



Passion for Excellence

Annual Report 2015 年報



九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

Stock Code 股份代號: 34

Kowloon Development Company Limited

九龍建業有限公司

Kowloon Development Company Limited (Stock Code: 34) has been pursuing a three-tier development strategy in the Greater China region, with its core property business in the Hong Kong and Mainland China markets, and carrying out its Macau property business through its 73.4%-owned listed subsidiary, Polytec Asset Holdings Limited (Stock Code: 208). The Group is now well positioned in all three markets, with its attributable landbank exceeding 5 million sq m. It is committed to enhance its competitive advantages and to become one of the few listed companies in Hong Kong to have capacity to grow significantly in all three markets.

九龍建業有限公司（股份代號：34）在大中華地區奉行三線發展策略，核心業務為香港及中國大陸市場之地產業務，並通過其擁有73.4%權益之上市附屬公司保利達資產控股有限公司（股份代號：208）經營澳門地產業務。集團目前在區內三大市場作出卓越部署，其應佔土地儲備超逾五百萬平方米，並致力提升本身之競爭優勢，目標成為少數能夠在三大市場取得顯著增長之香港上市公司之一。



Contents

2	Corporate Information
4	Highlights
5	Group's Business Structure
6	Five-Year Financial Summary
8	Chairman's Statement
12	Review of Operations
30	Financial Review
32	Profile of Directors
34	Corporate Governance Report
49	Report of the Directors
57	Independent Auditor's Report
58	Consolidated Income Statement
59	Consolidated Statement of Comprehensive Income
60	Consolidated Statement of Financial Position
62	Consolidated Statement of Changes in Equity
63	Consolidated Cash Flow Statement
64	Notes on the Financial Statements
128	Particulars of Properties



Corporate Information

Board of Directors and Committees

Board of Directors

Executive Directors

Or Wai Sheun (*Chairman*)
Lai Ka Fai
Or Pui Kwan

Non-executive Directors

Ng Chi Man
Yeung Kwok Kwong

Independent Non-executive Directors

Li Kwok Sing, Aubrey
Lok Kung Chin, Hardy
Seto Gin Chung, John
David John Shaw

Committees

Executive Committee

Or Wai Sheun (*Chairman*)
Lai Ka Fai
Or Pui Kwan
Yeung Kwok Kwong

Audit Committee

Li Kwok Sing, Aubrey (*Chairman*)
Lok Kung Chin, Hardy
Seto Gin Chung, John
Yeung Kwok Kwong

Nomination Committee

Or Wai Sheun (*Chairman*)
Lok Kung Chin, Hardy
David John Shaw

Remuneration Committee

Seto Gin Chung, John (*Chairman*)
Lai Ka Fai
Li Kwok Sing, Aubrey
Lok Kung Chin, Hardy

Corporate and Shareholders' Information

Company Secretary

Lee Kuen Chiu

Independent Auditor

KPMG
Certified Public Accountants

Authorised Representatives

Lai Ka Fai
Lee Kuen Chiu

Legal Advisers

Sidley Austin

Share Registrar

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

Registered Office

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

Stock Code

The Stock Exchange of Hong Kong Limited: 34

Principal Bankers

ANZ Bank
Bank of China
Bank of Communications
China Construction Bank
Chiyu Banking Corporation
Chong Hing Bank
Hang Seng Bank
Nanyang Commercial Bank
Standard Chartered Bank
United Overseas Bank

Financial Calendar for 2015

Interim results announcement	26 August 2015
Interim dividend paid	10 November 2015
Annual results announcement	23 March 2016
Annual general meeting	28 June 2016
Ex-dividend date for final dividend	7 July 2016
Closure of register of members	11 July 2016 – 12 July 2016 (both dates inclusive)
Final dividend payable	20 July 2016



City Plaza (Tianjin)

Highlights

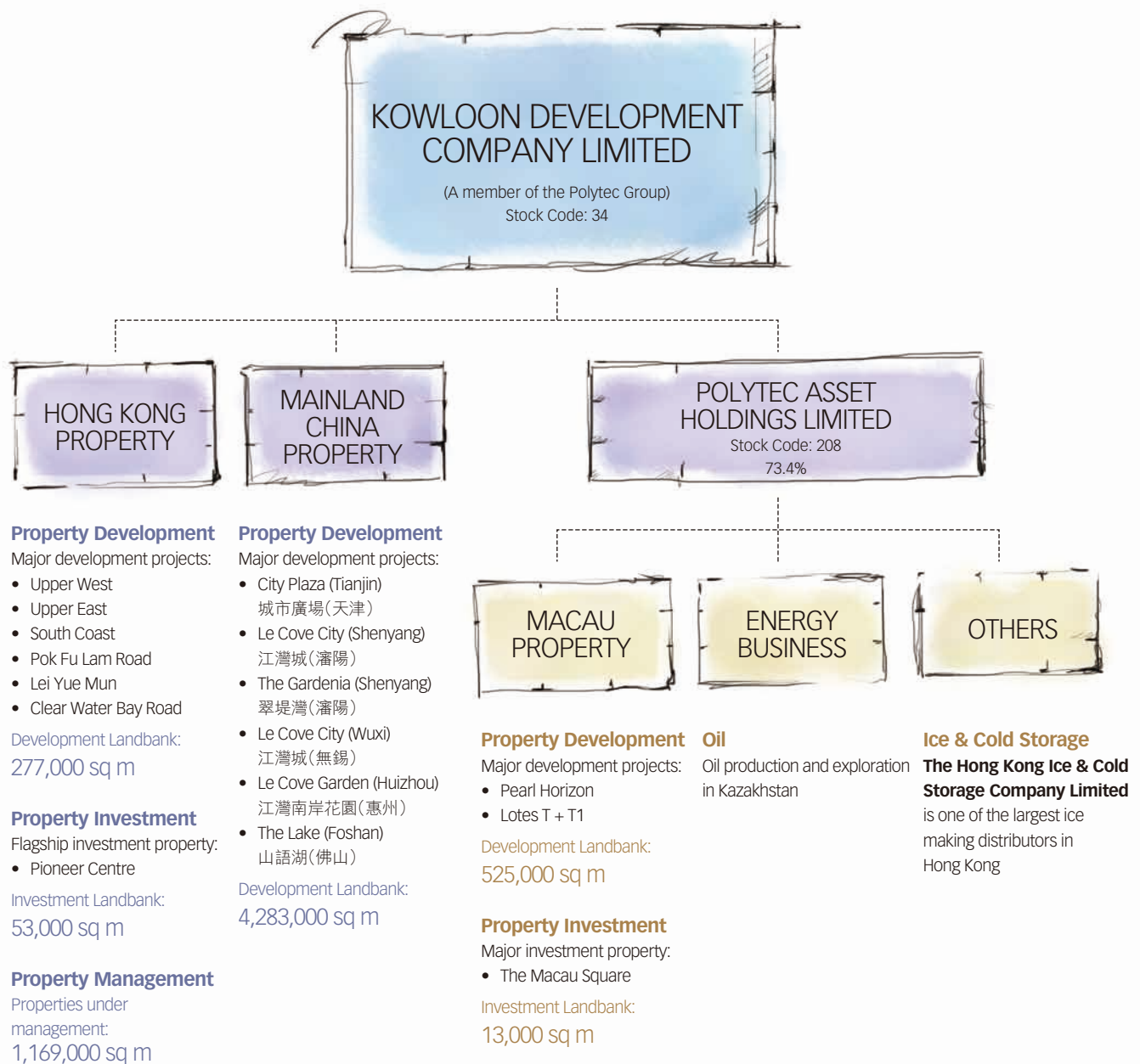


- For the year ended 31 December 2015, the Group's net profit attributable to shareholders of the Company amounted to HK\$1,202 million compared to HK\$1,041 million in 2014, an increase of 15.5%.
- Excluding revaluation gains from its investment properties, the Group's underlying net profit for 2015 rose to HK\$643 million from HK\$618 million in 2014, an increase of 4.0%. The underlying net earnings per share for 2015 were HK\$0.56 compared to HK\$0.54 in 2014.
- In 2015, the Group achieved total presales/sales exceeding HK\$10 billion from its development projects in Hong Kong and Mainland China, an outstanding performance.
- Full year dividend per share for 2015 amounts to HK\$0.58, with a final dividend per share of HK\$0.37.

Group's development projects currently for sale

<p>Hong Kong</p>	<p>CADOGAN 加多近山</p>	 <p>MACPHERSON PLACE Heart of Metropolitan</p>	<p>— 登峰·南岸 — SOUTH COAST</p>	<p>UPPER east 環海·東岸</p>	<p>UW UPPER WEST 奧城·西岸</p>
<p>Mainland China</p>	 <p>江湾南岸 LE COVE GARDEN</p>	 <p>保利达江湾城 LE COVE CITY</p>	 <p>保利达翠堤湾</p>	 <p>LCC 保利达·江湾城 LE COVE CITY</p>	
	 <p>星际豪庭 GALAXY HEIGHTS</p>	 <p>城市广场 CITY PLAZA</p>	<p>THE Lake 山语湖</p> 		

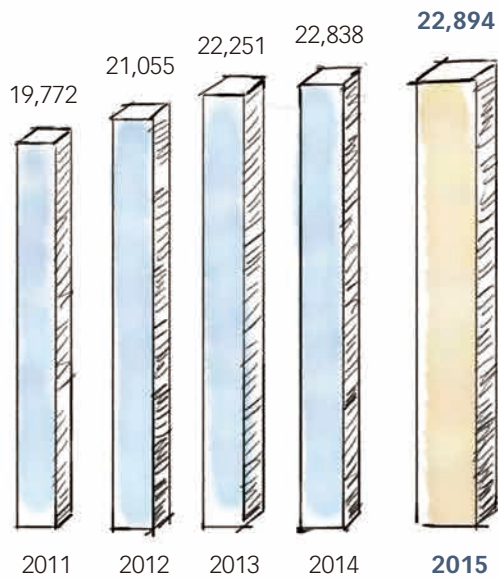
Group's Business Structure



Five-Year Financial Summary

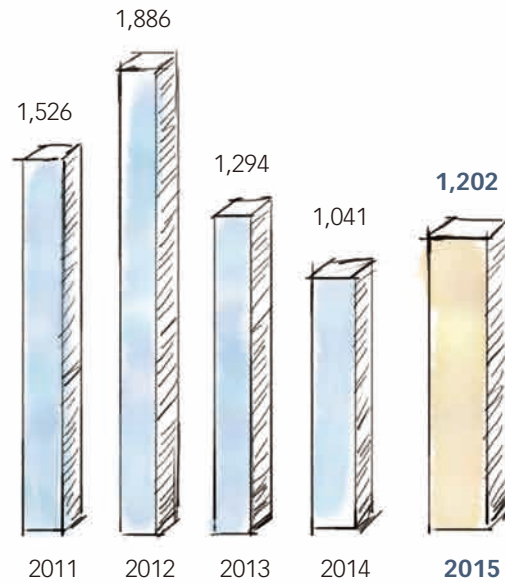
Shareholders' Equity

HK\$ million



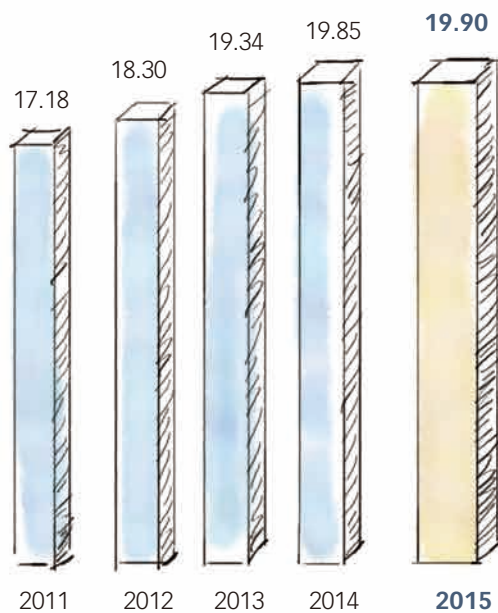
Profit Attributable to Shareholders

HK\$ million



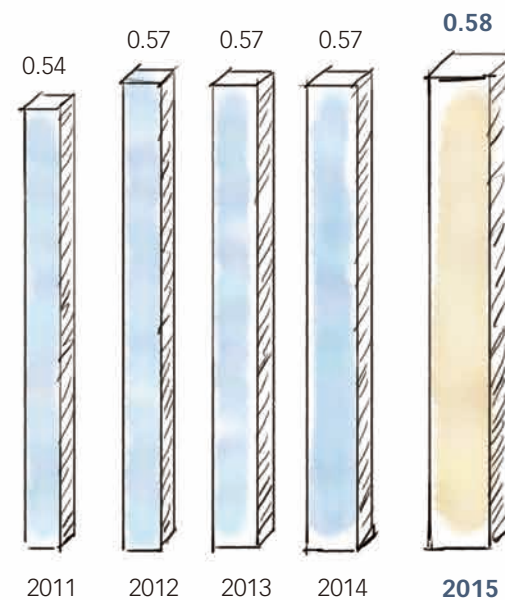
Net Asset Value per Share

HK\$



Dividends per Share

HK\$



Key Consolidated Income Statement Data

HK\$ million	2011	2012	2013	2014	2015
Turnover	1,755	2,556	1,417	3,150	3,993
Profit from Operations	1,499	1,906	1,065	1,187	1,275
Profit Attributable To Shareholders	1,526	1,886	1,294	1,041	1,202
Earnings per Share (HK\$)	1.33	1.64	1.12	0.90	1.04
Underlying Profit Attributable to Shareholders (Note 2)	807	968	388	618	643
Underlying Earnings per Share (HK\$) (Note 2)	0.70	0.84	0.34	0.54	0.56
Dividends	621	656	656	656	668
Dividends per Share (HK\$)	0.54	0.57	0.57	0.57	0.58

Key Consolidated Statement of Financial Position Data

HK\$ million	2011	2012	2013	2014	2015
Non-Current Assets	24,706	26,149	28,764	29,386	30,430
Current Assets	13,343	15,128	16,396	19,075	19,047
Total Assets	38,049	41,277	45,160	48,461	49,477
Current Liabilities	(4,064)	(5,453)	(5,613)	(8,039)	(9,073)
Non-Current Liabilities	(11,169)	(11,683)	(14,113)	(14,343)	(14,300)
Net Assets	22,816	24,141	25,434	26,079	26,104
Share Capital	115	115	115	8,417	8,417
Reserves	19,657	20,940	22,136	14,421	14,477
Shareholders' Equity	19,772	21,055	22,251	22,838	22,894
Non-controlling Interests	3,044	3,086	3,183	3,241	3,210
Total Equity	22,816	24,141	25,434	26,079	26,104
Net Asset Value per Share (HK\$)	17.18	18.30	19.34	19.85	19.90
Gearing Ratio (%) (Note 3)	55.44	56.11	62.50	59.28	61.02

Notes :

1. The financial information in this summary is extracted from the published financial statements for the last five years.
2. Underlying profit excludes revaluation gain of investment properties.
3. Gearing ratio represents bank borrowings, loans from ultimate holding company and a fellow subsidiary and net of cash and bank balances over equity attributable to shareholders of the Company.

Chairman's Statement

Group Results and Dividends

For the year ended 31 December 2015, the Group's net profit attributable to shareholders of the Company amounted to HK\$1,202 million compared to HK\$1,041 million in 2014, an increase of 15.5%. Excluding revaluation gains from its investment properties, the Group's underlying net profit for 2015 rose to HK\$643 million from HK\$618 million in 2014, an increase of 4.0%. The underlying net earnings per share for 2015 were HK\$0.56 compared to HK\$0.54 in 2014. In 2015, the Group achieved total presales/sales exceeding HK\$10 billion from its development projects in Hong Kong and Mainland China, an outstanding performance.

The Board of Directors has recommended the payment of a final dividend of HK\$0.37 per share (2014: HK\$0.36) for the year ended 31 December 2015. Together with the 2015 interim dividend of HK\$0.21 per share (2014: HK\$0.21), the full year dividend for 2015 amounts to HK\$0.58 per share (2014: HK\$0.57).

The final dividend will be payable on Wednesday, 20 July 2016 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 12 July 2016, subject to the approval of shareholders at the 2016 Annual General Meeting.

Business Review

In Hong Kong, overall sales in primary residential market were robust in the first half of 2015, especially for small flats. However, anticipation of further interest hikes in the US, together with increasing supply in the primary residential market, had weighed on both transaction prices and volumes in the second half of 2015.

In Mainland China, following the progressive relaxation of home-buying restrictions, overall sentiment in the property market in mid-2015 was improved with the surge of both transaction prices and volumes in the first-tier and the prime second-tier cities. However, the secondary second-tier, third- and fourth-tier cities, especially those with excess supply, have not benefited from the improving sentiment, with no sign of recovery in the transaction prices and volumes. Many of these cities still faced heavy inventory pressure at the end of the year.

In Macau, gross gaming revenue continued to decline considerably throughout 2015 which has adversely affected the performance of the economy. The property market was also unfavourably impacted and the appetite for potential home purchasers was upset amid such economic environment. Consequently, transaction volumes fell substantially in 2015 and overall residential prices have declined by over 30% from their historic highs in the second quarter of 2014.

Development Property Sales

In Hong Kong, in view of the resilient demand for small flats, the Group acted promptly to launch the presale of two new development projects, namely Upper East in Hung Hom and South Coast in Aberdeen. The two projects were well received by the market with satisfactory sales. In 2015, the Group achieved approximately HK\$7 billion of presales/sales from its projects in Hong Kong, which was a new record for the Group.

In Mainland China, total presales/sales generated from the Group's projects exceeding RMB5 billion in 2015, with presales/sales attributable to the Group of approximately RMB3.4 billion.

In Macau, with respect to the Lote P development project (Pearl Horizon), the piling work was completed. However, due to a significant delay in granting various requisite approvals and permits for the project over the past years, the overall construction work could not be completed before the expiry date of its land concession. Despite the application for the land concession with a reasonable compensation of time was made to relevant government departments, it was declined and therefore the construction work needed to be suspended. Polytex Corporation Limited ("PCL"), the registered owner of the project and a wholly-owned subsidiary of the ultimate holding company of the Company, has therefore applied to the Courts of Macau to claim for compensation of time. If the applications were ultimately declined, the Macau Special Administrative Region Government (the "Macau SAR Government") would have a right to resume the land without any compensation to the owner of the land. Nevertheless, based on the legal opinions received, PCL has strong legal grounds to obtain compensation of time by applying to the Courts of Macau including Tribunal Administrativo in order to continue and complete the project.

In respect of the Lotes T + T1 development project in Macau, the foundation work was completed in February 2016 and the superstructure work is now in progress.

In 2015, the Group did not launch any presales/sales in Macau and therefore no sales were recorded for the year.

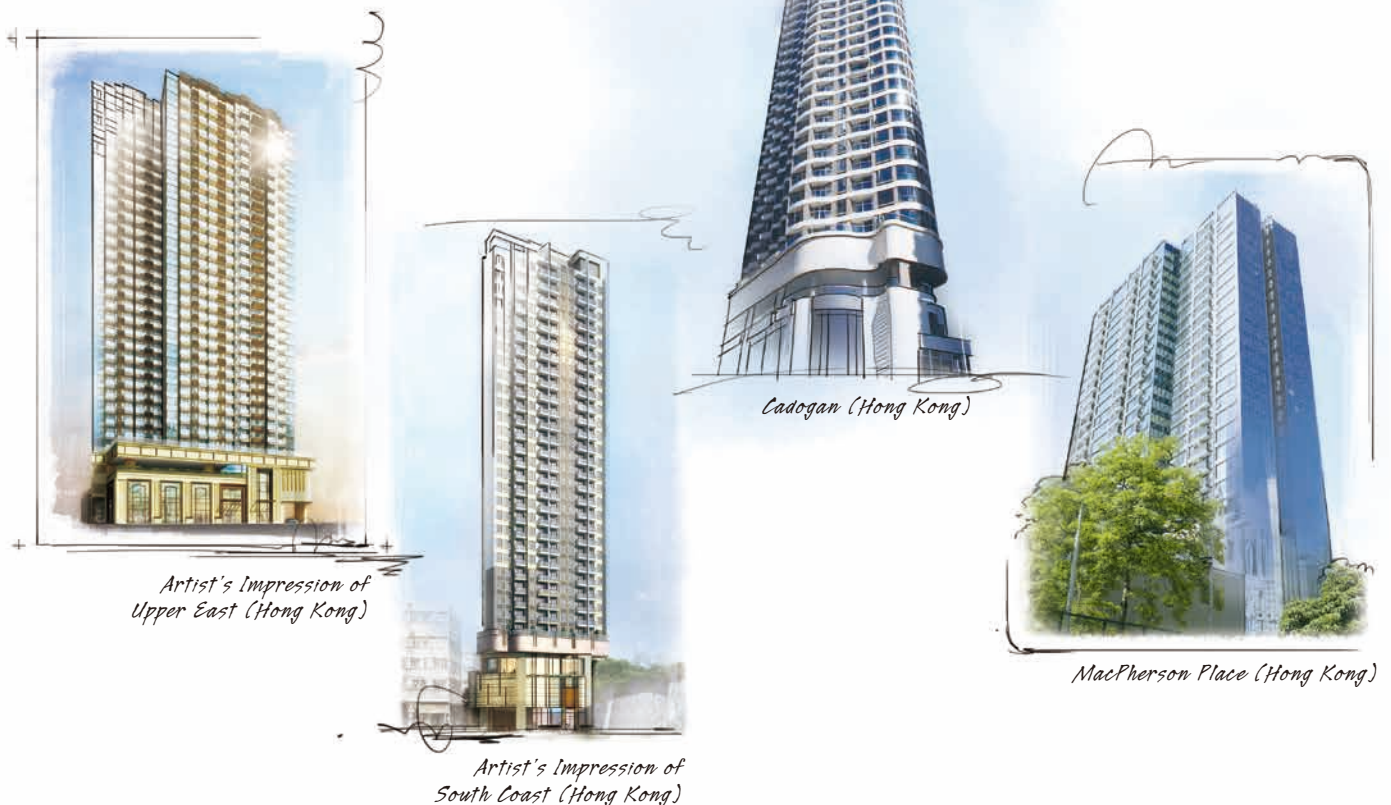
Property Development

As announced on 14 January 2016, the Company entered into a share purchase agreement with Polytec Holdings International Limited, a connected person, regarding the acquisition of the entire issued share capital of Fulleagle Limited which held an indirect interest in Junk Bay Town Lot No. 2 and the Extension thereto and Tseung Kwan O Town Lot No. 22 through its wholly-owned subsidiary, Li Profit Limited. This acquisition was completed on 21 January 2016 and has enhanced the Group's landbank in Hong Kong. The Group is currently in negotiation with the Lands Department about the land premium for this project.

Property Investment in Hong Kong

Gross rental income generated from the Group's property investment portfolio in Hong Kong for 2015 rose to HK\$345 million, an increase of 2.2% over 2014. Gross rental income generated from Pioneer Centre, the Group's wholly-owned flagship and core investment property in Hong Kong, rose 0.5% to HK\$294 million in 2015; the letting rates of both retail spaces and offices continued at a satisfactory level as of 31 December 2015.

The Group's exposures in the property investment in Macau, the oil business and the ice manufacturing and cold storage business are through its 73.4%-owned listed subsidiary, Polytec Asset Holdings Limited ("Polytec Asset"). Their respective operational results are as follows:





City Plaza (Tianjin)



Le Cove City (Wuxi)



The Gardenia (Shenyang)



Le Cove Garden (Huizhou)

Property Investment in Macau

For the year under review, the Group's share of gross rental income generated from its investment properties rose to HK\$50.2 million for the year ended 31 December 2015, an increase of 26% over 2014. The improvement in income was mainly due to an increase in rents from The Macau Square, in which Polytec Asset holds a 50% interest, with total rental income of the property attributable to the Group rising 25% to HK\$46.4 million in 2015.

Oil

The oil segment recorded a loss of HK\$164 million in 2015 compared with HK\$216 million in 2014, with impairment provisions for the Kazakhstan oil assets of HK\$170 million in 2015 and HK\$212 million in 2014. Despite the favourable impact of a significant depreciation of the Tenge, the currency of Kazakhstan during the year under review, the sector still registered an operating loss of HK\$9.1 million in 2015 due to a further decline in crude oil prices.

The Group will continue to work out a solution to tackle the gas flaring issue of the oilfield in Kazakhstan before the permits expire on 31 December 2016. Various viable options are currently being evaluated.

Ice Manufacturing and Cold Storage

Ice manufacturing and cold storage segment reported a steady performance in 2015 with total operating profit of HK\$28.2 million, an increase of 5.2% over 2014.

Business Strategy

The Group has been pursuing a three-tier development strategy with exposure in the three major property markets in the Greater China region, Hong Kong, Macau and Mainland China. Over the past ten years, it has built a sizeable and quality development landbank across these three markets, at a relatively competitive cost, with the GFA attributable to the Group exceeding 5 million sq m as of end-December 2015.



Prospects

In Hong Kong, the residential market has cooled down considerably during the first two months in 2016 compared to the same period last year. Anticipation of further interest hikes in the US, together with increasing supply in the primary residential market, has gradually weighed on overall transacted prices. Looking forward, overall sales are expected to face tougher challenges than previous years.

In the first half of 2016, the Group will continue to promote the sales of the remaining units of its five development projects located in Hong Kong Island and Kowloon. The presale of a new high-end residential project in Pok Fu Lam Road is expected to launch in the second half of 2016.

In Mainland China, the central government's objectives and actions to reduce residential market inventory will further boost the flat sales in the first- and second-tier cities. It is expected to stimulate sales in the third- and fourth-tier cities as well. As and when the market improves further, the Group will act promptly to launch more residential units for presale/sale in order to lay a good foundation for future results.

In Macau, with respect to the lawsuit relating to the Lote P development project (Pearl Horizon), it is expected that a hearing date will be fixed by the Court in the near future. The construction work will be resumed, subject to a favourable judgment from the Court being obtained and relevant approvals being given by the Macau SAR Government. It will endeavour to complete the project as soon as possible and deliver the flats to the waiting buyers.

In respect to the Lotes T + T1 development project, the construction work is being expedited aiming for completion and obtaining an occupation permit in mid-2017. A presale programme of its residential units will be launched in due course.

Looking ahead, the Group's core income for 2016 will be mainly generated from its property development projects in Hong Kong and Mainland China. In addition, the Group expects its property investment portfolios in Hong Kong and Macau, as well as its ice manufacturing and cold storage business, will continue to generate stable income in 2016. If the crude oil prices hover at the current low levels throughout the year, the Group's oil business in Kazakhstan is not expected to make any contribution to its earnings in 2016.

Over the past few years, the Group has strived to improve its competitiveness in the property business which has created favourable conditions for its future growth. In spite of facing tougher challenges in the Hong Kong and Macau property markets, the Group's development projects in Mainland China are expected to make a bigger contribution to the Group's results in 2016.

Last but not least, I would like to take this opportunity to express my gratitude to my fellow directors for their support and all staff for their dedication and hard work.



Or Wai Sheun
Chairman

Hong Kong, 23 March 2016



Review of Operations

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



HONG KONG* 277,000 sq m

MACAU* 893,200 sq m

* representing 100% project coverage in total Gross Floor Area

Key Operating Results for 2015

Total operating profit in the property development segment amounted to HK\$660 million, which was mainly generated from sales recognised from two development projects in Hong Kong.

MAINLAND CHINA* 6,086,300 sq m

Shenyang 2,712,000 sq m

Tianjin 850,000 sq m

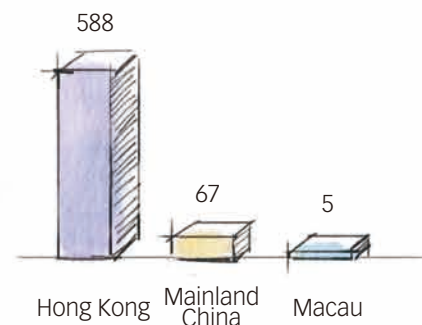
Wuxi 404,400 sq m

Huizhou 519,900 sq m

Foshan 1,600,000 sq m

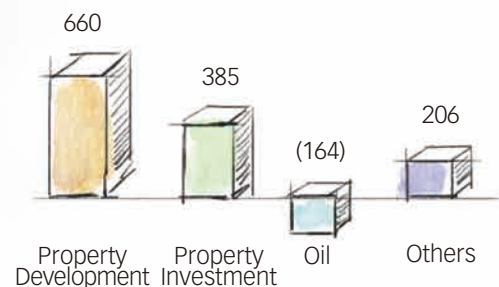
Operating Profit – Property Development Geographic Distribution for 2015

HK\$ million



Operating Profit/(Loss) by Segment for 2015

HK\$ million



Hong Kong

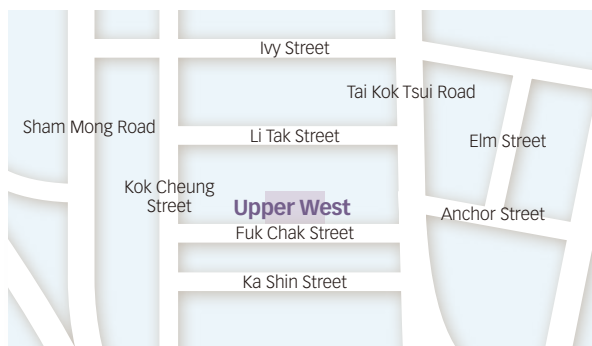
Property Development

As of 31 December 2015, the Group's landbank for development exceeded 5 million sq m of attributable gross floor area. The Group's major property projects under planning and development as well as the one recently completed are set out as follows:

Hong Kong

Upper West

The site is located at 18 Fuk Chak Street in Tai Kok Tsui. This residential and commercial project is wholly-owned by the Group, with a total gross floor area of approximately 6,600 sq m, and obtained Occupation Permit on 5 February 2016.



Location

18 Fuk Chak Street, Tai Kok Tsui, Kowloon, Hong Kong

Usage

Residential and Retail

Group's Interest

100%

Approx. Total Site Area

780 sq m

Approx. Total Gross Floor Area

6,600 sq m

Status

Completed



Hong Kong

Upper East

The site is located at 23 Sung On Street in Hung Hom. This residential and commercial redevelopment site covers a total site area of approximately 4,038 sq m and a total gross floor area for redevelopment of 34,100 sq m.



Location

23 Sung On Street, Hung Hom, Kowloon, Hong Kong

Usage

Residential and Commercial

Group's Interest

100%

Approx. Total Site Area

4,038 sq m

Approx. Total Gross Floor Area

34,100 sq m

Status

Foundation work completed

Expected Date of Completion

2018



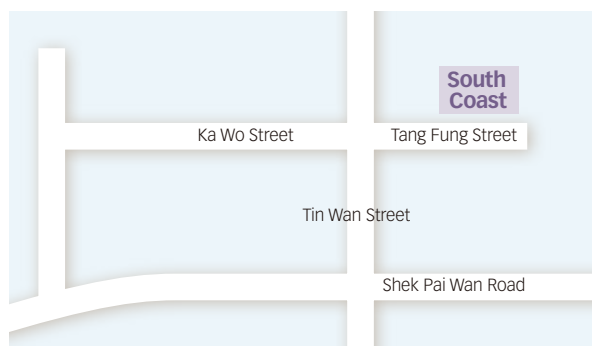
Artist's Impression



Hong Kong

South Coast

The site is located at 1 Tang Fung Street in Aberdeen. This residential project is wholly-owned by the Group with a total site area of approximately 723 sq m. The site is expected to be redeveloped into a 29-storey residential building with approximately 150 residential units with a total gross floor area of approximately 5,900 sq m.



Location

1 Tang Fung Street,
Aberdeen, Hong Kong

Usage

Residential

Group's Interest

100%

Approx. Total Site Area

723 sq m

Approx. Total Gross Floor Area

5,900 sq m

Status

Fitting-out work in progress

Expected Date of Completion

2016/2017



Artist's Impression



Hong Kong

Pok Fu Lam Road Project

The site is located at 45-65A Pok Fu Lam Road in Sai Ying Pun. The Group has successfully expanded the site by acquiring the adjacent site in January 2013, with a total gross floor area for redevelopment increasing from 9,300 sq m to approximately 11,100 sq m.



Location

45-65A Pok Fu Lam Road,
Sai Ying Pun, Hong Kong

Usage

Residential and Retail

Group's Interest

100%

Approx. Total Site Area

1,388 sq m

Approx. Total Gross Floor Area

11,100 sq m

Status

Foundation work to commence soon

Expected Date of Completion

2020

Lei Yue Mun Project

The site is located at Lei Yue Mun Path in Lei Yue Mun. The Group intends to develop this wholly-owned site into a residential and commercial complex with a public car park, with a total gross floor area of approximately 29,200 sq m.



Location

Yau Tong Inland Lot No. 42,
Lei Yue Mun Path, Lei Yue Mun,
Kowloon, Hong Kong

Usage

Residential and Commercial

Group's Interest

100%

Approx. Total Site Area

3,240 sq m

Approx. Total Gross Floor Area

29,200 sq m

Status

Foundation work in progress

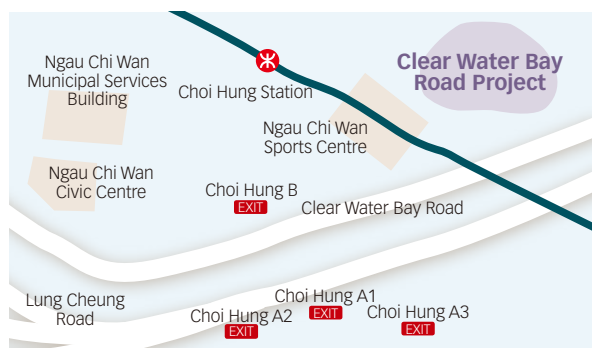
Expected Date of Completion

2019

Hong Kong

Clear Water Bay Road Project

The site is located at 35 Clear Water Bay Road in Ngau Chi Wan and is wholly-owned by the Group. The General Building Plan has been approved for a residential and commercial development with a total gross floor area of approximately 196,400 sq m, including a shopping arcade, club house and parking facilities.



Location

35 Clear Water Bay Road,
Ngau Chi Wan, Kowloon,
Hong Kong

Usage

Residential and Commercial

Group's Interest

100%

Approx. Total Site Area

19,335 sq m

Approx. Total Gross Floor Area

196,400 sq m

Status

Land premium in negotiation

Expected Date of Completion

To be determined

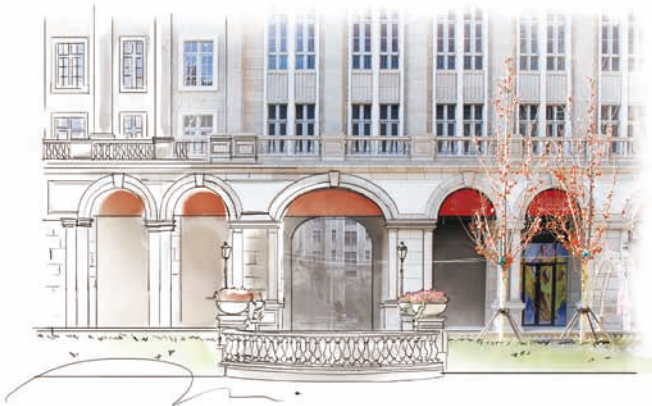


Mainland China

Mainland China

City Plaza (Tianjin) 城市廣場(天津)

The site is located in a new commercial and business area of the Hedong District, Tianjin. This residential and commercial development project is 49%-owned by the Group, and has a total gross floor area of approximately 850,000 sq m. There is an additional underground gross floor area of approximately 35,000 sq m for the commercial portion. It will be developed into a modern residential and commercial complex with luxury residential towers, office buildings, a five-star hotel and a first-class shopping arcade.



Location

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

Usage

Residential and Commercial

Group's Interest

49%

Approx. Total Site Area

135,540 sq m

Approx. Total Gross Floor Area

850,000 sq m

Status

Construction work for the second phase in progress

Expected Date of Completion

Second phase 2017



Mainland China

Le Cove City (Shenyang)

江灣城(瀋陽)

The site is located along the Hun River at 6 Hun Nan Er Road of the Hun Nan Xin District in Shenyang. This residential and commercial development project is wholly-owned by the Group, with a planned total gross floor area of approximately 712,000 sq m.



Location

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

Usage

Residential and Commercial

Group's Interest

100%

Approx. Total Site Area

165,303 sq m

Approx. Total Gross Floor Area

712,000 sq m

Approx. Remaining Gross Floor Area

542,500 sq m

Status

Construction work for the fourth phase in progress

Expected Date of Completion

Fourth phase 2018



Artist's Impression of the fourth phase development (residential buildings)



Artist's Impression of the fourth phase development (service apartment)

Mainland China

The Gardenia (Shenyang)

翠堤灣 (瀋陽)

The site is located on the west side of Daba Road of the Shenhe District, which is one of the five main central districts in Shenyang. This residential and commercial project is wholly-owned by the Group, with a planned total gross floor area 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. Total Gross Floor Area

2,000,000 sq m

Status

Construction work for the second
phase in progress

Expected Date of Completion

Second phase IIB 2016/2017

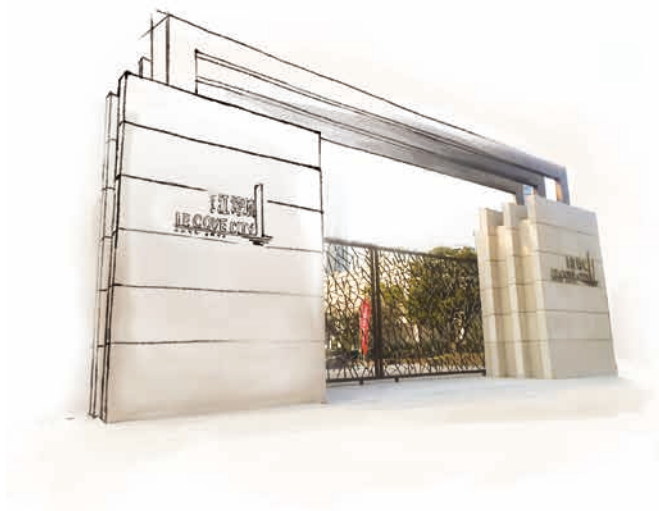


Mainland China

Le Cove City (Wuxi)

江灣城(無錫)

The site is located in the Chong An District, a central business district of Wuxi, with a total site area amounting to approximately 68,833 sq m. The Group has an 80% interest in this project, with a total gross floor area of 404,400 sq m.



Location

Tongyun Road and Gongyun Road,
Chong An District,
Wuxi, China

Usage

Residential and Commercial

Group's Interest

80%

Approx. Total Site Area

68,833 sq m

Approx. Total Gross Floor Area

404,400 sq m

Approx. Remaining Gross Floor Area

377,200 sq m

Status

Construction work for the second
phase in progress

Expected Date of Completion

Second phase 2017



*Artist's Impression
of the second phase development*

Mainland China



Mainland China

Le Cove Garden (Huizhou)

江灣南岸花園(惠州)

The site is located at Dongjiang North Shore Wangjiang Lot of the Huicheng District in Huizhou and has a permanent natural river view at its south east side, with provincial park facilities and convenient traffic to the central business district of Dongjiang North Shore in Huizhou. The Group has a 60% interest in this residential and commercial development project, with a total gross floor area of approximately 519,900 sq m.



Location

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

Usage

Residential and Commercial

Group's Interest

60%

Approx. Total Site Area

146,056 sq m

Approx. Total Gross Floor Area

519,900 sq m

Status

Foundation work for the second
phase in progress

Expected Date of Completion

Second phase 2017/2018



Artist's Impression
of the second phase development



Artist's Impression
of the second phase development
(low-rise residential buildings)

Mainland China

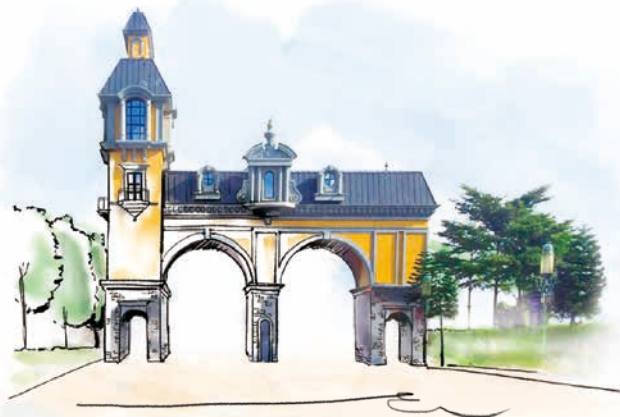


Mainland China

The Lake (Foshan)

山語湖(佛山)

The site is located in the Nanhai District of Foshan (Guangdong Province), with a sizeable site area of approximately 4,020,743 sq m. This is a 50:50 joint venture residential and commercial development project with CITIC Property Group. The site is endowed with unique geographical advantages, surrounded by lakes, wetland nature reserve zone and woods. It is being developed as one of the most emblematic residential communities in Foshan, with a total gross floor area 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

4,020,743 sq m

Approx. Total Gross Floor Area

1,600,000 sq m

Approx. Remaining Gross Floor Area

1,099,100 sq m

Status

Construction work for the third phase of high rise residential towers in progress

Expected Date of Completion

Third phase of high rise residential towers 2016



Macau

Macau

The Group's property interests in Macau are held through its listed subsidiary, Polytec Asset Holdings Limited ("Polytec Asset"), 73.4%-owned by the Company. Details of the development projects are as follows:

Pearl Horizon

Pearl Horizon is located in the Orient Pearl District, adjacent to the future Hong Kong-Zhuhai-Macau Bridge, with an aggregate total site area of approximately 68,000 sq m. Polytec Asset has an 80% interest in this project. It will be developed into various luxury residential towers, together with a large shopping arcade, a five-star club house and numerous carparking spaces, with a total gross floor area of approximately 697,600 sq m.

Location

Lote P,
The Orient Pearl District,
Novos Aterros da Areia Preta,
Macau

Usage

Residential and Commercial

Group's Interest

58.8%

Approx. Total Site Area

68,000 sq m

Approx. Total Gross Floor Area

697,600 sq m

Status

Suspended

Expected Date of Completion

To be determined

Lotes T + T1

Lotes T + T1 are also located in the Orient Pearl District, adjacent to the future Hong Kong-Zhuhai-Macau Bridge, with combined aggregate total site area of approximately 17,900 sq m. Polytec Asset has an 80% interest in this project which will be developed into a number of high-end residential blocks with retail shops and carparking spaces, with a total gross floor area of approximately 195,600 sq m.

Location

Lotes T + T1,
The Orient Pearl District,
Novos Aterros da Areia Preta,
Macau

Usage

Residential and Commercial

Group's Interest

58.8%

Approx. Total Site Area

17,900 sq m

Approx. Total Gross Floor Area

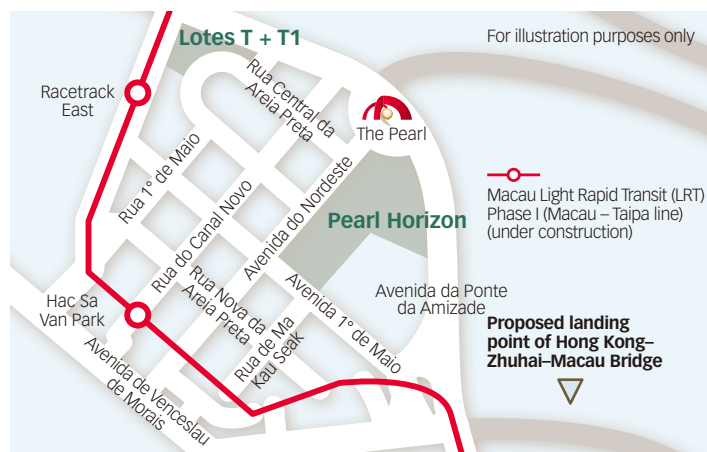
195,600 sq m

Status

Construction work in progress

Expected Date of Completion

Mid-2017



Property Investment

In Hong Kong, gross rental income generated from the Group's property investment portfolio for 2015 rose to HK\$345 million, an increase of 2.2% over 2014. Gross rental income generated from Pioneer Centre, the Group's wholly-owned flagship and core investment property in Hong Kong, rose 0.5% to HK\$294 million in 2015; the letting rates of both retail spaces and offices continued at a satisfactory level as of 31 December 2015.

In Macau, the Group's share of gross rental income generated from its investment properties rose to HK\$50.2 million for the year ended 31 December 2015, an increase of 26% over 2014. The improvement in income was mainly due to an increase in rents from The Macau Square, in which Polytec Asset holds a 50% interest, with total rental income of the property attributable to the Group rising 25% to HK\$46.4 million in 2015.

Property Management

The Group offers a full range of high quality property management services to our clients. Our client base includes not only self-developed luxury residential buildings, serviced apartments and medium scale commercial buildings, but also public housing estates.

As at 31 December 2015, the total area of properties under management was maintained at approximately 1,169,000 sq m (2014: 1,430,000 sq m).

Key Risks and Uncertainties

The Group faces various risks including those specific for 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 are identified, monitored and managed on a continuous basis.

Property Development Risk

Similar to other property developers, the Group confronts with the risk of deterioration of property market conditions which is subject to the changes in overall economic environment, political stability, governmental policies, as well as the taxes and stamp duties imposed on the sales of residential properties in the geographical areas of the Group's operations.

The profitability of the Group may also be hindered by the rising construction costs and sub-contracting charges, and keen competition among property developers.



Pioneer Centre (Hong Kong)



The Macau Square (Macau)

Regulatory Risk

The Group operates in highly-regulated markets and industries where changes to regulatory environment may have significant impacts to our businesses. We have to ensure we can comply with the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, Companies Ordinance, local laws and statutory requirements for our various kinds of businesses.

People Risk

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

Financial Risk

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

Environmental and Social Compliance

Environmental Policies and Performances

The Group is dedicated to high standards of environment protection. By minimising the impact to our community and conserving resources amongst employees and tenants, we are striving to improve our environmental performance continually. Since 2007, the Group has become a corporate member of WWF-Hong Kong, supporting the Non-Governmental Organisation's works on conservation and education. The Group adopts a holistic and proactive approach towards environmental management, undertaking stringent measures to ensure both new and existing developments comply with regulatory requirements. We also work and communicate closely with our contractors to minimise generation of effluent and waste. In 2015, we have strictly complied with environmental laws and regulations in Hong Kong.

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 business and operation of the Group during the financial year.

Relationships with Stakeholders

The Group has an integrated human capital strategy to recruit, develop and motivate employees, making sure that employees are provided with competitive remuneration package, appropriate training and development opportunities and their performance goals are aligned with the Group's business objectives. The Group is committed to providing a work environment that is free from all forms of discrimination. In 2015, there were no known reports of any incidence of discrimination by its employees in Hong Kong and overseas. Management and staff at all levels are responsible to ensure all employees are working in compliance with the statutory requirements, arrange adequate resources to fulfil the safety requirements and carry out training and supervision.

The Group is also dedicated to providing high quality properties, products and services to meet our customers' needs and is striving to maintain good relationship and close communication with our business partners, banks, contractors and suppliers so as to achieve this goal for our customers. In addition, the Company has been awarded as a "Caring Company" since 2009 in recognition of our achievement in corporate social responsibility.

Human Resources

As of 31 December 2015, the Group had a total of 890 employees (2014: 894 employees), of which 500 were Hong Kong staff, 175 were Mainland China staff and 215 were staff in other regions. During the year, total staff costs increased to HK\$233 million (2014: HK\$213 million) due to salary revisions in July 2015. Salary levels of employees are competitive. Discretionary bonuses are granted based on 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 external institutions to strengthen employees' all-round skills and knowledge, aiming to well equip them to cope with its development in the ever-changing economy.

In addition, the Group established a recreation club and held an annual dinner and Christmas party for employees during the year to promote team spirit and loyalty and to promote communication between departments.

Financial Review

Financial resources and bank borrowings

As at 31 December 2015, the Group had total bank borrowings of HK\$8,707 million (31 December 2014: HK\$7,918 million), with HK\$1,797 million being repayable within one year and HK\$6,910 million being repayable after one year. The Group's net borrowings position was HK\$7,531 million as at 31 December 2015, after taking into account cash and bank balances of HK\$1,176 million, which increased by HK\$770 million compared to 31 December 2014. Loans from ultimate holding company and a fellow subsidiary dropped by HK\$340 million since 31 December 2014 and amounted to HK\$6,439 million in total as at 31 December 2015.

The Group's gearing ratio (calculated on the basis of net bank borrowings and loans from ultimate holding company and a fellow subsidiary over equity attributable to shareholders of the Company) was 61.0% as at 31 December 2015 (31 December 2014 : 59.3%).

The Group launched the presales of two development projects in Hong Kong, namely Upper East and South Coast, in the second half of 2015. Also, the Group continued to boost the sale for the remaining units of the two completed projects (MacPherson Residence and Cadogan) in Hong Kong and hence contributed further cash inflows to the Group. During 2015, the Group has recorded cash inflows mainly from sales/presales of various development projects in Hong Kong and Mainland China of approximately HK\$2,941 million and HK\$1,917 million respectively.

The Group continued to actively engage in the development projects in Hong Kong and Mainland China and expended a total of HK\$2,114 million for construction costs during the year. Furthermore, the Group has settled the remaining balance of the land premium of HK\$1,557 million for the successful tender of the land situated at Lei Yue Mun, Hong Kong. The handover of the land was completed in mid-January 2015 which has further enhanced the land portfolio of the Group in Hong Kong.

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 considered appropriate.

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

In respect of the Group's oil business in Kazakhstan, the Group is exposed to the exchange fluctuations in the Tenge ("KZT"), the local currency of Kazakhstan, because the majority of operating expenses and capital expenditure are denominated in KZT, while a significant portion of its revenue is denominated in United States dollars. As at 31 December 2015, the Group did not have any outstanding financial instruments entered into for hedging purposes. Nevertheless, the Group is closely monitoring its overall foreign exchange exposure and interest rate exposure and will adopt a proactive but prudent approach to minimise the relevant exposures when necessary.

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

Capital commitments

As at 31 December 2015, the Group had commitments in connection with the Group's fixed assets amounting to HK\$68 million.

Pledge of assets

As at 31 December 2015, properties having a value of HK\$15,409 million and bank deposits of HK\$15 million were pledged to financial institutions mainly to secure credit facilities extended to the Group.

Contingent liabilities

The Group has given several guarantees in respect of banking facilities granted to a joint venture in Mainland China. Guarantees have been provided to the joint venture amounting to HK\$591 million, representing a 50% proportional guarantee in respect of HK\$1,182 million term loan facilities. The facilities were fully utilised as at 31 December 2015.

Profile of Directors

Board of Directors

Executive Directors

OR Wai Sheun, aged 64, 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 chairman of Polytec Asset Holdings Limited, a separately listed subsidiary of the Company. He is the chairman of both Polytec Holdings International Limited, the sole shareholder of Intellinsight Holdings Limited ("Intellinsight"), and Intellinsight, the substantial shareholder of the Company. Mr Or has over 30 years of experience in property development, industrial and financial investment business in Hong Kong, Macau and Mainland China. He is the husband of Ms Ng Chi Man and the father of Mr Or Pui Kwan.

LAI Ka Fai, aged 51, 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 non-executive director of Polytec Asset Holdings Limited, a separately listed subsidiary of the Company, and a director of Intellinsight Holdings Limited, the substantial shareholder of the Company. He has over 25 years of experience in finance, accounting, financial and operational management and corporate planning. Mr Lai graduated from the University of East Anglia in the United Kingdom with a Bachelor's degree in Science. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

OR Pui Kwan, aged 37, 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 has attained solid working experience in various companies engaged in property development, securities investment, information technology, product research and development. He holds a Bachelor of Combined Science degree from the University College London. He is the son of Mr Or Wai Sheun and Ms Ng Chi Man.

Non-executive Directors

NG Chi Man, aged 63, has been an Executive Director of the Company since January 2002 and re-designated as a *Non-executive Director* of the Company with effect from 1 April 2013. Ms Ng is also a director of both Polytec Holdings International Limited, the sole shareholder of Intellinsight Holdings Limited ("Intellinsight"), and Intellinsight, the substantial shareholder of the Company. Ms Ng has over 30 years of experience in property development, industrial and financial investment business in Hong Kong, Macau and Mainland China. She is the wife of Mr Or Wai Sheun and the mother of Mr Or Pui Kwan.

YEUNG Kwok Kwong, aged 57, has been a *Non-executive Director* of the Company since January 2002. He is also the managing director of Polytec Asset Holdings Limited, a separately listed subsidiary of the Company. Mr Yeung has over 30 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.

Independent Non-executive Directors

LI Kwok Sing, Aubrey, aged 66, has been an *Independent Non-executive Director* of the Company since January 2002. Mr Li is the chairman of IAM Holdings (Hong Kong) Limited (formerly known as MCL Partners Limited), a Hong Kong based investment firm, and has over 40 years of experience in merchant banking and commercial banking. He is also a non-executive director of The Bank of East Asia, Limited (listed on the Stock Exchange of Hong Kong) and an independent non-executive director of Café de Coral Holdings Limited, China Everbright International Limited, Kunlun Energy Company Limited, Pokfulam Development Company Limited and Tai Ping Carpets International Limited (each of them is listed on the Stock Exchange of Hong Kong). Mr Li holds a Master's degree in Business Administration from Columbia University and a Bachelor of Science degree in Civil Engineering from Brown University.

LOK Kung Chin, Hardy, aged 66, has been an *Independent Non-executive Director* of the Company since January 2002. He is the managing director of The Sun Company, Limited and has over 40 years of experience in building and engineering construction work. 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.

SETO Gin Chung, John, aged 67, has been an *Independent Non-executive Director* of the Company since January 2002. He is a director of Pacific Eagle Asset Management Limited. Prior to his retirement with effect from the conclusion of the annual general meeting of Sateri Holdings Limited ("Sateri Holdings", now known as Bracell Limited, a company listed on the Stock Exchange of Hong Kong) on 21 May 2013, he has acted as a non-executive director of Sateri Holdings as well. He is also an independent non-executive director of China Everbright Limited, and an independent non-executive director and the vice chairman of the board of Hop Hing Group Holdings Limited (both companies are listed on the Stock Exchange of Hong Kong). He was a non-executive director of Hong Kong Exchanges and Clearing Limited from 2000 to 2003 and was the chief executive officer of HSBC Broking Services (Asia) Limited from 1982 to 2001. Mr Seto was a council member of The Stock Exchange of Hong Kong Limited from 1994 to 2000 and was the first vice chairman from 1997 to 2000. Mr Seto holds a Master of Business Administration degree from New York University and has over 40 years of experience in the securities and futures industry.

David John SHAW, aged 69, has been an *Independent Non-executive Director* of the Company since June 2007. Mr Shaw acted as Adviser to the Board of HSBC Holdings plc from June 1998 until 30 September 2013 and as adviser to HSBC's Group Chairman and Group Chief Executive until 30 September 2015. He is also an independent non-executive director of Shui On Land Limited (listed on the Stock Exchange of Hong Kong). Mr Shaw is a solicitor, admitted in England and Wales and in Hong Kong. He was a partner of Norton Rose from 1973 to 1998 and during that period spent approximately 20 years working in Hong Kong.

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

Corporate Governance Report

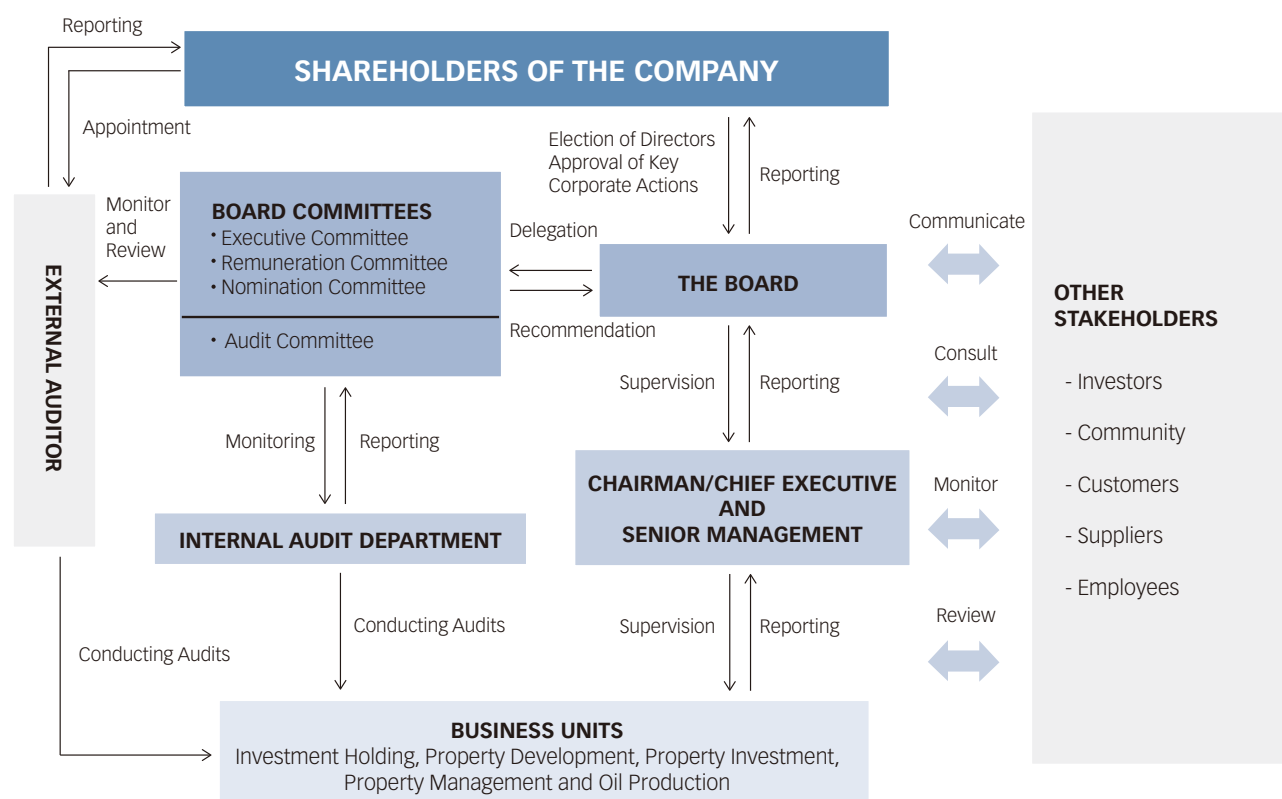
Corporate Governance Practices

The Board of Directors of the Company (the "Board") is accountable to the Company's shareholders for good corporate governance. Accordingly, the Board has considered carefully the requirements of the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities of 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 also 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 from time to time to ensure and maintain the long-term health of the Company.

Throughout the year ended 31 December 2015, the Company has complied with the code provisions of the CG Code ("Code Provision") except Code Provisions A.2.1 (which recommends the roles of the chairman and chief executive should be separate) and A.6.7 (which recommends all non-executive directors should attend general meetings) as explained below:

Corporate Governance Structure



Board of Directors

As at 31 December 2015, the Board comprises nine members: three Executive Directors, being Mr Or Wai Sheun (Chairman), Mr Lai Ka Fai and Mr Or Pui Kwan; two Non-executive Directors, being Ms Ng Chi Man and Mr Yeung Kwok Kwong; and four Independent Non-executive Directors, being Mr Li Kwok Sing, Aubrey, Mr Lok Kung Chin, Hardy, Mr Seto Gin Chung, John and Mr David John Shaw. More than one-third of the Board is Independent Non-executive Directors. Their biographical details which include relationships among members of the Board are set out on pages 32 and 33 of this annual report. In accordance with the Listing Rules, every Independent Non-executive Director has provided an annual confirmation of his independence to the Company. The Company considers that they satisfy the independence requirements.

There was a change in the composition of the Board during the year. Mr Keith Alan Holman retired as the Deputy Chairman and a Non-executive Director of the Company with effect from the conclusion of the 2015 annual general meeting held on 27 May 2015 ("2015 AGM").

The Board is governed by the Companies Ordinance, 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.

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors of the Company 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 at least annually for ensuring that the Directors and officers are adequately protected against potential liabilities.

Chairman of the Board and Chief Executive

Mr Or Wai Sheun, the Chairman, has performed the combined role as the chairman 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 A.2.1 if the existing approach cannot provide an optimal result given the particular structure of the Company.

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 set up a Nomination Committee for formulating nomination policy for consideration of the Board and making recommendations to the Board on the selection, appointment and re-appointment of Directors.

Every existing Non-executive Director was provided with a letter of appointment setting out his/her terms of appointment. In accordance with the Articles of Association, any Director newly appointed shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election. Other existing Directors 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 the CG Code on considering the independency of an Independent Non-executive Director who has served more than nine years for his further appointment. Mr Lok Kung Chin, Hardy, who has served on the Board for more than nine years, was re-elected as Independent Non-executive Director at the 2015 AGM by passing separate resolution at the 2015 AGM. The Board's view on Mr Lok's independent status was set out in the 2015 AGM circular. The re-election of Mr Seto Gin Chung, John, Independent Non-executive Director who has served the Board for more than nine years and Mr David John Shaw, Independent Non-executive Director who, upon 1 June 2016 will serve the Board for more than nine years, will be considered by vote on separate resolutions in the forthcoming 2016 Annual General Meeting.

Board Diversity

With a view to enhance the capability of decision making and effectiveness in dealing with organisational changes, the Company adopted the Board Diversity Policy in which sets out the approach to achieve diversity. The Company has considered the diversity of the Board 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 these factors as measurable objectives when deciding on new appointment to the Board. The current Board is considered well-balanced and of a diverse mix appropriate for the development of the Company. The Nomination Committee monitors the implementation of the Board Diversity Policy and the progress on achieving those measurable objectives.

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 shareholder 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 Directors) which make recommendations to the Board.

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

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

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

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 D.3.1 (Executive Committee), Code Provision C.3.3 (Audit Committee), Code Provision B.1.2 (Remuneration Committee) and Code Provision A.5.2 (Nomination Committee) under the CG Code. The terms of reference of each Board committee is available from the websites of the Company (www.kdc.com.hk) and Hong Kong Exchanges and Clearing Limited (except the one for the Executive Committee) or the Company Secretary upon request.

Executive Committee	
Members:	Mr Or Wai Sheun (Chairman), Mr Lai Ka Fai, Mr Or Pui Kwan and Mr Yeung Kwok Kwong
Key responsibility:	Exercise all general powers of the Board, save and except for reserved matters
Audit Committee	
Members:	Mr Li Kwok Sing, Aubrey [#] (Chairman), Mr Lok Kung Chin, Hardy [#] , Mr Seto Gin Chung, John [#] and Mr Yeung Kwok Kwong
Key responsibility:	Assist the Board in considering how it will apply the financial reporting and risk management and internal control principles and for maintaining an appropriate relationship with the Company's external auditor
Nomination Committee	
Members:	Mr Or Wai Sheun (Chairman), Mr Lok Kung Chin, Hardy [#] and Mr David John Shaw [#]
Key responsibility:	Assist the Board in reviewing the composition of the Board and make recommendation on appointment and re-appointment of Directors
Remuneration Committee	
Members:	Mr Seto Gin Chung, John [#] (Chairman), Mr Lai Ka Fai, Mr Li Kwok Sing, Aubrey [#] and Mr Lok Kung Chin, Hardy [#]
Key responsibility:	Assist the Board in providing appropriate input into the formulation of remuneration policy and reviewing the implementation of the remuneration policy

[#] Independent Non-executive Director

Executive Committee

The Executive Committee comprises all Executive Directors and a Non-executive Director. The committee has been delegated powers to exercise all the general powers save and except for the matters reserved to the Board. The committee meets frequently to manage the Company's business and review corporate policies and strategies.

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

- (i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (v) to review the Company's compliance with the CG Code contained in Appendix 14 of the Listing Rules and disclosure in the Corporate Governance Report of the Company.

During the year, the following corporate governance matters were considered by the Executive Committee:

- performed reviews on the inside information policy and procedures;
- performed reviews on the risk management and internal control systems;
- reviewed and monitored the Company's policies on compliance with legal and regulatory requirements; and
- reviewed the Company's compliance with the CG Code and the disclosure in this corporate governance report.

Audit Committee

The Audit Committee meets at least two times per annum. Its responsibilities include reviewing, assessing and making recommendations to the Board on financial reporting, auditing, risk management and internal control matters and discussing with the auditor and management on issues arising from the annual audit and/or interim review of financial statements.

Three out of four Audit Committee members are Independent Non-executive Directors. The chairman of the committee possesses the relevant financial management expertise or experience. The committee held three meetings and met the external auditor twice during 2015. At the meetings held during the year, the work performed by the Audit Committee included:

- performed reviews on the half yearly and annual results;
- performed reviews on financial and accounting policies and practices of the Group;
- performed reviews on the relationships with external auditor, including remuneration, independence, objectivity, effectiveness of the audit process and non-audit services;

- performed reviews on the effectiveness of risk management and internal control systems including risk management of investment activities, internal audit plan, adequacy of resources of Internal Audit Department (“IAD”) and its Charter; and
- monitored the whistleblowing policy and system for employees and independent third parties who deal with the Company to raise concerns about any suspected impropriety, misconduct or malpractice within the Group.

Nomination Committee

The Nomination Committee comprises three members, two of whom are Independent Non-executive Directors and the chairman of the committee is the Chairman of the Board. The committee meets at least once per annum. Its responsibilities include reviewing the composition of the Board, identifying suitable Board members, assessing independence of the independent Directors and making recommendations to the Board on appointments and re-appointments of directors. The committee also developed selection procedures for candidates and will consider the suitability of a candidate by using various criteria including the perceived needs and the extent to which the interplay within the Board for particular skill, background and business experience; the nominee’s reputation, character and integrity; the nominee’s background with regard to executive compensation; and the independence requirements and legal consideration.

The committee met once during 2015 and the work performed by the Nomination Committee included:

- performed reviews on the structure, size and composition of the Board;
- performed assessment on the independence of independent Directors;
- performed review on the nomination policy; and
- made recommendations to the Board on the re-appointment of Directors and succession planning for Directors.

Remuneration Committee

The Remuneration Committee comprises four members, three of whom are Independent Non-executive Directors. The committee meets at least once per annum. In discharging their duties, they are required to review, assess and make recommendations to the Board on the remuneration policy and structure for all Directors and senior management and to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management. The committee met three times during 2015. At the meetings held during the year, the work performed by the Remuneration Committee included:

- performed reviews on remuneration policy, organisational structure and human resources deployment;
- performed an annual review on remuneration of Executive Directors and senior management; and
- performed a review on directors’ fees proposal submitted by management.

Time Commitment

The Board has regularly reviewed the contribution required from the Directors and is satisfied that all of them have committed sufficient time during 2015 for the fulfillment of their duties as Directors of the Company. The number of the Board, Board committees and general meetings eligible for attendance and attended by each of the Directors during the year is set out below:

Number of meetings attended/Number of meetings held in 2015					
Board Members	Board Meetings	Audit Committee Meetings	Nomination Committee Meeting	Remuneration Committee Meetings	2015 AGM
<i>Executive Directors</i>					
Mr Or Wai Sheun (Chairman)	4/5**	–	1/1	–	1/1
Mr Lai Ka Fai	5/5	–	–	3/3	1/1
Mr Or Pui Kwan*	4/5**	–	–	–	1/1
<i>Non-executive Directors</i>					
Mr Keith Alan Holman (Deputy Chairman)**	1/1	–	–	–	1/1
Ms Ng Chi Man*	4/5**	–	–	–	1/1
Mr Yeung Kwok Kwong	5/5	3/3	–	–	1/1
<i>Independent Non-executive Directors</i>					
Mr Li Kwok Sing, Aubrey	5/5	3/3	–	3/3	0/1#
Mr Lok Kung Chin, Hardy	5/5	3/3	1/1	3/3	1/1
Mr Seto Gin Chung, John	4/5	3/3	–	3/3	1/1
Mr David John Shaw	5/5	–	1/1	–	0/1#
Total meetings held	5	3	1	3	1
Average Attendance Rate	92%	100%	100%	100%	80%

* Family members of Mr Or Wai Sheun.

** Mr Keith Alan Holman retired as the Deputy Chairman and a Non-executive Director with effect from the conclusion of the 2015 AGM.

Mr Li Kwok Sing, Aubrey and Mr David John Shaw were unable to attend the 2015 AGM as they had other business engagements at the time. This explained for the deviation of Code Provision A.6.7 which recommends all non-executive directors to attend general meetings.

** Mr Or Wai Sheun, Mr Or Pui Kwan and Ms Ng Chi Man were absent from the Board meeting held on 24 July 2015 as they had abstained from voting in the meeting.

During 2015, independent Directors had also played vital monitoring roles in a corporate transaction for the provision of an undertaking to the Government of the Hong Kong Special Administrative Region and the Director of Lands for taking up the liability of carrying out some road works and constructing, managing and maintaining two footbridges intended to be located in the proposed new lot to be granted in Tseung Kwan O or in such other positions as may be required or approved in writing by the Director of Lands, at the request of Fulleagle Limited, a company indirectly hold by Mr Or Wai Sheun and his family members, to the Company in July.

Further details of the above transaction is set out in the section headed "Directors' Interests in Transactions, Arrangement or Contracts and Connected Transactions" of the Report of the Directors.

The Board considers that independent 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 to develop and refresh the Directors' knowledge and skills on a regular basis. To ensure Directors' compliance with the Listing Rules and strengthen the Directors' awareness of good corporate governance, the Company continuously updates Directors on the latest developments of the Listing Rules and other applicable regulatory requirements by issuing to them circulars, guidance notes and reading materials. During the year, the Company has 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 2015, the Directors participated in the following trainings as per their records provided to the Company:

Directors	Type of trainings (Note(s))
<i>Executive Directors</i>	
Or Wai Sheun (<i>Chairman</i>)	A, B
Lai Ka Fai	A, B
Or Pui Kwan	B
<i>Non-executive Directors</i>	
Ng Chi Man	B
Yeung Kwok Kwong	A, B
<i>Independent Non-executive Directors</i>	
Li Kwok Sing, Aubrey	A, B
Lok Kung Chin, Hardy	B
Seto Gin Chung, John	A, B
David John Shaw	B

Notes:

A: attending in-house trainings and/or seminars and/or conferences and/or forums

B: reading newspapers, journals, newsletters and updates relating to the economy, general business, real estate, corporate governance or director's duties and responsibilities, etc.

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 his skills and knowledge.

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 Trading Policy

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 to the Listing Rules) as a code of conduct regarding directors' securities transactions (the "Model Code"). 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 black-out 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.

Polytec Holdings International Limited, a company ultimately wholly-owned by a discretionary trust of which Mr Or Wai Sheun is the founder and the discretionary objects of the trust include his family members, is engaged in property investment and development business in Hong Kong, Macau and Mainland China. A right of first refusal in respect of properties or property projects that will be made available to it to acquire or participate in development in these regions has been granted in favour of the Group.

Remuneration Review

The Board is ultimately responsible for the Company's remuneration policy. The Remuneration Committee has been delegated powers to recommend the remuneration policy and structure of all Directors and senior management whilst ensuring no Director is involved in deciding his/her own remuneration.

In determining remuneration packages of Executive Directors and senior management, the committee is required to follow the remuneration policy of the Company that, among others, the remuneration should reflect performance and achievements with a view to attracting, motivating and retaining high performing individuals.

The Non-executive Directors shall be entitled to receive directors' fees as shall from time to time be determined by the Company in general meeting or, if authorised by shareholders, by the Board. The directors' fees for the year were determined after reviewing the pay levels of their peers in corporations of similar size and industry and having taken into account the prevailing market practice, workload, scale and complexity of the Company's business and the responsibility involved.

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

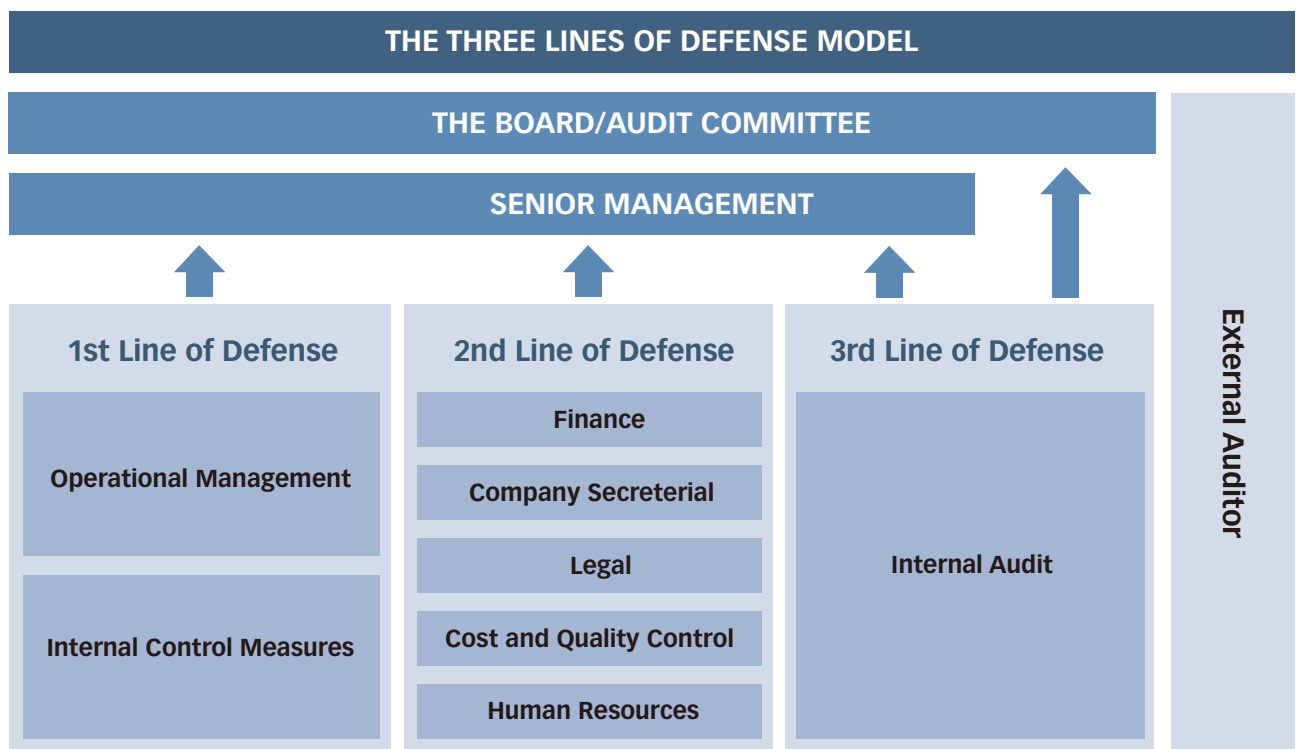
Accountability and Audit

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. The management provides all members of the Board with monthly updates in order to give a balanced and understandable assessment of the Group’s performance, position and prospects to enable them to discharge their duties.

Risk Management and Internal Control

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

The Group’s risk management structure meets with 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.



The Group’s risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss; to manage rather than completely eliminate the risks of failure in operational systems. The systems play a key role in the management of risks that are significant to the achievement of corporate objectives, ensuring good corporate practice, safeguarding the shareholders’ investments and the Group’s assets. The systems comprise the Group’s policies and procedures, and standards to ensure effective management, including a well-defined organisational structure with specified authority limits and areas of responsibility, basis for review of financial performance, application of financial reporting standards, maintenance of proper accounting records, assurance of reliable financial information, and compliance with relevant laws and regulations.

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

The Board believes that the quality of corporate governance is influenced by the corporate culture. Therefore, the Group is determined to foster and maintain high standards of professional conduct and business ethics. Code of conduct is set out in the Group's staff handbook which puts all our employees under special obligations in maintaining the highest standard of honesty and trustworthiness in their jobs. The whistleblowing policy, which is posted on the Company's website and the Group's intranet, has established an effective channel allowing employees to communicate their concerns and findings upwards to the management. In addition, the Group has applied relevant controls on handling of inside information by relevant employees, including controls over the dissemination of such information and their dealings in the Group's shares.

Internal Audit

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

The IAD adopts a risk-based approach in conducting internal reviews, including financial, operational, compliance and risk management control functions, and monitors the operational compliance with the Group's policies and procedures. The internal audit plan and reporting documents of the Group for the year ended 31 December 2015 were prepared by the IAD, and issued to the Audit Committee and the Board for review. The IAD monitors the issues raised to ensure they are addressed and managed properly by the management.

During the year, the Audit Committee had three meetings with the Head of IAD to discuss the role, objectives, scope and job progress of internal audit functions.

The Board, through the Audit Committee and IAD, reviewed the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget at the Board meeting held in March 2016. Based on the result of the review in respect of the year ended 31 December 2015, the Board considered that the risk management and internal control systems were effective and adequate and noted that the Group has been in compliance with the Code Provision for the year 2015.

Financial Reporting

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

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

A statement of the Company's external auditor about their reporting responsibilities is included in the Independent Auditor's Report on page 57 of the Annual Report.

Inside Information

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

External Auditor

External auditor performed some non-audit services during the year. Breakdown of their remuneration is set out below:

	2015 HK\$'000
Audit services	5,290
Non-audit services	989
Tax and business advisory services	55
Other services	934

During the year, the Audit Committee met with the external auditor twice to discuss matters about their independence status to ensure they performed objectively and any issues arising from the audit. External auditor confirmed in writing of their independence.

Shareholder Relations

The Board has established the Shareholders Communication Policy and dedicated to maintain an on-going dialogue with the shareholders and the investment community. The policy is subject to review regularly to ensure its effectiveness. It aims to ensure the shareholders and the investment community are provided with ready and timely access to all publicly available information about the Company so as to enable the shareholders to exercise their rights in an informed manner and to allow the shareholders and investment community to engage actively with the Company. Information is communicated to them mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings, as well as disclosure on the websites of Hong Kong Exchanges and Clearing Limited and the Company. The Company has also taken its own initiative to disclose the price-sensitive information in a timely manner and to comply with the latest statutory requirement under Part XIVA of the Securities and Futures Ordinance.

The general meeting of the Company provides a forum for effective communication with shareholders. The Chairmen of the Board and its committees or, if he/they cannot present, fellow Directors are available to answer questions at the general meeting.

During the year, the Board met and communicated with shareholders at the 2015 AGM and the notice of which was distributed to all shareholders not less than twenty clear business days before the meeting. At the meeting, the Chairman demanded for a poll and the Company's share registrar was appointed as scrutineer for the votetaking. The external auditor had also attended the 2015 AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

The most recent shareholders' meeting was the 2015 AGM held at Crystal Ballroom, Holiday Inn Golden Mile Hong Kong. The matters resolved at the 2015 AGM and the percentage of votes cast in favour of the resolutions are set out below:

- To receive and consider the audited accounts together with the reports of the directors and auditor thereon for the year ended 31 December 2014 (100%)
- To declare a final dividend for the year ended 31 December 2014 (100%)
- To re-elect Mr Or Pui Kwan, Mr Yeung Kwok Kwong and Mr Lok Kung Chin, Hardy as Directors and authorise the Board to fix the directors' remuneration (99.810%, 95.135%, 99.696% and 99.967% respectively)
- To re-appoint KPMG as auditor and authorise the Board to fix the auditor's remuneration (99.989%)
- To grant a general mandate to the directors to allot, issue and deal with additional shares not exceeding 20% of the aggregate number of the issued shares of the Company (95.544%)
- To grant a general mandate to the directors to repurchase shares not exceeding 10% of the aggregate number of the issued shares of the Company (99.994%)
- To extend the general mandate to the directors to issue new shares by adding the number of the shares repurchased (95.615%)

The Company's website (www.kdc.com.hk) serves as a communication tool, in which company's announcements, circulars to shareholders, notices of general meetings and financial reports 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 the website of the Company is updated on a regular basis.

Shareholders can direct their questions about their shareholdings to the Company's share registrar. They can request for publicly available information of the Company from the Company Secretary.

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.

As far as our Directors are aware, the Company has maintained a sufficient public float of its share capital in the Hong Kong stock market throughout the financial year 2015.

Shareholders' Rights

Procedures for shareholders to propose a person for election as a director

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

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

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

Procedures for shareholders to put forward proposals at general meetings

- Shareholders may propose resolution at general meetings by submitting a written requisition. The number of shareholders shall be (i) not less than one-fortieth (1/40) of the total voting rights of all members or (ii) not less than fifty shareholders holding shares in the Company on which there has been paid up an average sum, per member, of not less than HK\$2,000.
- The written requisition must state the proposed resolution, along with a statement of not more than one thousand words with respect to the matter referred to in the resolution or the business to be dealt with at the general meeting. It must also be signed by the requisitionists and deposited at the Company's registered office for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution and not less than one week in the case of any other requisition.
- The requisition will be verified with the Company's share registrar and upon their confirmation that the requisition is in order, the Company will give notice of the resolution or circulate the statement provided that the requisitionists have deposited a sum reasonably sufficient to meet the Company's expenses in regard thereto.
- If the requisition is verified to be not in order or the requisitionists have failed to deposit sufficient money to meet the Company's expenses for the said purpose, the requisitionists 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

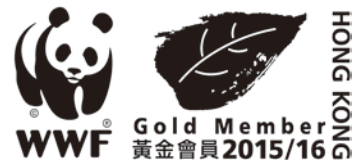
Shareholders may make enquiries or direct concerns to the Board in writing by addressing to the Company Secretary by mail at 23rd Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong or by email to enquiry@kdc.com.hk.

Other Information

Corporate Citizenship

The Company is committed to enhance corporate citizenship and has become a corporate member of WWF-Hong Kong since 2007. We continue to support their conservation and education works.

Besides making charitable donations, we have also taken part in "Earth Hour 2015", "Charity Cookies" and "Dress Casual Day" held by WWF-Hong Kong, Madam Hong's Bakery (established by Ngai Shing Workshop of Fu Hong Society) and The Community Chest respectively.



In addition, the Company was awarded "5 years plus Caring Company" Logo by The Hong Kong Council of Social Service in recognition of our achievement in corporate social responsibility.

Report of the Directors

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2015.

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 activities of the Company are property investment and investment holding. Its subsidiaries are principally engaged in investment holding, property development, property investment, property management and oil production. The principal activities and particulars of its principal subsidiaries are set out in note 27 on the financial statements.

Further discussion and analysis of the above activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the business and 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 2015, 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 the Annual Report. The aforesaid sections form part of this report.

Dividends

An interim dividend of HK\$0.21 per share (2014: HK\$0.21 per share) was paid on 10 November 2015. The Directors now recommend that a final dividend of HK\$0.37 per share (2014: HK\$0.36 per share) be paid in respect of the year ended 31 December 2015.

Share Capital

Movements in share capital during the year are set out in note 22(b) on 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 2015.

Reserves

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

Oil Reserves

Except for the production during the year under review, there has been no material change in the oil reserves of the Group.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at 31 December 2015 are set out in notes 19 to 21 on the financial statements.

Finance Costs Capitalised

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

Donations

Charitable donations made by the Group during the year amounted to HK\$1,938,000 (2014: HK\$1,014,000).

Properties

Particulars of major properties and property interests of the Group are shown on pages 128 to 132 of the 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 the Annual Report.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Directors

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

Mr Or Wai Sheun, *Chairman and Executive Director*

Mr Keith Alan Holman, *Deputy Chairman and Non-executive Director*

(retired with effect from the conclusion of the Annual General Meeting held on 27 May 2015)

Mr Lai Ka Fai, *Executive Director*

Mr Or Pui Kwan, *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 Seto Gin Chung, *John, Independent Non-executive Director*

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

In accordance with Article 105 of the Articles of Association of the Company, Mr Or Wai Sheun, Mr Seto Gin Chung, John and Mr David John Shaw will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Particulars of the Directors' emoluments, disclosed pursuant to Section 383 of the Companies Ordinance and Appendix 16 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are set out in note 5(a) on the financial statements.

Brief biographical particulars of all Directors are given on pages 32 and 33 of the Annual Report.

Directors of Subsidiaries

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

Director's Service Contracts

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

Directors' Interests and Short Positions

As at 31 December 2015, the interests of the Directors in the shares of the Company and Polytec Asset Holdings Limited ("Polytec Asset") as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO"), 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"), are set out below:

1. Long positions in the shares of the Company

Name	Nature of interests	Number of ordinary shares	Percentage of shareholding (Note 1)	Note
Or Wai Sheun	Founder and beneficiary of a trust	830,770,124		2
		277,500		3
	831,047,624	72.22%		
Ng Chi Man	Beneficiary of a trust	830,770,124	72.20%	2
Or Pui Kwan	Beneficiary of a trust	830,770,124		2
		43,500		
	830,813,624	72.20%		
Lok Kung Chin, Hardy	Founder and beneficiary of trusts	1,425,000	0.12%	4
Lai Ka Fai	Personal	751,000	0.07%	
David John Shaw	Personal	133,500		5
		67,000		
	200,500	0.02%		
Yeung Kwok Kwong	Personal	180,000	0.02%	

2. Long positions in the shares of Polytec Asset

Name	Nature of interests	Number of ordinary shares	Percentage of shareholding (Note 6)	Note
Or Wai Sheun	Founder and beneficiary of a trust	3,260,004,812	73.44%	7
Ng Chi Man	Beneficiary of a trust	3,260,004,812	73.44%	7
Or Pui Kwan	Beneficiary of a trust Personal	3,260,004,812	73.60%	7
		<u>7,000,000</u>		
		3,267,004,812		
Yeung Kwok Kwong	Personal	2,000,000	0.05%	
Lai Ka Fai	Personal	430,000	0.01%	

Notes:

- (1) The percentage of shareholding is calculated based on 1,150,681,275 shares, being the total number of issued ordinary shares of the Company as at 31 December 2015.
- (2) Such interest in shares is held by Intellinsight Holdings Limited ("Intellinsight"), a wholly-owned subsidiary of Polytec Holdings International Limited ("Polytec Holdings") which is wholly-owned by Ors Holdings Limited ("OHL"). OHL is in turn wholly-owned by a discretionary trust, the trustee of which is HSBC International Trustee Limited.
- As Mr Or Wai Sheun is the founder of the trust and the discretionary objects of the trust include Mr Or Wai Sheun, Ms Ng Chi Man (his wife) and Mr Or Pui Kwan (his son), they are taken to be interested in the same block of shares held by the trust.
- (3) Such interest in shares is held by China Dragon Limited which is wholly-owned by Mr Or Wai Sheun.
- (4) Such interest in shares is owned by discretionary trusts of which Mr Lok Kung Chin, Hardy is the founder and a beneficiary respectively.
- (5) Such interest in shares is held by the spouse of Mr David John Shaw.
- (6) The percentage of shareholding is calculated based on 4,438,967,838 shares, being the total number of issued ordinary shares of Polytec Asset as at 31 December 2015. Polytec Asset is an associated corporation of the Company.
- (7) The three references to 3,260,004,812 shares in Polytec Asset relate to the same block of shares held by Marble King International Limited, a wholly-owned subsidiary of the Company. By virtue of the deemed interest in the shares of the Company as described in note (2) above, Mr Or Wai Sheun, Ms Ng Chi Man and Mr Or Pui Kwan are taken to be interested in the shares of Polytec Asset.

Save as disclosed above, as at 31 December 2015, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and 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 or 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 Shareholders' Interests

As at 31 December 2015, shareholders (other than Directors and the chief executive of the Company) who had interests or short positions in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO are set out below:

Name	Nature of interests	Number of ordinary shares	Percentage of shareholding (Note 1)	Note
HSBC International Trustee Limited	Trustee	832,016,474	72.30%	2
Ors Holdings Limited	Corporate	830,770,124	72.19%	3

Notes:

- (1) The percentage of shareholding is calculated based on 1,150,681,275 shares, being the total number of issued ordinary shares of the Company as at 31 December 2015.
- (2) Based on information available to the Company and subsequent to the recording in the register as required by SFO set out in the table above, there were share movements which were not required to disclose under SFO as at 31 December 2015. HSBC International Trustee Limited was then taken to be interested in 831,617,074 shares of the Company. Such interest included the shares owned by a company as described in note (2) under the section headed "Directors' Interests and Short Positions".
- (3) Such interest in shares is held by Intellinsight as described in note (2) under the section headed "Directors' Interests and Short Positions".

All the interests disclosed above represent long positions in the shares of the Company.

Save as disclosed above, as at 31 December 2015, the Company had not been notified by any persons (other than the Directors or the 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, Arrangement or Contracts and Connected Transactions

During the year ended 31 December 2015 and up to the date of this report, the Group conducted the following transactions which constituted connected transactions for the Company under the Listing Rules:

- (1) On 24 July 2015, at the request of Fulleagle Limited ("Fulleagle"), a wholly-owned subsidiary of Polytec Holdings, the Company has given an undertaking to the Government of the Hong Kong Special Administrative Region and the Director of Lands for taking up the liability of carrying out some road works and constructing, managing and maintaining two footbridges intended to be located respectively in the positions shown and marked "PROP. FB1" and "PROP. FB2" on PLAN I annexed to the grant of the proposed new lot to be known as Tseung Kwan O Town Lot No. 121 or in such other positions as may be required or approved in writing by the Director of Lands at his sole discretion in the event of Li Profit Limited ("Li Profit") fails to do so (the "Undertaking").

- (2) On 14 January 2016, the Company entered into an agreement with Polytec Holdings a share purchase agreement pursuant to which, the Company agreed to acquire the entire issued capital of Fulleagle together with the assignment of loan for an aggregate consideration of HK\$184,480,155 (the "Acquisition"). Fulleagle held an indirect interest in Junk Bay Town Lot No. 2 and the Extension thereto and Tseung Kwan O Town Lot No. 22 through its wholly-owned subsidiary, Li Profit.

Polytec Holdings is ultimately wholly-owned by a discretionary trust of which Mr Or Wai Sheun (the Chairman of the Company) is the founder and the discretionary objects of the trust include Mr Or Wai Sheun, Ms Ng Chi Man (a Non-executive Director) and Mr Or Pui Kwan (an Executive Director). As at 14 January 2016, Fulleagle is beneficially wholly-owned by Polytec Holdings and Polytec Holdings through its wholly-owned subsidiary, Intellinsight, held 72.20% interest of the Company.

Given that each of Polytec Holdings and Fulleagle is indirectly owned by Mr Or Wai Sheun and his family members (of which Ms Ng Chi Man and Mr Or Pui Kwan are also Directors of the Company) as at 14 January 2016, Polytec Holdings and Fulleagle are connected persons of the Company. Accordingly, the Undertaking and the Acquisition constituted connected transactions for the Company under the Listing Rules. Details of the transactions were disclosed in the announcements of the Company dated 24 July 2015 and 14 January 2016 respectively.

The Company has complied with the disclosure requirements for the above connected transactions in accordance with Chapter 14A of the Listing Rules. Save as disclosed above and the sections headed "Interests in property development" and "Material related party transactions" as set out in notes 13 and 29 on the financial statements, none of the Directors of the Company was materially interested in any transaction, arrangement or contract entered into by the Company, its subsidiaries or holding companies or its fellow subsidiaries which transaction, arrangement or contract subsisted at the end of the year or at any time during the year and which was significant in relation to the business of the Company and its subsidiaries.

Permitted Indemnity Provision

A permitted indemnity provision (as defined in Section 469 of the Companies Ordinance) for the benefit of the Directors of the Company 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 the Annual Report.

Changes in Information of Directors

Save for the Directors' emoluments which set out in note 5(a) on the financial statements, 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 2015, 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 28 on 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 of the Company 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 48 of the Annual Report.

Review of Financial Statements

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2015, including the accounting principles and practices adopted by the Group, in conjunction with the Company's auditor.

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

The Register of Members of the Company will be closed from Monday, 11 July 2016 to Tuesday, 12 July 2016, both dates inclusive. During which 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 on Friday, 8 July 2016.

Auditor

The Group's consolidated financial statements for the year ended 31 December 2015 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, 23 March 2016

Independent Auditor's Report



Independent auditor's report to the shareholders of Kowloon Development Company Limited *(Incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Kowloon Development Company Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 58 to 127, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

KPMG

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

23 March 2016

Consolidated Income Statement

For the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Note	2015 \$'000	2014 \$'000
Turnover	3	3,992,952	3,150,473
Cost of sales		(2,467,218)	(1,613,698)
Other revenue		27,651	44,281
Other net income	4(a)	154,594	2,779
Depreciation and amortisation		(17,852)	(17,404)
Staff costs		(206,505)	(184,489)
Selling, marketing and distribution expenses		(365,783)	(257,699)
Impairment of oil production and exploitation assets	2(g)	(170,000)	(212,000)
Other operating expenses		(114,069)	(87,963)
Fair value changes on investment properties	10	441,674	363,058
Profit from operations		1,275,444	1,187,338
Finance costs	4(b)	(162,762)	(168,758)
Share of profits/(losses) of associated companies	4(d)	3,939	(19,865)
Share of profits of joint ventures	4(e)	290,711	285,237
Profit before taxation	4	1,407,332	1,283,952
Income tax	6(a)	(177,872)	(230,874)
Profit for the year		1,229,460	1,053,078
Attributable to:			
Shareholders of the Company		1,202,040	1,040,717
Non-controlling interests		27,420	12,361
Profit for the year		1,229,460	1,053,078
Earnings per share – Basic/Diluted	7	\$1.04	\$0.90

The notes on pages 64 to 127 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	2015 \$'000	2014 \$'000
Profit for the year	1,229,460	1,053,078
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	(247,962)	(12,532)
Changes in fair value of interests in property development	(112,549)	309,601
Share of other comprehensive income of joint ventures and associated companies	(180,384)	(12,349)
	(540,895)	284,720
Total comprehensive income for the year	688,565	1,337,798
Attributable to:		
Shareholders of the Company	711,465	1,245,009
Non-controlling interests	(22,900)	92,789
Total comprehensive income for the year	688,565	1,337,798

The notes on pages 64 to 127 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2015
(Expressed in Hong Kong dollars)

	Note	2015		2014	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets					
			11,156,633		10,646,498
			203,279		209,884
			616,389		837,103
	10		11,976,301		11,693,485
Oil exploitation assets	12		49,325		66,257
Interests in property development	13		12,114,871		12,227,420
Interest in joint ventures	14		3,140,725		2,953,007
Interest in associated companies	15		2,137,106		2,282,764
Loans and advances	17		895,742		54,221
Deferred tax assets	9(a)		116,244		109,309
			30,430,314		29,386,463
Current assets					
Inventories	16	16,273,680		17,079,825	
Trade and other receivables	17	1,495,488		744,482	
Loans and advances	17	29,760		15,985	
Amount due from a joint venture	14	56,209		40,009	
Financial investments		–		21,945	
Pledged bank deposits	26	15,000		15,000	
Cash and bank balances		1,176,439		1,157,340	
			19,046,576		19,074,586
Current liabilities					
Trade and other payables	18	6,173,325		5,375,265	
Amounts due to non-controlling interests	19	200,000		200,000	
Amount due to a joint venture	14	741,841		787,838	
Bank loans	21	1,796,600		1,343,400	
Current taxation		161,144		332,703	
			9,072,910		8,039,206
Net current assets			9,973,666		11,035,380
Total assets less current liabilities			40,403,980		40,421,843

Consolidated Statement of Financial Position

At 31 December 2015


(Expressed in Hong Kong dollars)

	Note	2015		2014	
		\$'000	\$'000	\$'000	\$'000
Non-current liabilities					
Loan from ultimate holding company	20	5,587,640		6,778,980	
Loan from a fellow subsidiary	20	851,803		–	
Bank loans	21	6,910,458		6,574,346	
Other payables		23,342		38,679	
Deferred tax liabilities	9(a)	927,126		950,651	
			14,300,369		14,342,656
NET ASSETS					
			26,103,611		26,079,187
Capital and reserves					
Share capital	22(b)	8,417,472		8,417,472	
Reserves		14,476,678		14,421,101	
Total equity attributable to the shareholders of the Company					
			22,894,150		22,838,573
Non-controlling interests					
			3,209,461		3,240,614
TOTAL EQUITY					
			26,103,611		26,079,187

Approved and authorised for issue by the board of directors on 23 March 2016.



Or Wai Sheun
Director



Lai Ka Fai
Director

The notes on pages 64 to 127 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Attributable to shareholders of the Company						Total \$'000	Non- controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Fair value reserves \$'000	Exchange reserves \$'000	Retained profits \$'000			
At 1 January 2014	115,068	8,302,404	1,673	2,031,198	955,288	10,845,078	22,250,709	3,183,159	25,433,868
Changes in equity for 2014									
Profit for the year	-	-	-	-	-	1,040,717	1,040,717	12,361	1,053,078
Other comprehensive income	-	-	-	228,109	(23,817)	-	204,292	80,428	284,720
Total comprehensive income	-	-	-	228,109	(23,817)	1,040,717	1,245,009	92,789	1,337,798
Dividends approved in respect of the previous year	-	-	-	-	-	(414,245)	(414,245)	-	(414,245)
Dividends approved in respect of the current year	-	-	-	-	-	(241,643)	(241,643)	-	(241,643)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(35,334)	(35,334)
Transition to no-par value regime on 3 March 2014	8,302,404	(8,302,404)	-	-	-	-	-	-	-
Disposal of subsidiaries	-	-	(1,257)	-	-	-	(1,257)	-	(1,257)
At 31 December 2014	8,417,472	-	416	2,259,307	931,471	11,229,907	22,838,573	3,240,614	26,079,187
At 1 January 2015	8,417,472	-	416	2,259,307	931,471	11,229,907	22,838,573	3,240,614	26,079,187
Changes in equity for 2015									
Profit for the year	-	-	-	-	-	1,202,040	1,202,040	27,420	1,229,460
Other comprehensive income	-	-	-	(85,613)	(404,962)	-	(490,575)	(50,320)	(540,895)
Total comprehensive income	-	-	-	(85,613)	(404,962)	1,202,040	711,465	(22,900)	688,565
Dividends approved in respect of the previous year	-	-	-	-	-	(414,245)	(414,245)	-	(414,245)
Dividends approved in respect of the current year	-	-	-	-	-	(241,643)	(241,643)	-	(241,643)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(8,253)	(8,253)
At 31 December 2015	8,417,472	-	416	2,173,694	526,509	11,776,059	22,894,150	3,209,461	26,103,611

As at 31 December 2015, loans from non-controlling interests of \$2,696,000 (2014: \$2,523,000) are classified as equity being the capital contributions to subsidiaries by the non-controlling interests.

The notes on pages 64 to 127 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Note	2015 \$'000	2014 \$'000
Net cash generated from operating activities	23(a)	202,229	991,341
Investing activities			
Proceeds from sale of fixed assets		62	212
Proceeds from sale of investment properties		5,096	–
Additions to fixed assets and oil exploitation assets		(39,643)	(63,557)
Decrease in pledged bank deposits		–	17,834
Decrease in loan to an associated company		17,758	91,298
Dividend received from a joint venture		54,448	14,500
Increase in bank deposits with maturity more than 3 months		(7,433)	–
Proceeds from disposal of interests in subsidiaries	23(b)	10	–
Net cash generated from investing activities		30,298	60,287
Financing activities			
Drawdown of bank loans		2,807,130	3,076,987
Repayment of bank loans		(2,017,818)	(355,122)
Decrease in loan from ultimate holding company		(1,191,340)	(2,549,309)
Increase in loan from a fellow subsidiary		851,803	–
Dividends paid to shareholders of the Company		(654,793)	(655,041)
Dividends paid to non-controlling interests		(8,253)	(35,334)
Net cash used in financing activities		(213,271)	(517,819)
Net increase in cash and cash equivalents		19,256	533,809
Cash and cash equivalents at 1 January		1,157,340	623,966
Effect of foreign exchange rate changes		(7,590)	(435)
Cash and cash equivalents at 31 December		1,169,006	1,157,340
Analysis of balances of cash and cash equivalents at 31 December			
Cash and bank balances		1,176,439	1,157,340
Less : Bank deposits with maturity more than 3 months		(7,433)	–
Cash and cash equivalents		1,169,006	1,157,340

The notes on pages 64 to 127 form part of these financial statements.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong 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"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(d) 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 these financial statements.

(b) Measurement basis

The measurement basis used in the preparation of the financial statements is the historical cost basis except for the investment properties, interests in property development and financial instruments classified as held for trading and available-for-sale investments, which are measured at their fair values, as explained in the accounting policies set out below.

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

(c) Basis of consolidation

The consolidated financial statements include the financial statements of Kowloon Development Company Limited and all of its subsidiaries made up to 31 December, together with the Group's share of the results for the year and net assets of its associated companies and joint ventures. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or to the date of their acquisition or disposal, as appropriate. All material intercompany transactions and balances are eliminated on consolidation.

1 Significant accounting policies *(Continued)*

(d) Changes in accounting policies

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

These amendments do not have an impact on these financial statements.

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

(e) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(r)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1 Significant accounting policies *(Continued)*

(f) Interest in subsidiaries and non-controlling interests

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

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

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

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

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

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

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

1 Significant accounting policies *(Continued)*

(g) Associated companies and joint ventures

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

A joint venture is an arrangement whereby the Group or the Company and other parties contractual 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). 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. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investee and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of comprehensive income.

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

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

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

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

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

1 Significant accounting policies *(Continued)*

(h) Fixed assets

(i) 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 independent firm of professional valuers on a market value basis. Investment properties are stated in the statement of financial position at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair values cannot be reliably measured at that time in which case they are stated at cost less any impairment losses. All changes in fair value of investment properties are recognised directly in the consolidated income statement.

(ii) Leasehold land and buildings held for own use

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

Leasehold buildings held for own use which are situated on leasehold land classified as held under operating lease are stated in the statement of financial position at cost less accumulated depreciation and impairment losses.

(iii) Other property, plant and equipment

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

(iv) Gains or losses arising from the retirement or disposal of an item of fixed assets 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 stated at fair value. Changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, unless there is objective evidence that the interests in property development have been impaired, whereupon any amount held in fair value reserve in respect of the interests in property development is transferred to the consolidated income statement for the period in which the impairment is identified. Any reversals of impairment losses are recognised in the consolidated income statement. The fair value of interests in property development is determined based on the estimated entitlements to the interests in property development. The amount of impairment loss is the difference between the cost (net of any distributions) and current fair value, less any impairment loss on the interests in property development previously recognised in the consolidated income statement. When the interests in property development are derecognised, the cumulative gain or loss previously recognised in equity is transferred to the consolidated income statement.

(j) Oil exploitation assets

Costs incurred for the acquisition and maintenance of the exploitation rights of the Group's oil exploration and production activities are capitalised as oil exploitation assets. Oil exploitation assets are stated at cost less accumulated amortisation and impairment losses. The amortisation is calculated based on unit of production method based upon the estimated proved and probable oil reserves.

1 Significant accounting policies *(Continued)*

(k) Inventories

(i) Land held for future development

Land 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 the estimated net realisable value. The cost comprises the acquisition cost of 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 the 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.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts.

(m) Financial assets

The Group's and the Company's policies for financial assets, other than investments in subsidiaries, associated companies and joint ventures, are as follows:

Financial assets are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. These assets are subsequently accounted for as follows, depending on their classification:

Financial investments held for trading are classified as current assets. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in the income statement. The net gain or loss recognised in the income statement does not include any dividends or interest earned on these investments as they are recognised in accordance with the policies set out in note 1(t)(v) and 1(t)(vi).

1 Significant accounting policies *(Continued)*

(m) **Financial assets** *(Continued)*

Financial assets which do not fall into any of the above categories are classified as available-for-sale investments. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(r)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 1(t)(v) and 1(t)(vi) respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debts securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note 1(r)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(n) **Trade and other payables**

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(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 and subsequently stated at amortised cost. Any difference between the amount initially recognised and the redemption value is amortised to the income statement or cost of the qualifying assets over the period of the borrowings, together with any interest and fees payable, 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.

1 Significant 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) Oil production assets

Oil production assets include all the fixed assets arising from oil exploration and production activities. Depreciation of certain oil production assets is calculated based on a unit of production method based upon the estimated proved and probable oil reserves to write off the cost of each asset, less any estimated residual value.

(iii) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and impairment losses. Future estimated dismantling and restoration costs of other fixed assets are discounted at appropriate rates and are capitalised as part of the costs of other fixed assets, 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.

Except for certain oil production assets as set out in note 1 (q)(ii) above, 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) Impairment of assets

(i) Impairment of investments in debt and equity securities, interests in property development and other receivables

Investments in debt and equity securities, interests in property development and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

1 Significant accounting policies *(Continued)*

(r) Impairment of assets *(Continued)*

(i) Impairment of investments in debt and equity securities, interests in property development and other receivables *(Continued)*

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associated companies and joint ventures accounted for under the equity method in the consolidated financial statements (see note 1(g)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(r)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(r)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For interests in property development, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 Significant accounting policies *(Continued)*

(r) 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 (other than properties carried at fair values);
- leasehold land held for own use;
- intangible assets;
- goodwill; 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).
- Recognition of impairment losses
An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).
- Reversals of impairment losses
In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

1 Significant accounting policies *(Continued)*

(r) Impairment of assets *(Continued)*

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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, interests in property development, available-for-sale equity securities and unquoted equity securities carried at cost 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. Consequently, if the fair value of an available-for-sale equity securities or interests in property development increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(s) Income tax

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

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

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

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

1 Significant accounting policies *(Continued)*

(t) Recognition of revenue

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(ii) Sale of properties

Revenue arising from sale of properties is recognised upon the later of the execution of a binding sale agreement and when the relevant occupation permit/completion certificate is issued by the respective building authority, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer and is net of business tax. Payments received from the purchasers prior to this stage are recorded as deposits received on sale of properties in the statement of financial position.

(iii) Income from interests in property development

Revenue from interests in property development is recognised when the distribution in respect of the investment is entitled.

(iv) Sale of crude oil

Revenue arising from the sale of crude oil is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither continuous managerial involvement to the degree usually associated with ownership, nor effective control over the crude oil sold.

(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 on a time-apportionment basis throughout the life of the asset concerned.

1 Significant accounting policies *(Continued)*

(u) Translation of foreign currencies

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

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

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

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

(v) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

The amount of the guarantee initially recognised as deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

1 Significant accounting policies *(Continued)*

(v) Financial guarantees issued, provisions and contingent liabilities *(continued)*

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(v)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 1(v)(iii).

(iii) 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.

(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.

1 Significant accounting policies *(Continued)*

(w) Related parties *(continued)*

(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 associate or joint venture of the other entity (or an associate 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 associate 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.

(x) Operating lease charges

Where the Group has the use of assets held under operating lease, payments made under the leases are charged to 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 received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(h)(i)) or is held for development for sale (see note 1(k)(i)).

1 Significant accounting policies *(Continued)*

(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.

(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 entity'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) Depreciation and amortisation

The Group depreciates fixed assets other than properties and oil production assets on a straight-line basis over the estimated useful lives of 2 to 10 years, and after taking into account of its estimated residual value, using the straight-line method, commencing from the date the asset is placed into productive use. The estimated useful lives reflect the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's assets.

Certain oil production assets and oil exploitation assets are depreciated and amortised based on a unit of production method based upon the estimated proved and probable oil reserves. The estimates of the Group's oil reserves are the best estimates based on the information currently available to the management and represent only approximate amounts because of the subjective judgements involved in developing such information. Oil reserve estimates are subject to revision, either upward or downward, based on new relevant information. Changes in oil reserves will affect unit of production depreciation, amortisation and depletion recorded in the Group's consolidated financial statements for oil production assets and oil exploitation assets related to oil production activity. A reduction in oil reserves will increase depreciation, amortisation and depletion charges.

(b) Allowances for bad and doubtful debts

The policy for allowances for bad and doubtful debts of the Group is based on the evaluation of collectability, ageing analysis of debtors, realisable values of collateral and on management's judgement. A considerable amount of judgement is required in assessing the ultimate recoverability of receivables and loans and advances, including making references to the current creditworthiness and the past collection history of each customer.

(c) Estimation of fair value of investment properties

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

The fair value of investment properties is assessed semi-annually by independent 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 assessed semi-annually by independent 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.

2 Critical accounting judgements and key sources of estimation uncertainty *(Continued)*

(d) **Estimation of provision for land held for future development and properties under development and held for sale**

Management determines the net realisable value of land 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 independent property valuers.

Management's assessment of net realisable value of land 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 completion of properties and legal and regulatory framework and general market conditions.

(e) **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, the Group 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 the market development and terms provided under the co-investment agreements. Any adverse change in the key assumptions could decrease the fair value.

Interests in property development represent the Group's interests in the development of two properties located at Lote P and Lotes T+T1 of Novos Aterros da Areia Preta, in Macau and one property located at Huizhou, in Mainland China under the co-investment agreements with the ultimate holding company, Polytec Holdings International Limited ("Polytec Holdings") and two of its wholly owned subsidiaries.

In respect of the development project at Lote P, its land concession was made in December 1990 which use was successfully converted from industrial to residential and commercial in 2006, with a lease term of 25 years ending on 25 December 2015 (the "Expiry Date"). It is renewable every 10 years until 2049 if the project could be completed on or before the Expiry Date and become a definite land concession. However, in September 2013, the Macau Special Administrative Region Government (the "Macau SAR Government") promulgated the Macau new Land Law (the "MNLL") which came into effect in March 2014. The MNLL provides that the Macau SAR Government will have the right to resume the land of any property development that is not completed and/or where the conditions as stated in the land concession for which have not been fulfilled by the stipulated expiry date without any compensation to the property owner. Owing to the delays caused by the Macau SAR Government in granting the requisite approvals and permits for the development of the project, the project could not commence until August 2014. As a result, the construction work could not be completed by the Expiry Date and all construction work is currently suspended. An application had been made to the Macau SAR Government for an extension of the Expiry Date but was declined by the relevant department of the Macau SAR Government.

2 Critical accounting judgements and key sources of estimation uncertainty *(Continued)*

(e) **Estimation of fair value of interests in property development** *(Continued)*

Based on a legal opinion received by the Group, Polytex Corporation Limited ("PCL"), the registered owner of the property of the project and a wholly owned subsidiary of the ultimate holding company of the Company, has sufficient grounds to apply to the Courts of the Macau SAR including the Tribunal Administrativo for remedies in all aspects to continue and complete the project. A few legal actions have been initiated by the legal representatives of PCL and are now in progress. Based on the opinion of the legal expert, the Courts will consider and judge on the essential points regarding the delays caused by the Macau SAR Government and the right of PCL to claim for compensation of time in order to allow the completion of the construction work of the Lote P development project and deliver the properties to the respective purchasers.

As the outcome of these court proceedings is still uncertain, management of the Company have taken into account all available evidence, including the opinion of legal experts, in preparing the discounted cash flow model in order to assess the fair value of the project. Management of the Company believe that PCL has strong legal grounds to obtain a favourable judgment so that the Lote P development project could be re-activated and completed. The construction work will be resumed as soon as practicable subject to a favourable judgment being obtained and relevant approvals being given by the Macau SAR Government. No impairment for the interests in property development was considered necessary at 31 December 2015.

In respect of the development project at Lotes T+T1, the expiry date of the land concession is 5 July 2017. Based on the current status of the development, management consider that the Lotes T+T1 project will be completed before the expiry date.

One of the key assumptions for the discounted cash flow model to measure the fair value of the interest in property development of Lote P is the completion time. As at 31 December 2015, it is estimated that deferring the completion time of the Lote P development project by six months, with all other variables held constant, would have decreased the fair value reserve of the interest in property development by \$660,066,000.

(f) **Impairment of interest in subsidiaries, associated companies and joint ventures**

In considering the impairment that may be required for the Company's interest in subsidiaries, associated companies and joint ventures, the recoverable amount of the assets needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to items such as level of turnover and amount of operating costs of the subsidiaries, associated companies and joint ventures. The Company uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs of subsidiaries, associated companies and joint ventures.

2 Critical accounting judgements and key sources of estimation uncertainty *(Continued)*

(g) **Estimated impairment of oil production assets and oil exploitation assets**

Oil production and exploitation assets are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amounts may exceed the recoverable amounts, which is considered to be the higher of the fair value less costs of disposal and value in use. The fair value of oil production and exploitation assets is determined based on the present value of estimated future cash flows arising from the continued use of the assets. Cash flows are discounted to their present value using a discount rate that reflects the time value of money and the risks specific to the assets. Determination as to whether and how much an asset is impaired involves management estimates and judgements such as the future crude oil price, discount rate used in discounting the projected cash flows and production profile. The impairment reviews and calculations are based on assumptions that are consistent with the Group's business plan and on the assumptions that all relevant licences and permits are obtained. However, the business environment such as the crude oil price, is affected by a wide range of global and domestic factors, which are all beyond the control of the Group. Any adverse change in the key assumptions could increase the impairment provision.

During the year, a gas flaring permit for the South Alibek Oilfield was obtained by Caspi Neft TME, a wholly owned subsidiary of Polytec Asset Holdings Limited (73.4% owned by the Group), in Kazakhstan, with validity for a one-year period till the end of December 2016 such that normal crude oil production could be conducted until then.

Caspi Neft TME has been taking all necessary steps to obtain a gas flaring permit valid for a longer period so as to enable it to continue to conduct normal crude oil production after 31 December 2016 and is also currently considering several alternatives to resolve the issue regarding the treatment and utilisation of associated gas permanently, including obtaining approvals from the relevant authorities of the Kazakhstan Government and engaging in active communication with other external parties in order to substantiate the other alternatives. Based on advice received from its technical experts and external legal advisor and the alternatives under consideration, the Group considers that there is no indication that gas flaring permits will not be renewed in the future.

In view of the significant drop in crude oil prices in 2015, the Group has reassessed the operation and the risk exposures of its oil exploration and production business as a whole and estimated that the carrying amounts of the oil production and exploitation assets as at 31 December 2015 exceeded their estimated recoverable amounts by \$170,000,000 (2014: \$212,000,000). Accordingly, impairment of oil production assets and oil exploitation assets amounting to \$156,400,000 (2014: \$195,400,000) and \$13,600,000 (2014: \$16,600,000) respectively, was recognised as a separate line item in the Group's consolidated income statement. The recoverable amount of oil production assets and oil exploitation assets, amounting to \$564,417,000 (2014: \$778,116,000) and \$49,325,000 (2014: \$66,257,000) respectively, was determined based on the value in use calculations applying a discount rate of 12.5% (2014: 12.5%).

Crude oil price assumptions were based on market expectations. At 31 December 2015, it is estimated that an increase/decrease of 20% (2014: 20%) in the estimated crude oil price used in the assessment, with all other variables held constant would have increased/decreased the carrying amounts of the oil production and exploitation assets by \$281,621,000/\$332,135,000 (2014: \$391,618,000/\$495,854,000). The discount rate used represents the rate to reflect the time value of money and the risks specific to the assets. It is estimated that an increase/decrease of 200 basis points (2014: 50 basis points) in the discount rate used in the assessment, with all other variables held constant would have decreased/increased the carrying amounts of the oil production and exploitation assets by \$62,478,000/\$70,144,000 (2014: \$19,877,000/\$20,462,000).

2 Critical accounting judgements and key sources of estimation uncertainty *(Continued)*

(h) Land appreciation tax ("LAT")

LAT is levied 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 qualified property development expenditure. Significant judgement is required in determining the extent of LAT. The Group recognises LAT based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the consolidated income statement in the periods in which such tax is finalised with local tax authorities.

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 six reportable segments.

- Property development segment (Hong Kong/Mainland China/Macau): 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 three 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.
- Oil segment: oil exploration and production.
- Other businesses segment: mainly includes the financial investments, the provision of finance services, income from the sale of ice and the provision of cold storage services and treasury operations.

Turnover comprises mainly rental income from properties, gross proceeds from sale of properties and crude oil and interest income.

Reporting segment profit represents profit before taxation by excluding fair value changes on investment properties, finance costs, exceptional items and head office and corporate income/expenses.

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets 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.

	2015						
	Consolidated \$'000	Property development			Property investment \$'000	Oil \$'000	Others \$'000
		Hong Kong \$'000	Mainland China \$'000	Macau \$'000			
Turnover	3,992,952	2,208,124	1,032,017	2,000	344,727	214,724	191,360
Reportable segment profit	1,086,794	588,528	67,273	4,602	384,693	(164,364)	206,062
Other net income	2,096	-	-	-	2,096	-	-
Fair value changes on investment properties	441,674	-	-	-	441,674	-	-
Share of fair value changes on investment properties of a joint venture	174,240	-	-	-	174,240	-	-
Head office and corporate expenses	(134,710)						
Finance costs	(162,762)						
Profit before taxation	1,407,332						
Share of profits of associated companies	3,939	-	2,773	-	-	-	1,166
Share of profits of joint ventures	290,711	-	57,953	-	232,758	-	-
Interest income	30,479	-	-	-	-	-	30,479
Depreciation and amortisation	(81,259)	-	-	-	-	(63,571)	(17,688)
Impairment of oil production and exploitation assets	(170,000)	-	-	-	-	(170,000)	-
Gain on disposal of subsidiaries	152,498	-	-	-	-	-	152,498

3 Segment reporting *(Continued)*

(a) Segment results and assets *(Continued)*

	2014						
	Consolidated \$'000	Property development			Property investment \$'000	Oil \$'000	Others \$'000
		Hong Kong \$'000	Mainland China \$'000	Macau \$'000			
Turnover	3,150,473	2,342,189	144,672	16,000	337,309	157,725	152,578
Reportable segment profit	995,484	788,259	(29,010)	15,945	383,837	(215,634)	52,087
Fair value changes on investment properties	363,058	-	-	-	363,058	-	-
Share of fair value changes on investment properties of a joint venture	187,880	-	-	-	187,880	-	-
Head office and corporate expenses	(93,712)						
Finance costs	(168,758)						
Profit before taxation	1,283,952						
Share of losses of associated companies	(19,865)	-	(24,268)	-	-	-	4,403
Share of profits of joint ventures	285,237	-	49,824	-	235,413	-	-
Interest income	25,049	-	-	-	-	-	25,049
Depreciation and amortisation	(59,735)	-	-	-	-	(42,679)	(17,056)
Impairment of oil production and exploitation assets	(212,000)	-	-	-	-	(212,000)	-

3 Segment reporting (Continued)

(a) Segment results and assets (Continued)

	2015						
	Consolidated \$'000	Property development			Property investment \$'000	Oil \$'000	Others \$'000
		Hong Kong \$'000	Mainland China \$'000	Macau \$'000			
Reportable segment assets	48,142,902	8,849,947	13,976,353	10,901,324	12,558,019	636,411	1,220,848
Deferred tax assets	116,244						
Pledged bank deposits	15,000						
Cash and bank balances	1,176,439						
Head office and corporate assets	26,305						
Consolidated total assets	49,476,890						
Interest in associated companies	2,137,106	-	2,109,334	-	-	-	27,772
Interest in and amounts due from joint ventures	3,196,934	-	1,800,709	-	1,396,225	-	-
	2014						
	Consolidated \$'000	Property development			Property investment \$'000	Oil \$'000	Others \$'000
		Hong Kong \$'000	Mainland China \$'000	Macau \$'000			
Reportable segment assets	47,153,636	9,115,172	13,867,599	10,985,703	11,882,063	910,064	393,035
Deferred tax assets	109,309						
Pledged bank deposits	15,000						
Cash and bank balances	1,157,340						
Head office and corporate assets	25,764						
Consolidated total assets	48,461,049						
Interest in associated companies	2,282,764	-	2,256,158	-	-	-	26,606
Interest in and amounts due from joint ventures	2,993,016	-	1,775,101	-	1,217,915	-	-

3 Segment reporting *(Continued)*

(b) 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 instruments and deferred 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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Hong Kong (place of domicile)	2,728,280	2,813,986	10,073,041	9,530,771
Mainland China	1,047,948	160,342	5,220,449	5,402,454
Macau	2,000	16,000	1,396,225	1,217,915
Kazakhstan	214,724	157,725	613,742	844,373
Others	–	2,420	–	–
	3,992,952	3,150,473	17,303,457	16,995,513

In addition to the above non-current assets, the Group has interests in property development of \$10,819,508,000 (2014: \$10,920,923,000) and \$1,295,363,000 (2014: \$1,306,497,000) in Macau and Mainland China respectively.

(c) Major customers and suppliers

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

4 Profit before taxation

Profit before taxation is arrived at after (crediting)/charging:

- (a) Other net income mainly represents gain on disposal of subsidiaries of \$152,498,000 (2014: \$Nil) and a fair value gain on held for trading listed investments of \$Nil (2014: \$1,522,000).

4 Profit before taxation *(Continued)*

Profit before taxation is arrived at after (crediting)/charging: *(Continued)*

(b) Finance costs

	2015 \$'000	2014 \$'000
Interest on bank loans and overdrafts	151,314	118,025
Interest on loans from ultimate holding company and a fellow subsidiary	114,527	132,471
Less: Amount capitalised <i>(Remark)</i>	(96,442)	(79,257)
	169,399	171,239
Less: Interest expenses included as other operating expenses	(6,637)	(2,481)
	162,762	168,758

Remark: Borrowing costs were capitalised at rates of 1.42% – 1.66% (2014: 1.44% – 1.77%) per annum in Hong Kong and 5.50% – 6.77% (2014: 6.27% – 7.04%) per annum in Mainland China.

(c) Other items

	2015 \$'000	2014 \$'000
Auditors' remuneration	5,290	5,239
Amortisation of oil exploitation assets <i>(Remark)</i>	3,332	1,887
Depreciation and amortisation of fixed assets <i>(Remark)</i>	77,927	57,848
Staff costs <i>(Remark)</i>	233,432	212,530
Impairment of bad and doubtful debts	12,223	494
Rentals receivable under operating leases less outgoing	(320,127)	(319,674)
Rental income	(344,727)	(337,309)
Less: Outgoings	24,600	17,635
Interest income	(30,479)	(25,049)
Impairment of bad and doubtful debts written back	(278)	(1,333)

Remark: Cost of sales includes \$73,267,000 (2014: \$43,135,000) relating to staff costs and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above.

- (d) The Group's share of profits of associated companies for the year, after non-controlling interests, dividends and taxation, attributable to shareholders of the Company was \$3,939,000 (2014: losses of \$19,865,000).
- (e) The Group's share of profits of joint ventures for the year, after non-controlling interests, dividends and taxation, attributable to shareholders of the Company was \$188,905,000 (2014: \$212,063,000).

5 Directors' and management's emoluments

(a) Directors' emoluments

Directors' remuneration 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	2015 Total \$'000
Executive directors					
Or Wai Sheun	-	-	-	-	-
Lai Ka Fai	170	2,078	650	191	3,089
Or Pui Kwan	-	965	255	18	1,238
Non-executive directors					
Keith Alan Holman (<i>Remark</i>)	101	-	-	-	101
Ng Chi Man	250	-	-	-	250
Yeung Kwok Kwong	250	2,272	598	209	3,329
Independent non-executive directors					
Li Kwok Sing, Aubrey	250	-	-	-	250
Lok Kung Chin, Hardy	250	-	-	-	250
Seto Gin Chung, John	250	-	-	-	250
David John Shaw	250	-	-	-	250
	1,771	5,315	1,503	418	9,007

Remark: Mr. Keith Alan Holman retired from the office of the Company on 27 May 2015.

	Directors' fees \$'000	Salaries and allowances \$'000	Performance related bonuses \$'000	Provident fund contributions \$'000	2014 Total \$'000
Executive directors					
Or Wai Sheun	-	-	-	-	-
Lai Ka Fai	170	1,960	500	180	2,810
Or Pui Kwan	-	634	257	18	909
Non-executive directors					
Keith Alan Holman	250	-	-	-	250
Ng Chi Man	-	-	-	-	-
Yeung Kwok Kwong	250	2,157	450	199	3,056
Independent non-executive directors					
Li Kwok Sing, Aubrey	250	-	-	-	250
Lok Kung Chin, Hardy	250	-	-	-	250
Seto Gin Chung, John	250	-	-	-	250
David John Shaw	250	-	-	-	250
	1,670	4,751	1,207	397	8,025

5 Directors' and management's emoluments *(Continued)*

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2014: two) are directors whose emoluments are disclosed in note 5(a). The aggregate of the emoluments in respect of the remaining three (2014: three) individuals are as follows:

	2015 \$'000	2014 \$'000
Salaries and allowances	6,239	6,989
Performance related bonuses	636	1,021
Provident fund contributions	168	54
	7,043	8,064

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

	2015	2014
\$1,500,001 – \$2,000,000	1	–
\$2,000,001 – \$2,500,000	1	1
\$2,500,001 – \$3,000,000	–	1
\$3,000,001 – \$3,500,000	1	1

6 Income tax

(a) Taxation in the consolidated income statement represents:

	2015 \$'000	2014 \$'000
Current tax – Hong Kong		
Provision for the year	145,712	157,696
Under-provision in respect of prior years	–	310
	145,712	158,006
Current tax – Outside Hong Kong		
Provision for the year	27,978	10,186
(Over)/Under-provision in respect of prior years	(283)	3
	27,695	10,189
LAT	23,770	1,936
Deferred tax		
Change in fair value of investment properties	9,123	68,183
Origination and reversal of temporary differences	(28,428)	(7,440)
	(19,305)	60,743
	177,872	230,874

The provision for Hong Kong profits tax is calculated at 16.5% (2014: 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 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 exempt from such withholding tax. Provision for withholding tax is recognised for the dividends that have been declared and deferred tax liability is recognised for those to be declared in the foreseeable future.

The Group did not recognise any withholding tax for the year of 2015 and 2014.

6 Income tax *(Continued)*

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

	2015 \$'000	2014 \$'000
Profit before taxation	1,407,332	1,283,952
Tax at applicable tax rates	228,598	196,733
Non-deductible expenses	19,619	31,521
Non-taxable income	(137,418)	(81,058)
Unrecognised tax losses	47,132	37,128
Previously unrecognised tax losses utilised now recognised	(2,335)	(2,612)
LAT on properties sold	11,034	526
Deferred LAT on changes in fair value of investment properties	5,263	42,913
(Over)/Under-provision in respect of prior years	(283)	313
Others	6,262	5,410
Actual tax expense	177,872	230,874

7 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 \$1,202,040,000 (2014: \$1,040,717,000) and the weighted average number of ordinary shares in issue during the year of 1,150,681,275 (2014: 1,150,681,275).

(b) Diluted earnings per share

There were no dilutive potential shares in existence during the years ended 31 December 2015 and 2014.

8 Dividends

(a) Dividends attributable to the year

	2015 \$'000	2014 \$'000
Interim dividend declared and paid of \$0.21 (2014: \$0.21) per share	241,643	241,643
Final dividend proposed after the end of the reporting period of \$0.37 (2014: \$0.36) per share	425,752	414,245
	667,395	655,888

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

	2015 \$'000	2014 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of \$0.36 (2014: \$0.36) per share	414,245	414,245

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 2014	18,810	(833,950)	17,377	16,752	(781,011)
Exchange adjustments	-	412	-	-	412
(Charged)/Credited to the income statement	(14,008)	(64,717)	19,030	(1,048)	(60,743)
At 31 December 2014	4,802	(898,255)	36,407	15,704	(841,342)
At 1 January 2015	4,802	(898,255)	36,407	15,704	(841,342)
Exchange adjustments	-	11,155	-	-	11,155
Credited to the income statement	3,732	13,299	1,312	962	19,305
At 31 December 2015	8,534	(873,801)	37,719	16,666	(810,882)

	2015 \$'000	2014 \$'000
Net deferred tax assets recognised in the consolidated statement of financial position	116,244	109,309
Net deferred tax liabilities recognised in the consolidated statement of financial position	(927,126)	(950,651)
	(810,882)	(841,342)

(b) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of \$726,408,000 (2014: \$3,127,532,000) as the probability of generating future taxable profits in order to utilise the tax losses 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. The tax losses arising from the operations in Kazakhstan will expire ten years after the relevant accounting year end date.

10 Fixed assets

(a) Reconciliation of carrying amount

	Investment properties \$'000	Leasehold land held for own use \$'000	Other property, plant and equipment			Total \$'000
			Buildings \$'000	Oil production assets \$'000	Others \$'000	
Cost or valuation						
At 1 January 2014	10,268,917	270,206	33,060	1,476,151	91,519	12,139,853
Exchange adjustments	(4,271)	-	-	-	(45)	(4,316)
Additions						
- Reclassified to inventories	(13,667)	-	-	-	-	(13,667)
- Others	32,461	-	-	21,410	10,282	64,153
Disposals	-	-	-	(267)	(740)	(1,007)
Revaluation surplus	363,058	-	-	-	-	363,058
At 31 December 2014	10,646,498	270,206	33,060	1,497,294	101,016	12,548,074
<i>Representing</i>						
Professional valuation	10,646,498	-	-	-	-	10,646,498
Cost	-	270,206	33,060	1,497,294	101,016	1,901,576
	10,646,498	270,206	33,060	1,497,294	101,016	12,548,074
At 1 January 2015	10,646,498	270,206	33,060	1,497,294	101,016	12,548,074
Exchange adjustments	(82,060)	-	-	-	(842)	(82,902)
Additions						
- Reclassified from inventories	123,547	-	-	-	-	123,547
- Others	29,974	-	-	2,957	6,694	39,625
Disposals	(3,000)	-	-	(99)	(5,459)	(8,558)
Revaluation surplus	441,674	-	-	-	-	441,674
At 31 December 2015	11,156,633	270,206	33,060	1,500,152	101,409	13,061,460
<i>Representing</i>						
Professional valuation	11,156,633	-	-	-	-	11,156,633
Cost	-	270,206	33,060	1,500,152	101,409	1,904,827
	11,156,633	270,206	33,060	1,500,152	101,409	13,061,460

10 Fixed assets (Continued)

(a) Reconciliation of carrying amount (Continued)

	Investment properties \$'000	Leasehold land held for own use \$'000	Other property, plant and equipment			Total \$'000
			Buildings \$'000	Oil production assets \$'000	Others \$'000	
Accumulated depreciation, amortisation and impairment losses						
At 1 January 2014	–	53,717	6,951	483,190	58,195	602,053
Exchange adjustments	–	–	–	–	(15)	(15)
Charge for the year	–	6,605	833	40,792	9,744	57,974
Impairment loss	–	–	–	195,400	–	195,400
Written back on disposals	–	–	–	(204)	(619)	(823)
At 31 December 2014	–	60,322	7,784	719,178	67,305	854,589
At 1 January 2015	–	60,322	7,784	719,178	67,305	854,589
Exchange adjustments	–	–	–	–	(594)	(594)
Charge for the year	–	6,605	832	60,239	10,423	78,099
Impairment loss	–	–	–	156,400	–	156,400
Written back on disposals	–	–	–	(82)	(3,253)	(3,335)
At 31 December 2015	–	66,927	8,616	935,735	73,881	1,085,159
Carrying value						
At 31 December 2015	11,156,633	203,279	24,444	564,417	27,528	11,976,301
At 31 December 2014	10,646,498	209,884	25,276	778,116	33,711	11,693,485

In 2015, an amount of \$172,000 (2014: \$126,000) included in the depreciation and amortisation charge for the year was capitalised under inventories.

The Group's investment properties under development are stated at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property.

Key sources of estimation uncertainty relating to oil production assets are disclosed in note 2(g).

10 Fixed assets (Continued)

(b) Analysis of carrying value of properties

	2015 \$'000	2014 \$'000
<i>Investment properties</i>		
In Hong Kong		
– Long leases	7,707,230	7,490,230
– Medium-term leases	2,087,710	1,750,710
Outside Hong Kong		
– Medium-term leases	1,361,693	1,405,558
	11,156,633	10,646,498
<i>Other properties</i>		
In Hong Kong		
– Long leases	1,940	1,968
– Medium-term leases	225,783	233,192
	227,723	235,160

10 Fixed assets *(Continued)*

(c) 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 in the valuation technique.

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: \$Nil).

The investment properties of the Group were revalued at 31 December 2015 by Vigers Appraisal and Consulting Limited, an independent qualified professional valuer, who has appropriate qualifications and experience in the valuation of similar properties in the relevant locations. The Group's top management hold discussions with the valuer on the valuation assumptions and valuation results at each interim and annual reporting date.

Information about Level 3 fair value measurements

	Valuation techniques (Note 2(c))	Unobservable input	Range	Remark
Investment properties	Income capitalisation approach	Capitalisation rate	4% to 6% (2014: 4% to 6%)	(1)
Investment properties under development	Direct comparison approach	Unit sale rate	\$800 to \$15,000 per square foot (2014: \$700 to \$10,000 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.

10 Fixed assets *(Continued)*(c) Fair values measurement of investment properties *(Continued)***Information about Level 3 fair value measurements** *(Continued)*

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	Investment properties \$'000	Investment properties under development \$'000
At 1 January 2014	7,601,120	2,667,797
Exchange adjustments	–	(4,271)
Additions	25,027	7,434
Transfer in/(out)	346,700	(360,367)
Fair value adjustment	257,393	105,665
At 31 December 2014	8,230,240	2,416,258
At 1 January 2015	8,230,240	2,416,258
Exchange adjustments	–	(82,060)
Additions	–	29,974
Disposals	(3,000)	–
Transfer in	–	123,547
Fair value adjustment	227,700	213,974
At 31 December 2015	8,454,940	2,701,693

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

10 Fixed assets *(Continued)*

(d) Fixed assets leased out under operating leases

The Group leases out investment properties and certain furniture and fixtures 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 provision of turnover rent. Turnover rent of \$2,445,000 was recognised in 2015 (2014: \$2,731,000).

The gross carrying amounts of investment properties of the Group held for use in operating leases were \$8,454,940,000 (2014: \$8,119,340,000). The gross carrying amounts of other fixed assets of the Group held for use in operating leases were \$7,441,000 (2014: \$7,531,000) and the related accumulated depreciation charges were \$7,289,000 (2014: \$7,326,000).

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

The total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2015 \$'000	2014 \$'000
Within 1 year	249,922	307,161
After 1 year but within 5 years	211,410	269,665
After 5 years	–	2,879
	461,332	579,705

11 Interest in subsidiaries

The following table lists out the information relating to Polytec Asset Holdings Limited, a material subsidiary of the Group which has non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2015 \$'000	2014 \$'000
NCI percentage	26.6%	26.6%
Current assets	706,430	395,813
Non-current assets	13,081,533	13,241,824
Current liabilities	(508,755)	(202,899)
Non-current liabilities	(2,101,473)	(2,177,991)
Net assets	11,177,735	11,256,747
Carrying amount of NCI	2,978,783	2,998,445
Turnover	357,517	294,643
Profit for the year	53,476	45,020
Total comprehensive income	(47,939)	351,842
Profit allocated to NCI	15,527	12,958
Dividend paid to NCI	8,253	35,334
Cash flows generated from operating activities	42,596	198,284
Cash flows generated from investing activities	51,621	22,196
Cash flows generated from/(used in) financing activities	247,135	(203,324)

12 Oil exploitation assets

	2015 \$'000	2014 \$'000
Cost		
At 1 January	130,579	130,157
Additions during the year	–	422
At 31 December	130,579	130,579
Accumulated amortisation and impairment losses		
At 1 January	64,322	45,835
Amortisation during the year	3,332	1,887
Impairment loss	13,600	16,600
At 31 December	81,254	64,322
Carrying value		
At 31 December	49,325	66,257

Key sources of estimation uncertainty relating to oil exploitation assets are disclosed in note 2(g).

13 Interests in property development

	2015 \$'000	2014 \$'000
At 1 January	12,227,420	11,917,819
Change in fair value recognised in other comprehensive income	(112,549)	309,601
At 31 December	12,114,871	12,227,420

Interests in property development represent the Group's interests in the development of various properties in Macau and Mainland China under the co-investment agreements with Polytec Holdings and two of its wholly owned subsidiaries. Pursuant to the terms of the co-investment agreements, the Group will provide funding to cover any shortfall in the funding of the development projects which is subject to an aggregate maximum amount. In return, Polytec Holdings and its two wholly owned subsidiaries will pay to the Group cash flows from the development projects according to the formulae set out in the co-investment agreements. Details of the funding arrangement and other key terms of the co-investment agreements are disclosed in the Company's Circular dated 23 May 2006 and 30 October 2013. The basis and estimations for arriving at the fair value of the interests in property development are further described in note 2(e).

14 Interest in joint ventures

	2015 \$'000	2014 \$'000
Share of net assets	2,921,225	2,733,507
Loan to a joint venture	219,500	219,500
	3,140,725	2,953,007
Amount due from a joint venture	56,209	40,009
Amount due to a joint venture	(741,841)	(787,838)
	2,455,093	2,205,178

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

The amounts due from and to joint ventures are unsecured, interest free and repayable on demand.

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

Joint venture	Place of incorporation and operation	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
CITIC Polytec Property (Foshan) Company Limited <i>(Remark)</i>	Mainland China	50.0%	50.0%	–	Property development
South Bay Centre Company Limited	Macau	36.7%	–	50.0%	Property investment and trading

Remark:

CITIC Polytec Property (Foshan) Company Limited is an equity joint venture in Mainland China. It has wholly owned subsidiaries incorporated in Mainland China namely 佛山市南海區山語湖教育投資有限公司 and 佛山市山語湖酒店物業管理有限公司 whose principal businesses are the provision of educational services and the provision of property management services respectively. The Group's effective interest is 50%.

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

14 Interest in joint ventures *(Continued)*

The aggregate financial information of joint ventures that are individually immaterial is as follows:

	2015 \$'000	2014 \$'000
Carrying amount in the consolidated financial statements	2,921,225	2,733,507
The Group's effective share of joint ventures:		
Profit for the year	290,711	285,237
Other comprehensive income	(48,546)	(4,610)
Total comprehensive income	242,165	280,627

15 Interest in associated companies

	2015 \$'000	2014 \$'000
Share of net assets	289,053	414,662
Loans to associated companies	1,848,053	1,868,102
	2,137,106	2,282,764

Loans to associated companies are unsecured, interest free and not expected to be repaid within one year, except for an amount of approximately RMB1,620,000,000 (2014: RMB1,540,000,000) which is interest bearing at a rate determined by the shareholders. As at 31 December 2015, accumulated accrued interest income of approximately RMB932,000,000 (2014: RMB703,000,000) due from an associate 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.

15 Interest in associated companies *(Continued)*

All of associated companies are unlisted corporate entities whose quoted market price is not available.

Associated company	Incorporation/ operation	Proportion of ownership interest		Principal activities
		Direct	Indirect	
CITIC Polytec Property (Tianjin) Co., Ltd	Mainland China	39.0% <i>(Remark)</i>	–	Property development
Easy Living Consultant Limited	Hong Kong	–	49.0%	Provision of building surveying, property management and guarding service
Jeeves (HK) Limited	Hong Kong	–	34.5%	Provision of high class dry cleaning and valeting services
東莞市嘉安達房地產開發有限公司	Mainland China	–	40.0%	Property development

Remark:

In accordance with an agreement in relation to the acquisition of a property development site in Tianjin, Mainland China, the Group is entitled to a share of 49% of profits of the associated company and a 10% of the equity interest in the associated company was to have been transferred to the Group upon full payment of the acquisition consideration. The acquisition consideration was fully paid in 2012 but the transfer of the 10% equity interest had not been completed as at 31 December 2015.

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

The aggregate financial information of associated companies that are individually immaterial is as follows:

	2015 \$'000	2014 \$'000
Carrying amount in the consolidated financial statements	289,053	414,662
The Group's effective share of associated companies:		
Profit/(Loss) for the year	3,939	(19,865)
Other comprehensive income	(131,838)	(7,739)
Total comprehensive income	(127,899)	(27,604)

16 Inventories

	2015 \$'000	2014 \$'000
Land held for future development	12,915	1,594,915
Properties under development	13,800,534	12,923,957
Properties held for sale	2,451,423	2,544,470
Trading goods and consumables	8,808	16,483
	16,273,680	17,079,825

The amount of properties held for future development and under development expected to be recovered after more than one year is \$12,915,000 (2014: \$1,594,915,000) and \$9,739,770,000 (2014: \$8,275,653,000) respectively. All of the other inventories are expected to be recovered within one year.

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

	2015 \$'000	2014 \$'000
In Hong Kong		
– Long leases	1,489,139	3,179,024
– Medium-term leases	4,876,905	3,720,436
	6,366,044	6,899,460
Outside Hong Kong		
– Freehold/Unspecified	32,625	32,625
– Long leases	1,838,741	2,065,820
– Medium-term leases	2,427,625	2,700,005
	4,298,991	4,798,450
	10,665,035	11,697,910

17 Trade and other receivables/Loans and advances

(a) The following is an ageing analysis of trade receivables and loans and advances at 31 December:

	2015 \$'000	2014 \$'000
Current	1,880,510	426,230
Within 3 months	28,368	58,757
3 months to 6 months	1,693	178
More than 6 months	15,386	18,050
Trade receivables and loans and advances	1,925,957	503,215
Utility and other deposits	36,144	42,527
Other receivables and prepayments	458,889	268,946
	2,420,990	814,688

Utility and other deposits of the Group of \$5,455,000 (2014: \$5,893,000) are expected to be recovered after more than one year.

Receivables and prepayments of the Group of \$281,000 (2014: \$7,145,000) are expected to be recovered after more than one year.

17 Trade and other receivables/Loans and advances *(Continued)*

(b) Allowance for doubtful debts

Impairment losses in respect of trade and other receivables and loans and advances are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables and loans and advances directly.

The movement for the Group in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2015 \$'000	2014 \$'000
At 1 January	9,126	10,258
Impairment loss recognised	12,223	494
Impairment loss written back	(278)	(1,333)
Uncollectible amounts written off	(685)	(293)
At 31 December	20,386	9,126

At 31 December 2015, the Group's trade and other receivables and loans and advances of \$9,302,000 (2014: \$7,602,000) was individually determined to be impaired. Consequently, specific allowances for doubtful debts of \$7,960,000 (2014: \$6,196,000) were recorded. The Group does not hold any collateral over the trade and other receivables. The Group considers that the credit risk arising from loans and advances is significantly mitigated by the property held as collateral, with reference to the estimated market value of the property as at 31 December 2015.

(c) Trade and other receivables and loans and advances that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade and other receivables and loans and advances that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

18 Trade and other payables

The following is an ageing analysis of trade payables at 31 December:

	2015 \$'000	2014 \$'000
Not yet due or on demand	1,173,878	2,576,310
Within 3 months	54,428	35,308
3 months to 6 months	121	226
More than 6 months	27,295	28,743
Trade payables	1,255,722	2,640,587
Rental and other deposits	77,179	78,268
Other payables and accrued expenses	608,355	559,018
Deposits received on sale of properties	4,232,069	2,097,392
	6,173,325	5,375,265

Rental and other deposits of the Group of \$72,300,000 (2014: \$74,043,000) are expected to be refunded after more than one year.

Payables and accrued expenses of the Group of \$74,311,000 (2014: \$129,854,000) are expected to be settled after more than one year.

Deposits received on sale of properties of the Group of \$2,288,553,000 (2014: \$1,753,043,000) are expected to be recognised as income within one year.

19 Amounts due to non-controlling interests

Amounts due to non-controlling interests are unsecured, interest free and repayable on demand.

20 Loans from ultimate holding company and a fellow subsidiary

Loans from ultimate holding company and a fellow subsidiary are unsecured, interest bearing at Hong Kong Interbank Offered Rate ("HIBOR") plus a margin per annum and is not expected to repay within one year.

21 Bank loans

At 31 December, bank loans were repayable as follows:

	2015 \$'000	2014 \$'000
Within 1 year or on demand	1,796,600	1,343,400
After 1 year but within 2 years	106,636	6,416,018
After 2 years but within 5 years	6,803,822	158,328
	6,910,458	6,574,346
	8,707,058	7,917,746

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

	2015 \$'000	2014 \$'000
Bank loans		
– secured	8,257,058	7,717,746
– unsecured	450,000	200,000
	8,707,058	7,917,746

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

Refinancing will be arranged for bank loans of the Group repayable within one year.

22 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	Share premium \$'000	Retained profits \$'000	Total \$'000
At 1 January 2014		115,068	8,302,404	6,827,908	15,245,380
Final dividend declared and paid	8(b)	–	–	(414,245)	(414,245)
Interim dividend declared and paid	8(a)	–	–	(241,643)	(241,643)
Profit for the year		–	–	630,807	630,807
Transition to no-par value regime on 3 March 2014	22(b)	8,302,404	(8,302,404)	–	–
At 31 December 2014		8,417,472	–	6,802,827	15,220,299
At 1 January 2015		8,417,472	–	6,802,827	15,220,299
Final dividend declared and paid	8(b)	–	–	(414,245)	(414,245)
Interim dividend declared and paid	8(a)	–	–	(241,643)	(241,643)
Profit for the year		–	–	856,843	856,843
At 31 December 2015		8,417,472	–	7,003,782	15,421,254

The Group's share of losses sustained in the financial statements of the associated companies at 31 December 2015 after non-controlling interests was \$11,142,000 (2014: \$15,081,000).

The Group's share of profits retained in the financial statements of the joint ventures at 31 December 2015 after non-controlling interests was \$1,549,076,000 (2014: \$1,360,174,000).

The fair value reserves set up in respect of interests in property development are not available for distribution to shareholders because they do not constitute realised profits within the meaning of Part 6 of the Hong Kong Companies Ordinance.

At 31 December 2015, 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 \$669,410,000 (2014: \$613,455,000).

22 Total equity (Continued)

(b) Share capital

	2015		2014	
	No. of shares	Amount \$'000	No. of shares	Amount \$'000
Ordinary shares, issued and fully paid:				
At 1 January	1,150,681,275	8,417,472	1,150,681,275	115,068
Transition to no-par value regime on 3 March 2014 (Remark)	–	–	–	8,302,404
At 31 December	1,150,681,275	8,417,472	1,150,681,275	8,417,472

Remark: The transition to the no-par value regime under the Hong Kong Companies Ordinance occurred automatically on 3 March 2014. On that date, the share premium account and any capital redemption reserve were subsumed into share capital in accordance with Section 37 of Schedule 11 to the Ordinance. These changes did not impact on the number of shares in issue or the relative entitlement of any of the shareholders. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the Ordinance.

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, borrowings from ultimate holding company and a fellow subsidiary, cash and cash equivalents and equity attributable to shareholders of the Company, comprising issued share capital, reserves and retained profits.

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 plus loans from ultimate holding company and a fellow subsidiary and net of cash and bank balances) over equity attributable to shareholders of the Company. 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 2015 is 61.0% (2014: 59.3%).

23 Notes to consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash generated from operating activities:

	2015 \$'000	2014 \$'000
Profit before taxation	1,407,332	1,283,952
Adjustments for:		
Unclaimed dividend written back	(595)	(521)
Loss/(Gain) on disposal of other fixed assets	2,161	(28)
Gain on disposal of investment properties	(2,096)	–
Gain on disposal of subsidiaries	(152,498)	–
Share of (profits)/losses of associated companies	(3,939)	19,865
Share of profits of joint ventures	(290,711)	(285,237)
Impairment of oil production and exploitation assets	170,000	212,000
Fair value changes on investment properties	(441,674)	(363,058)
Interest income	(5,801)	(6,773)
Interest expenses	162,762	168,758
Depreciation and amortisation	81,259	59,735
Operating profit before working capital changes	926,200	1,088,693
Decrease in financial investments	21,945	78,290
Increase in loans and advances	(855,296)	(24,717)
Decrease/(Increase) in inventories	609,820	(495,452)
Increase in trade and other receivables	(751,005)	(116,172)
(Increase)/Decrease in amount due from a joint venture	(16,200)	16,567
Decrease in amount due to a joint venture	(45,997)	(2,642)
Increase in trade and other payables	782,767	778,584
Cash generated from operations	672,234	1,323,151
Interest received	5,795	6,771
Interest paid	(259,557)	(247,431)
Profits tax paid	(218,767)	(91,585)
Profits tax refunded	2,524	435
Net cash generated from operating activities	202,229	991,341

23 Notes to consolidated cash flow statement *(Continued)***(b) Disposal of interests in subsidiaries**

	2015 \$'000
Net liabilities disposed of	
Other receivables	7
Other payable	(2)
Current taxation	(152,493)
	(152,488)
Gain on disposal	152,498
Total sale proceeds/Cash inflow on disposal	10

24 Capital commitments

Capital commitments outstanding at 31 December not provided but contracted for in the financial statements amounted to \$68,016,000 (2014: \$70,056,000).

25 Contingent liabilities

As at 31 December 2015, the Group has provided guarantees of \$590,847,000 (2014: \$570,438,000) representing a 50% proportional guarantee in respect of an aggregate of \$1,181,694,000 term loan facilities (2014: \$1,140,876,000) to a joint venture in Mainland China. The facilities were utilised to the extent of \$1,181,694,000 (2014: \$671,849,000) at 31 December 2015.

26 Pledge of assets

At 31 December 2015, properties having a value of approximately \$15,409,144,000 (2014: \$10,984,521,000) and bank deposits of \$15,000,000 (2014: \$15,000,000) were pledged to banks under fixed charges mainly to secure general banking facilities granted to the Group.

27 Subsidiaries

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

Subsidiary	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities
			Direct	Indirect	
Best Power (Asia) Limited	Hong Kong	\$2	–	100.0%	Property development
Cinema City (Film Production) Company Limited	Hong Kong	\$5,000,000	–	85.0%	Cinematograph film distribution
Cinema City Company Limited	Hong Kong	\$1,000,000	–	85.0%	Cinematograph film distribution
Country House Property Management Limited	Hong Kong	\$10,000	–	100.0%	Provision of property management, security, technical and house keeping services
Easy Favour Limited	Hong Kong	\$1	–	100.0%	Property investment
Elegant Florist Limited	British Virgin Islands	US\$1,000	100.0%	–	Investment holding
Eversound Investments Limited	Hong Kong	\$1,000,000	–	100.0%	Property development and investment
Fullco Development Limited	Hong Kong	\$1	–	100.0%	Property development
Golden Princess Amusement Company Limited	Hong Kong	\$100,000	85.0%	–	Distribution of films and investment holding
Golden Princess Film Production Limited	Hong Kong	\$10,000	–	85.0%	Cinematograph film distribution

27 Subsidiaries (Continued)

Subsidiary	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities
			Direct	Indirect	
Henmell Investment Limited	Hong Kong	\$2	–	100.0%	Property development
Jumbo Power Enterprises Limited	Hong Kong	\$2	–	100.0%	Property development and investment
Kowloon Development Engineering Limited	Hong Kong	\$2	–	100.0%	Engaging in construction contracts
Kowloon Development Finance Limited	Hong Kong	\$2,000,000	100.0%	–	Provision of financial services
Kowloon Development Properties Company Limited	Hong Kong	\$1	100.0%	–	Project management
Manor House Holdings Limited	Hong Kong	\$264,529,125	100.0%	–	Investment holding
Marble King International Limited	British Virgin Islands	US\$2	100.0%	–	Investment holding
Mass Ventures International Limited	British Virgin Islands/ Hong Kong	US\$1	–	100.0%	Property development and investment
New Basic Holdings Limited	British Virgin Islands	US\$1	100.0%	–	Investment holding

27 Subsidiaries (Continued)

Subsidiary	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities
			Direct	Indirect	
Polytec Asset Holdings Limited (Listed in Hong Kong, Stock code: 208)	Cayman Islands/ Hong Kong and Macau	\$443,896,784	–	73.4%	Property development and investment, oil exploration and production, ice manufacturing and provision of cold storage
Polytec Property (Wuxi) Limited (Remark 2)	Mainland China	\$1,202,500,000 (Remark 1)	–	80.0%	Property development
Polytec Property Good Companion (Shenyang) Limited (Remark 2)	Mainland China	US\$109,800,000 (Remark 1)	–	100.0%	Property development
Spark Team Limited	Hong Kong	\$2	100.0%	–	Retail sales
To Kwa Wan Properties Limited	Hong Kong	\$2	–	100.0%	Property investment
Top Sail International Limited	British Virgin Islands/ Hong Kong	US\$1	–	100.0%	Property development
Tyleelord Development & Agency Company Limited	Hong Kong	\$100,000	–	100.0%	Property investment

27 Subsidiaries (Continued)

Subsidiary	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities
			Direct	Indirect	
Un Chau Properties Limited	Hong Kong	\$2	–	100.0%	Property investment
Units Properties Limited	Hong Kong	\$2	–	100.0%	Property investment
Wealrise Investments Limited	Hong Kong	\$2	–	100.0%	Property development and investment
Wealth Genesis Limited	Hong Kong	\$2	100.0%	–	Property development and investment
中山市長江兆業地產開發有限公司 (Remark 2)	Mainland China	\$80,000,000 (Remark 1)	–	70.0%	Property development
保利達地產(瀋陽)高悅有限公司 (Remark 2)	Mainland China	US\$59,600,000 (Remark 1)	–	100.0%	Property development

Remarks:

- (1) The amount represented the registered capital paid up.
(2) Wholly foreign owned enterprises incorporated in Mainland China.

28 Staff retirement scheme

The Group operates a defined contribution staff retirement scheme. Contributions under the scheme are charged to the income statement as incurred. The amount of contributions is based on a specified percentage of the basic salary of the eligible employees. No forfeited contributions in respect of unvested benefits of staff leavers was utilised to reduce the Group's ongoing contributions during the year 2015 and 2014. 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 \$656,000 (2014: \$695,000).

Contributions to the Mandatory Provident Funds of \$4,878,000 (2014: \$4,624,000) as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance were charged to the income statement for the year.

Employees of the Group's subsidiaries in the Mainland China are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. The Group's subsidiaries contribute funds of \$3,399,000 (2014: \$2,806,000) which are calculated on certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

29 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) Polytec Holdings has guaranteed the due performance of the Company in respect of its obligations in the property development project in Tianjin, Mainland China.
- (b) As at 31 December 2015, the Group has given guarantees to an insurance company and financial institutions in respect of performance bonds entered into by an associated company to the extent of \$24,884,000 (2014: \$16,388,000).
- (c) During the year, the remuneration for key management personnel being short-term employee benefits amounted to \$16,050,000 (2014: \$16,089,000) as disclosed in notes 5(a) and 5(b). The remuneration of directors and senior management is determined by the Remuneration Committee having regard to the performance and responsibilities of individuals and market trends.

30 Financial risk management and fair values

The Group is exposed to interest rate, credit, liquidity, currency, equity price 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 ultimate holding company and a fellow subsidiary. 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 denominated in Hong Kong dollars and Renminbi.

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 2015, 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 \$91 million (2014: \$81 million).

The sensitivity analysis has been determined based on the exposure to interest rates 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 2014.

30 Financial risk management and fair values *(Continued)*

(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 2015 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 debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables. Collateral is usually obtained in respect of loans and advances to customers.

Cash at bank, deposits placed with financial institutions and investments 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.

(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.

30 Financial risk management and fair values *(Continued)*(c) **Liquidity risk** *(Continued)*

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 2015						
Trade and other payables	1,823,631	17,545	18,238	73,079	1,932,493	1,932,493
Amount due to non-controlling interests	-	-	-	200,000	200,000	200,000
Bank loans	1,921,496	211,524	6,874,757	-	9,007,777	8,707,058
Loan from ultimate holding company	-	-	-	5,587,640	5,587,640	5,587,640
Loan from a fellow subsidiary	-	-	-	851,803	851,803	851,803
Amount due to a joint venture	741,841	-	-	-	741,841	741,841
Other payables	-	-	-	23,342	23,342	23,342
	4,486,968	229,069	6,892,995	6,735,864	18,344,896	18,044,177
At 31 December 2014						
Trade and other payables	3,065,386	115,949	13,366	74,582	3,269,283	3,269,283
Amount due to non-controlling interests	-	-	-	200,000	200,000	200,000
Bank loans	1,468,937	6,518,889	166,361	-	8,154,187	7,917,746
Loan from ultimate holding company	-	-	-	6,778,980	6,778,980	6,778,980
Amount due to a joint venture	787,838	-	-	-	787,838	787,838
Other payables	-	-	-	38,679	38,679	38,679
	5,322,161	6,634,838	179,727	7,092,241	19,228,967	18,992,526

The Group is exposed to liquidity risk that arises from guarantees in respect of banking facilities of a joint venture. The guarantees are callable if the joint venture is unable to meet its obligations. Further details are set out in to note 25.

30 Financial risk management and fair values *(Continued)*

(d) Currency risk

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

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.

The Group conducts its oil exploration and production business primarily in Kazakhstan. Currency exposure arises from sale of crude oil in a currency other than the local currency of the domicile of the Group entity making the sale. The sales are substantially denominated in United States Dollars, whilst the costs are substantially denominated in Kazakhstan Tenge. Due to the recent significant depreciation of Tenge, which was allowed to float freely on 20 August 2015, a possible reduction of local expenses may result.

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) Other price risk

The Group is also exposed to property price risk through its interests in property development classified as non-current assets. 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 model includes estimated selling prices of the underlying properties which are derived from observable market data, including average market prices of residential properties in Macau and Mainland China, with certain adjustments to reflect the impacts of those factors on the development. The adjustments to the 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 2015, it is estimated that an increase/decrease of 5% in the selling price of the underlying properties of the Group's interests in property development classified as non-current assets, with all other variables held constant, would have increased/decreased the Group's fair value reserve by \$538,446,000/\$551,509,000 (2014: \$1,095,471,000/\$1,099,204,000).

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 2014 and taken into account of the expiration of the land concession as set out in note 2(e).

30 Financial risk management and fair values *(Continued)***(f) 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

	2015			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Interests in property development	–	–	12,114,871	12,114,871
	–	–	12,114,871	12,114,871

	2014			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Trading securities	21,945	–	–	21,945
Interests in property development	–	–	12,227,420	12,227,420
	21,945	–	12,227,420	12,249,365

During the year there were no significant transfers between instruments in Level 1 and Level 2.

30 Financial risk management and fair values *(Continued)*(f) Fair values measurement of financial instruments *(Continued)***Financial assets and liabilities measured at fair value** *(Continued)*

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	2015 \$'000	2014 \$'000
At 1 January	12,227,420	11,920,103
Net gain recognised in other comprehensive income	(112,549)	309,601
Distributions	–	(695)
Disposal	–	(1,589)
At 31 December	12,114,871	12,227,420

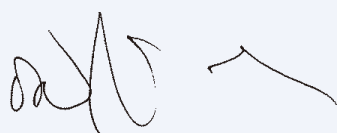
31 Company-level statement of financial position

Note	2015		2014	
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Fixed assets				
– Investment properties		7,158,000		7,013,000
– Other property, plant and equipment		6,411		7,000
		7,164,411		7,020,000
Interest in subsidiaries		14,186,947		14,117,669
Interest in a joint venture		584,079		584,079
Interest in an associated company		1,979,940		1,979,940
		23,915,377		23,701,688
Current assets				
Loans to subsidiaries		2,090,726		2,067,405
Trade and other receivables		17,870		19,843
Cash and bank balances		52,970		119,317
		2,161,566		2,206,565

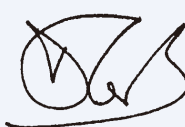
31 Company-level statement of financial position (Continued)

	Note	2015		2014	
		\$'000	\$'000	\$'000	\$'000
Current liabilities					
Trade and other payables		113,146		106,352	
Amounts due to subsidiaries		194		217	
Amount due to a joint venture		741,841		787,838	
Loans from subsidiaries		698,565		252,133	
Current taxation		7,477		17,749	
		1,561,223		1,164,289	
Net current assets			600,343		1,042,276
Total assets less current liabilities			24,515,720		24,743,964
Non-current liabilities					
Loan from ultimate holding company		4,572,881		4,980,428	
Loans from subsidiaries		628,462		52,533	
Bank loan		3,850,000		4,450,000	
Deferred tax liabilities		43,123		40,704	
		9,094,466		9,523,665	
NET ASSETS			15,421,254		15,220,299
Capital and reserves					
Share capital			8,417,472		8,417,472
Reserves			7,003,782		6,802,827
TOTAL EQUITY	22		15,421,254		15,220,299

Approved and authorised for issue by the board of directors on 23 March 2016.



Or Wai Sheun
Director



Lai Ka Fai
Director

32 Event after the reporting period

Subsequently after the end of the reporting period, the Company had entered into an agreement with Polytec Holdings for the acquisition of 100% equity interest of a wholly owned subsidiary of Polytec Holdings together with the assignment of loan from a fellow subsidiary for an aggregate consideration of \$184,481,000. The assets held by the subsidiary is substantially a development project located in Hong Kong.

33 Parent and ultimate holding company

At 31 December 2015, the Directors consider the parent company and ultimate holding company to be Intellinsight Holdings Limited and Polytec Holdings International Limited, which are both incorporated in the British Virgin Islands. Neither entity produces financial statements available for public use.

34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements.

The Group is in the process of evaluating the impact that will result from the adopting these new or revised HKFRSs. The Group is therefore unable to disclose the impact that adopting these new or revised HKFRSs will have on its financial position and the results of operations when such new or revised HKFRSs are adopted.

Particulars of Properties

31 December 2015

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 Carparking Spaces	100.0
20th Floor of Argyle Centre Phase 1 688 Nathan Road and 65 Argyle Street Mongkok	Commercial	Medium-term lease	1,465	100.0
2nd to 23rd Floor and the Roof of The Elgin 51 Elgin Street Central	Residential	Long lease	1,327	100.0
The Whole Shop Spaces on Basement Peninsula Centre 67 Mody Road Tsim Sha Tsui	Commercial	Long lease	1,767 sq m and 10 Carparking Spaces	100.0
32 Shop Units on Basement, Ground Floor, Mezzanine Floor and 1st Floor Sino Centre 582-592 Nathan Road Mongkok	Commercial	Medium-term lease	614	100.0

B. Major Properties Under Development

Location	Usage	Approximate Total Site Area (sq m)	Approximate Total Gross Floor Area (sq m)	Status	Expected Date of Completion	Group's Interest (%)
Hong Kong						
35 Clear Water Bay Road Ngau Chi Wan	Residential and Commercial	19,335	196,400	Land premium in negotiation	To be determined	100.0
<i>Upper West</i> 18 Fuk Chak Street Tai Kok Tsui	Residential and Retail	780	6,600	Occupation Permit obtained on 5 Feb 2016	2016	100.0
45-65A Pok Fu Lam Road Sai Ying Pun	Residential and Retail	1,388	11,100	Foundation work to commence soon	2020	100.0
<i>South Coast</i> 1 Tang Fung Street Aberdeen	Residential	723	5,900	Fitting-out work in progress	2016/2017	100.0
<i>Upper East</i> 23 Sung On Street Hung Hom	Residential and Commercial	4,038	34,100	Foundation work completed	2018	100.0
Yau Tong Inland Lot No. 42 Lei Yue Mun Path Lei Yue Mun	Residential and Commercial	3,240	29,200	Foundation work in progress	2019	100.0
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	Construction work for the second phase in progress	Second phase IIB 2016/2017	100.0
<i>Le Cove City (江灣城)</i> 6 Hun Nan Er Road Hun Nan Xin District Shenyang	Residential and Commercial	165,303	712,000	Construction work for the fourth phase in progress	Fourth phase 2018	100.0

B. Major Properties Under Development *(Continued)*

Location	Usage	Approximate Total Site Area (sq m)	Approximate Total Gross Floor Area (sq m)	Status	Expected Date of Completion	Group's Interest (%)
Mainland China						
<i>Le Cove City (江灣城)</i> Tongyun Road and Gongyun Road Chong An District Wuxi	Residential and Commercial	68,833	404,400	Construction work for the second phase in progress	Second phase 2017	80.0
<i>Le Cove Garden (江灣南岸花園)</i> Dongjiang North Shore Wangjiang Lot, Huicheng District, Huizhou (Note)	Residential and Commercial	146,056	519,900	Foundation work for the second phase in progress	Second phase 2017/2018	60.0
Macau						
<i>Pearl Horizon (海一居)</i> Lote P The Orient Pearl District Novos Aterros da Areia Preta (Note)	Residential and Commercial	68,000	697,600	Suspended	To be determined	58.8
<i>Lotes T+T1</i> The Orient Pearl District Novos Aterros da Areia Preta (Note)	Residential and Commercial	17,900	195,600	Construction work in progress	Mid-2017	58.8

Notes:

The development of these properties are under the co-investment agreements with the ultimate holding company and its wholly owned subsidiaries.

C. Investment Properties of Joint Venture

Location	Usage	Category of Lease	Approximate Total Gross Floor Area (sq m)	Group's Interest (%)
Macau 208 Shop Units and 208 Office Units The Macau Square, Rua do Dr. Pedro Jose Lobo Nos. 2-16A, Avenida do Infante D. Henrique Nos. 43-53A and Avenida Doutor Mario Soares Nos. 81-113	Commercial	Short-term lease	36,553 sq m and 265 Carparking Spaces	36.7

D. Properties Under Development of Joint Venture

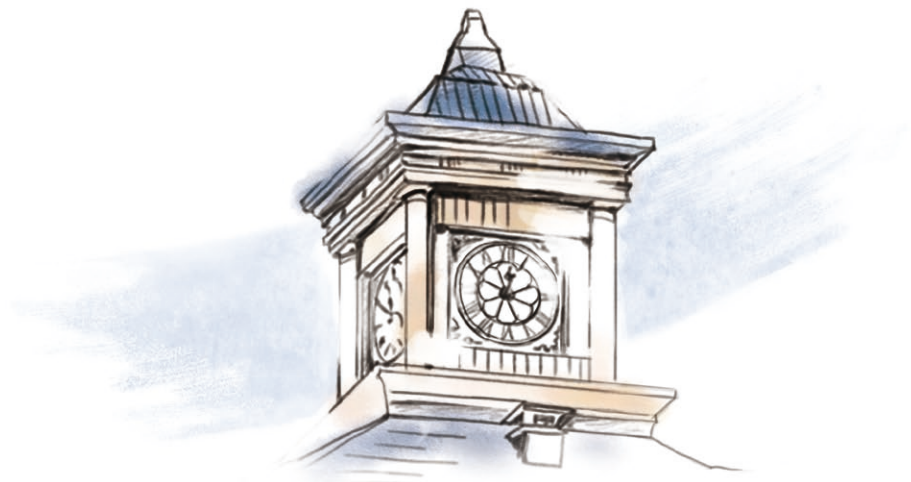
Location	Usage	Approximate Total Site Area (sq m)	Approximate Total Gross Floor Area (sq m)	Status	Expected Date of Completion	Group's Interest (%)
Mainland China <i>The Lake</i> (山語湖) Heshun Meijing Shuiku Sector Lishui Town Nanhai District Foshan	Residential and Commercial	4,020,743	1,600,000	Construction work for the third phase of high rise residential towers in progress	Third phase of high rise residential towers 2016	50.0

E. Properties Under Development of Associated Company

Location	Usage	Approximate Total Site Area (sq m)	Approximate Total Gross Floor Area (sq m)	Status	Expected Date of Completion	Group's Interest (%)
Mainland China						
<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 and Commercial	135,540	850,000 (Note)	Construction work for the second phase in progress	Second phase 2017	49.0

Note:

With additional underground gross floor area of approximately 35,000 sq m for the commercial portion.



www.kdc.com.hk

