, the Group disposed of commercial properties and carparks in Hong Kong and Mainland China, which generated proceeds of approximately HK\$137 million. Through disposal of the Group's non-core assets, it allows the Group to focus on its core asset portfolio and returns, reducing debt level which improve cash flow and enhance value for shareholders.

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

During the year, sales for the property projects in Hong Kong contributed cash inflows of approximately HK\$1,330 million to the Group, mainly from sales of Manor Hill. Furthermore, the Group recorded approximately HK\$2,095 million cash inflows from presales/sales of various development projects in Mainland China, mainly from presales of Le Cove City, Wuxi.

The Group continued to actively engage in the development projects in Hong Kong and Mainland China and expended a total of approximately HK\$1,817 million for construction costs during the year.

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

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

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

Capital commitments

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

Pledge of assets

As at 31 December 2023, properties having a value of HK\$28,159 million and deposits of HK\$14 million were pledged to banks and insurance companies mainly to secure banking facilities and performance bonds extended to the Group.

Contingent liabilities

As at 31 December 2023, the Group had given guarantees to financial institutions in respect of performance bonds entered into by a subsidiary to the extent of HK\$35 million.

HUMAN RESOURCES

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

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

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

OTHER INFORMATION

Review by Audit Committee

The Audit Committee of the Company has reviewed and discussed with the Group's independent auditor, KPMG, Certified Public Accountants, the consolidated financial statements of the Group for the year ended 31 December 2023, including critical accounting policies and practices adopted by the Group.

Scope of Work of KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2023 set out in the announcement have been compared by the Group's independent auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2023 and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

Compliance with the Corporate Governance Code

Throughout the year, the Company has complied with all code provisions set out in Part 2 of Appendix 14 (which has been renumbered to Appendix C1 with effect from 31 December 2023) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception of Code Provisions C.2.1 and F.2.2 as explained below:

Code Provision C.2.1

Mr Or Wai Sheun has performed the combined role as the chairman of the Board and the chief executive taking charge of the overall operations of the Group. This combining of the roles enables the Company to make prompt and effective decisions. The corporate governance principles of the Company emphasise the importance of a quality Board and accountability to shareholders. 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.

Code Provision F.2.2

The chairman of the Board and the Nomination Committee of the Company (the "Nomination Committee") was unable to attend the Annual General Meeting of the Company held on 7 June 2023 (the "2023 AGM") due to health issue. In his absence, an Executive Director of the Company was invited to chair the 2023 AGM and the members of the Nomination Committee were invited to attend and were available to answer questions at the 2023 AGM.

Proposed Adoption of New Articles of Association

The Board proposed to adopt a new set of Articles of Association of the Company (the “New Articles”) in substitution for, and to the exclusion of, the existing Memorandum and Articles of Association of the Company (the “Existing M&A”) to (i) align the Company’s existing constitutional documents with the applicable laws, rules and regulations, including the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Listing Rules; (ii) provide flexibility to the Company in convening general meetings of the shareholders as physical meetings at one or more locations, hybrid meetings or virtual meetings; and (iii) incorporate consequential and other housekeeping amendments.

The adoption of the New Articles is subject to the approval of the shareholders by way of a special resolution to be proposed at the 2024 AGM and, if approved, will become effective upon such approval. Prior to the passing of the relevant special resolution at the 2024 AGM, the Existing M&A shall remain valid.

A circular containing, among other matters, details of the proposed adoption of the New Articles, together with a notice convening the 2024 AGM will be published by the Company in due course.

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

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

2024 AGM

The 2024 AGM of the Company will be held on Wednesday, 5 June 2024. The Notice of the 2024 AGM will be published in due course.

Closure of Register of Members

For the purpose of determining shareholders’ eligibility to attend and vote at the 2024 AGM and the 2024 EGM, the Register of Members of the Company will be closed from Friday, 31 May 2024 to Wednesday, 5 June 2024, both dates inclusive. During the aforementioned period, no transfer of shares will be registered. In order to be eligible to attend and vote at the 2024 AGM and the 2024 EGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 pm (Hong Kong time) on Thursday, 30 May 2024.

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

Publication of Annual Report

The Annual Report 2023 containing all the information as required by the Listing Rules will be published on the website of the Company at www.kdc.com.hk and the website of “HKEXnews” at www.hkexnews.hk by the end of April 2024, while printed copies will be sent to shareholders as requested.

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

Hong Kong, 22 March 2024

As at the date of this announcement, the Directors of the Company are Mr Or Wai Sheun (Chairman), Mr Lai Ka Fai, Mr Or Pui Kwan and Mr Lam Yung Hei as Executive Directors; Ms Ng Chi Man and Mr Yeung Kwok Kwong as Non-executive Directors; and Mr Li Kwok Sing, Aubrey, Mr Lok Kung Chin, Hardy and Mr Hsu Duff Karman as Independent Non-executive Directors.