九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 34)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2010

HIGHLIGHTS

- Group's net profit attributable to shareholders for 2010 rises to HK$2,128 million from HK$1,228 million in 2009.
- Excluding revaluation gains from the Group's investment properties, the underlying net profit and earnings per share are HK$691 million and HK$0.60 respectively.
- Full year dividend per share for 2010 amounts to HK$0.52, with a final dividend per share of HK$0.32.
- Group's property development business in Mainland China has begun to bear fruit, and its property development projects are expected to start contributing an increasing income to the Group from 2011 onwards.

GROUP RESULTS AND DIVIDENDS

For the year ended 31 December 2010, net profit attributable to shareholders of the Company rose to HK$2,128 million from HK$1,228 million (restated) in 2009. Basic earnings per share for 2010 increased to HK$1.85 from HK$1.07 (restated) in 2009.

Excluding revaluation gains from the Group's investment properties, the underlying net profit for 2010 amounted to HK$691 million compared to HK$1,160 million (restated) in 2009. The underlying net earnings per share for 2010 were HK$0.60.

The Board of Directors recommends the payment of a final dividend of HK$0.32 per share (2009: HK$0.32) for the year ended 31 December 2010. Together with the 2010 interim dividend of HK$0.20 per share, the full year dividend for 2010 amounts to HK$0.52 per share (2009: HK$0.52).

The final dividend will be paid on 19 July 2011 to shareholders whose names appear on the Register of Members of the Company on 6 July 2011, subject to approval of shareholders at the Annual General Meeting.

BUSINESS REVIEW

The global economy has gradually recovered from the 2008 financial crisis. The three Greater China economies, Hong Kong, Macau and Mainland China, have picked up strongly. With relatively low interest rates and strong demand, overall property transaction volumes and prices in all three economies have risen to or beyond the pre-crisis levels during 2010, despite a series of cooling measures of different intensity and scope imposed by each government on their respective real estate markets during the period.

The Group's presale of development projects, of which one is in Hong Kong and two in Mainland China, has benefited substantially from the strong recovery in these real estate markets, with total presales proceeds, including the joint-venture development project in Foshan, exceeding HK$4.5 billion in 2010.

Property Sales

During the year under review, total operating profit in the property development segment amounted to HK$424 million, which was mainly generated from total sales recognised from two development projects in Macau and Mainland China.

In Macau, all residential units of Pacifica Garden, one of the Group's Macau projects held through our 73.4% owned listed subsidiary, Polytec Asset Holdings Limited ("Polytec Asset"), were pre-sold, together with over 60% of the available carparking spaces, generating total sales proceeds exceeding HK$809 million. The project was completed in the first half of 2010 and all residential units have been delivered to the buyers.

In Mainland China, the amount of presales since the launch of the first phase of residential units of the Group's joint-venture project in Foshan exceeded RMB5 billion, with approximately RMB0.5 billion and RMB1.7 billion being recognised in 2009 and 2010 respectively. The remaining portion of presales will be recognised from 2011 onwards after we obtain the relevant completion certificates.

Property Development

As of 31 December 2010, the development land bank attributable to the Group amounted to approximately 5 million sq m of gross floor area. Details of the major projects under development are set out below.

Hong Kong

Ngau Chi Wan, Kowloon

This site is located at No. 35 Clear Water Bay Road in Ngau Chi Wan and is wholly-owned by the Group. Planning approvals have been obtained for a residential and commercial development with a gross floor area of approximately 196,400 sq m, including a shopping arcade, club house and parking facilities. The land premium is under negotiation with the Government.

Macpherson Stadium, Kowloon

This site is located in a prime location of Mongkok. This is a joint venture residential and commercial redevelopment project with Urban Renewal Authority and Hong Kong Playground Association, with a gross floor area of approximately 24,800 sq m. It will be developed as a luxury residential and commercial complex with club house and parking facilities, retail spaces, a multi-purpose sports stadium and a youth centre. Excluding the multi-purpose sports stadium and youth centre, the total gross floor area for the residential and commercial portion is approximately 18,100 sq m. Superstructural work is in progress and is expected to be completed by the second half of 2012.

Sai Yeung Choi Street North, Kowloon

This site is located at Nos. 468-474 Sai Yeung Choi Street North. This residential redevelopment project is wholly-owned by the Group, with a gross floor area of approximately 8,400 sq m. It will be re-developed into a modern high-rise residential tower with club house and parking facilities. Superstructural work is in progress and is expected to be completed by 2012.

Mount East, Ming Yuen Western Street, Hong Kong

The site is located at Nos. 24-32 Ming Yuen Western Street in North Point. This residential and commercial project is wholly-owned by the Group, with a total gross floor area of approximately 5,700 sq m. It is being developed as a luxury residential tower, comprising 74 residential units, retail spaces on ground floor, recreational facilities and a club house with sky garden. We obtained the occupation permit for the project in early 2011 and we will formally launch the sales campaign of the project shortly.

Belcher's Street, Hong Kong

The site is located at Nos. 150-162 Belcher's Street, which is close to a proposed Kennedy Town MTR station exit. The site acquired initially was only 564 sq m. However, the Group has been able to acquire the adjacent properties to form a more sizeable development.

Mainland China

Shenhe District, Shenyang

This 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. Previously the site was situated in the Dongling District, which was integrated into the Shenhe District in March 2010. This residential and commercial project is wholly-owned by the Group, with a planned gross floor area of approximately 2,000,000 sq m. It will be developed into low- and medium-rise residential units by phases. Foundation work for the first phase has been commenced and it is scheduled to be completed by end-2011. Pre-sale of the residential units is expected to start in the second half of 2011.

Hun Nan Xin District, Shenyang

The site is located along the Hun River on 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 gross floor area of approximately 579,000 sq m. According to the overall planning and development strategy of the local municipal government, the Hun Nan Xin District will be developed as a modern technological new district with a high-tech industrial development zone, a high-grade commercial and business centre, a residential area, a university town and a Hun River tourism zone.

Superstructural work of the first phase residential development, with a gross floor area of approximately 116,000 sq m, is in progress and it is targeted to be completed before the third quarter of 2011. Pre-sale of the first phase commenced in the fourth quarter of 2010, with good response from the market. The development plan for the second phase, with a gross floor area of approximately 100,000 sq m, is in progress and the construction work will be commenced shortly.

Nanhai District, Foshan

The site is located in the Nanhai District of Foshan (Guangdong Province), with a sizeable site area of approximately 4,000,000 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 an aggregate gross floor area of approximately 1,600,000 sq m. The first phase of development, which mainly comprises luxury low-rise residential houses, was completed and substantially sold. Construction work of the second phase development, which comprises low–rise residential houses and medium-rise apartments, has started.

Hedong District, Tianjin

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 gross floor area of approximately 930,000 sq m. 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 mega shopping arcade. The master layout plan has been submitted to the local authority and construction work will be commenced once we have obtained necessary approvals.

Shiqi District, Zhongshan

The site is located in the Shiqi District, the city centre of Zhongshan (Guangdong Province). This residential and commercial project is 70%-owned by the Group, with gross floor area of approximately 129,000 sq m. The development comprises 7 high-end towers with 1,150 residential units, a club house and retail shops. Superstructural work is in progress and is expected to be completed by 2012.

Macau

Lote P, The Orient Pearl District

Lote P is located in the Orient Pearl District, adjacent to the future Hong Kong-Zhuhai-Macau Bridge, with an aggregate site area of approximately 68,000 sq m. Polytec Asset has an 80% interest in this project. It will be developed by phases into various luxury residential towers, together with a large shopping arcade, a five-star club house and numerous car parking spaces, with an aggregate gross floor area of approximately 699,700 sq m. The architectural plan has just been approved and construction work will be commenced once we obtain the final approval from the relevant government authority.

Lotes T & T1, The Orient Pearl District

Lotes T & T1 are also located in the Orient Pearl District, adjacent to the future Hong Kong-Zhuhai-Macau Bridge, with combined aggregate site area of approximately 17,900 sq m. Polytec Asset has an 80% interest in this project. This project will be developed into a number of high-end residential blocks with retail shops and car parking spaces, with an aggregate gross floor area of approximately 191,600 sq m. The master plan has been approved and the architectural plan has been submitted to relevant government authorities for approval.

Property Investment

During the year under review, the Group disposed of a number of retail units at Sino Centre in Mongkok, one of the Group's investment properties in Hong Kong, with a total recognised gain of HK$141 million. In view of recent favorable market sentiment in Hong Kong as a result of exceptionally easy monetary policy around the world over the past two years, the Group intends to continue to dispose of the rest of the non-core investment properties in the coming years.

The Group's gross rental income from its property investment portfolio for 2010 amounted to HK$273 million compared with HK$272 million in 2009. While an overall satisfactory rental growth rate for both renewal and new letting transactions was recorded in 2010, the negligible increase in gross rental income was mainly due to the temporary closure of the second floor of Pioneer Centre, the Group's flagship investment property in Hong Kong, for repositioning in May 2010. We have converted the second floor of Pioneer Centre to a digital zone called Pioneer Digital Centre, which has become an important digital hub in Mongkok offering a wide range of digital products.

With a strong revival of local consumption and a sharp rise in retail spending of Mainland China tourists, the retail market in Hong Kong has seen a strong rebound over the past year leading to a rapid rise in demand for retail space. Almost all retail space, as well as offices, in the Group's property investment portfolio were fully let as at 31 December 2010.

Finance and Investments

As of 31 December 2010, total remaining value of the Group's investment portfolio amounted to HK$134 million compared to HK$107 million at end-December 2009, representing 0.4% of the Group's gross assets. The existing portfolio includes largely long-term investment funds and bonds, which have been owned for more than two years. For 2010, the finance and investments segment contributed HK$49 million to the Group's operating profit compared to HK$119 million over the same period in 2009.

New Business

As previously mentioned in our Interim Report 2010, our listed subsidiary, Polytec Asset, completed the acquisition of an oil and gas company in Kazakhstan in July 2010. This acquisition allows Polytec Asset to extend its business to the oil industry in order to diversify its sources of recurrent income. Our professional oil team is currently striving to further explore the potential of the oil field in order to strengthen the future production capacity and oil reserves.

PROSPECTS

Following two years of extraordinarily easy monetary policy around the world, particularly in the US, interest rates still remain at relatively low levels. With exceptionally strong economic recovery in the Greater China region, the property market has rebounded robustly in all three economies, Hong Kong, Macau and Mainland China, with housing prices rising rapidly over the past year. During the course of 2010, the governments in all three economies introduced a series of credit tightening and restrictive property measures of differing scope and intensity designed to prevent the creation of housing bubbles.

We expect the existing cooling measures and credit tightening in all three property markets to stay in the first half of 2011. Undoubtedly, these policies will likely cause short-term unfavorable impact on the real estate markets, with fluctuations in the level of property transactions as well as prices. However, if no further tightening measures are introduced, we believe that, overall, property transactions will likely pick up again in the second half of 2011 and property prices will then start to stabilize.

In Macau, we have recently made significant progress by obtaining approval for the architectural plan of our mega luxury residential and commercial development project at Lote P, which Polytec Asset has an 80% interest. We will submit the final plan of the project to the relevant government authority shortly. Construction work will be commenced once we obtain a final approval, which is expected in the second half of this year. This large-scale project, which is located adjacent to the landing point of the Hong Kong-Zhuhai-Macau Bridge and covers an aggregate gross floor area of approximately 700,000 sq m, comprises over 5,000 luxury residential units, a sizeable shopping arcade, a five-star club house as well as over 4,000 car parking spaces. It will be developed in phases in the coming years and we are confident that this project will provide substantial cashflow and earnings for the Group over the medium and long-term.

For the next few years, the Group's earnings should be well supported by the completion of a total of eight development projects in Hong Kong and Mainland China. In Hong Kong, four of the Group's development projects, namely Mount East in North Point, the Macpherson Stadium project in Mongkok, and projects in Belcher's Street and Sai Yeung Choi Street North, are currently under construction. These projects should contribute satisfactory earnings to the Group over the next 2-3 years. In Mainland China, four development projects, including one in Foshan, two in Shenyang and one in Zhongshan, are under construction and these projects should also provide earnings impetus to the Group over the next few years.

For 2011, a majority of the Group's earnings will likely be generated from the presale of the joint-venture project in Foshan, the 100%-owned project in the Hun Nan Xin District, Shenyang and the wholly-owned project in North Point, Hong Kong. The total unrecognised presales proceeds from these projects currently exceed HK$4 billion of which a substantial proportion is expected to be recognised in 2011.

Looking forward, we will focus our efforts on the development and presale of our mega project in Macau as well as other projects in Hong Kong and Mainland China. At the same time, we will continue to expand our land bank in all three markets, aiming to grow the Group and to broaden the income base of the Group.

CONSOLIDATED RESULTS

The consolidated results of the Group for the year ended 31 December 2010 together with comparative figures of 2009 are as follows:

Consolidated income statement
for the year ended 31 December 2010

	Note	**2010** *HK$'000*	2009 *HK$'000* *(restated)*
Turnover	*3*	**1,268,722**	1,985,304
Cost of sales		**(765,500)**	(534,683)
Other revenue		**31,791**	57,062
Other net income	*4*	**189,494**	152,566
Depreciation and amortisation		**(11,000)**	(11,288)
Staff costs		**(116,878)**	(111,304)
Other operating expenses		**(100,158)**	(72,251)
Impairment loss on properties written back		**154,770**	12,170
Fair value changes on investment properties		**1,421,148**	72,357
Profit from operations		**2,072,389**	1,549,933
Finance costs	*5*	**(20,207)**	(23,154)
Share of profits of associated companies		**2,596**	2,370
Share of profits of jointly controlled entities		**218,360**	38,235
Profit before taxation	*6*	**2,273,138**	1,567,384
Income tax	*7*	**(75,290)**	(99,809)
Profit for the year		**2,197,848**	1,467,575
Attributable to :			
Shareholders of the Company		**2,127,883**	1,227,613
Non-controlling interests		**69,965**	239,962
Profit for the year		**2,197,848**	1,467,575
Earnings per share - Basic/Diluted	*8*	**HK$1.85**	HK$1.07

Consolidated statement of comprehensive income
for the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000 (restated)
Profit for the year	**2,197,848**	1,467,575
Other comprehensive income for the year		
Exchange differences on translation of accounts of overseas subsidiaries	**70,408**	3,495
Realisation of exchange differences upon disposal of interest in a subsidiary	**(1,994)**	(21,520)
Changes in fair value of available-for-sale investments	**2,169**	(6,585)
Changes in fair value of interests in property development	**56,524**	(134,112)
Impairment loss on available for-sale-investments transferred to income statement	**-**	9,078
Transfer to income statement upon recognition from interests in property development	**-**	(751,168)
Share of other comprehensive income of jointly controlled entities and associated companies	**76,020**	538
	203,127	(900,274)
Total comprehensive income for the year	**2,400,975**	567,301
Attributable to :		
Shareholders of the Company	**2,314,767**	593,864
Non-controlling interests	**86,208**	(26,563)
Total comprehensive income for the year	**2,400,975**	567,301

Consolidated balance sheet

		As at 31 December 2010		As at 31 December 2009		As at 1 January 2009	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(restated)	*(restated)*	*(restated)*	*(restated)*
Non-current assets							
Fixed assets							
- Investment properties			**7,411,650**		6,108,010		6,027,990
- Leasehold land held for own use			**235,568**		239,431		245,961
- Other property, plant and equipment			**1,106,773**		38,616		41,725
			8,753,991		6,386,057		6,315,676
Oil exploitation assets			**123,144**		-		-
Interests in property development			**10,173,404**		10,116,880		10,251,062
Interest in jointly controlled entities			**1,541,645**		1,298,998		1,259,935
Interest in associated companies			**1,675,361**		1,286,726		7,584
Financial investments			**29,346**		27,096		33,681
Loans and advances			**3,717**		9,338		14,085
Other deposit			**2,527**		-		-
Deferred tax assets			**7,464**		31,132		31,711
			22,310,599		19,156,227		17,913,734
Current assets							
Inventories		**7,487,859**		7,067,026		5,854,969	
Interests in property development		**-**		-		1,601,329	
Trade and other receivables	*10*	**185,212**		169,622		2,196,512	
Loans and advances		**19,043**		31,322		42,407	
Amounts due from jointly controlled entities		**154,278**		210,822		997,314	
Derivative financial instrument		**-**		7,800		-	
Financial investments		**104,594**		80,016		202,176	
Time deposits (pledged)		**15,000**		15,000		18,810	
Cash and cash equivalents		**719,684**		575,237		967,499	
		8,685,670		8,156,845		11,881,016	

	Note	As at 31 December 2010 HK$'000	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000 (restated)	As at 31 December 2009 HK$'000 (restated)	As at 1 January 2009 HK$'000 (restated)	As at 1 January 2009 HK$'000 (restated)
Current liabilities							
Trade and other payables	11	**1,273,187**		1,061,330		2,676,052	
Amount payable to ultimate holding company		**-**		766,506		1,380	
Amount due to a jointly controlled entity		**554,448**		-		-	
Amounts due to holders of non-controlling interests		**-**		-		461,158	
Derivative financial instruments		**-**		-		45,526	
Bank loans		**3,855,500**		3,117,500		1,166,000	
Current taxation		**298,465**		274,121		398,870	
		5,981,600		5,219,457		4,748,986	
Net current assets			**2,704,070**		2,937,388		7,132,030
Total assets less current liabilities			**25,014,669**		22,093,615		25,045,764
Non-current liabilities							
Loan from ultimate holding company		**896,569**		1,200,559		2,473,789	
Amount payable to ultimate holding company		**627,901**		566,374		686,497	
Bank loans		**1,660,447**		150,000		1,862,000	
Other payables		**46,872**		-		-	
Deferred tax liabilities		**303,170**		347,237		189,674	
			3,534,959		2,264,170		5,211,960
NET ASSETS			**21,479,710**		19,829,445		19,833,804
CAPITAL AND RESERVES							
Share capital			**115,068**		115,068		115,068
Reserves			**18,473,255**		16,756,842		16,623,250
Total equity attributable to the shareholders of the Company			**18,588,323**		16,871,910		16,738,318
Non-controlling interests			**2,891,387**		2,957,535		3,095,486
TOTAL EQUITY			**21,479,710**		19,829,445		19,833,804

Notes

1 Basis of preparation

These accounts 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 accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

The 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. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these accounts. Except as described in Note 2, the accounts have been prepared on a basis consistent with the accounting policies adopted in the prior year accounts.

2 Changes in accounting policies

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's accounts:

- HKFRS 3 (revised 2008), "Business combinations"
- Amendments to HKAS 27, "Consolidated and separate financial statements"
- Improvements to HKFRSs (2009)
- HK(Int) 5, "Presentation of financial statements - Classification by the borrower of a team loan that contains a repayment on demand clause"

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, with the exception of the amendments to HKAS 12, "Income taxes", in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, "Investment property". The amendments are effective for annual periods beginning on or after 1 January 2012, but as permitted by the amendments, the Group has decided to adopt the amendments early.

(a) Early adoption of the amendments to HKAS 12, "Income taxes"

The change in policy arising from the amendments to HKAS 12 is the only change which has had a material impact on the current or comparative periods. As a result of this change in policy, the Group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the balance sheet date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefit embodied in the property over time, rather than through sale. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset's value through use.

This change in policy has been applied retrospectively by restating the opening balances at 1 January 2009 and 2010, with consequential adjustments to comparatives for the year ended 31 December 2009. This has resulted in a reduction in the amount of deferred tax provided on valuation gain in respect of certain investment properties of the Group. The effects are shown as follows:

	As previously reported *HK$'000*	Effect of adoption of amendments to HKAS 12 *HK$'000*	As restated *HK$'000*
Consolidated income statement for the year ended 31 December 2009:			
Share of profits of jointly controlled entities	38,955	(720)	38,235
Income tax	114,231	(14,422)	99,809
Profit for the year	1,453,873	13,702	1,467,575
Profit attributable to:			
- Shareholder of the Company	1,213,541	14,072	1,227,613
- Non-controlling interests	240,332	(370)	239,962
Earnings per share - Basic/Diluted	HK$1.05	HK$0.02	HK$1.07
Consolidated balance sheet as at 31 December 2009:			
Interest in jointly controlled entities	1,280,826	18,172	1,298,998
Deferred tax assets	30,266	866	31,132
Deferred tax liabilities	1,071,264	(724,027)	347,237
Retained profits	5,758,639	737,716	6,496,355
Non-controlling interests	2,952,186	5,349	2,957,535
Consolidated balance sheet as at 1 January 2009:			
Interest in jointly controlled entities	1,241,043	18,892	1,259,935
Deferred tax liabilities	900,145	(710,471)	189,674
Retained profits	5,005,370	723,644	5,729,014
Non-controlling interests	3,089,767	5,719	3,095,486

(b) Details of other changes in accounting policies are as follows:

(i) As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following major changes in accounting policies:

- Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the costs of the business combination and therefore impacted the amount of goodwill recognised.

- If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

In accordance with the transitional provision in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. No adjustments have been made to the carrying values of assets and liabilities that arose from business combination whose acquisition dates preceded the application of the revised standard.

(ii) As a result of the adoption of Amendments to HKAS 27, the following changes in policies will be applied as from 1 January 2010:

- If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

- If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if re-acquired.

- Any losses incurred by a non-wholly owned subsidiary will be allocated between the equity shareholders and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses.

In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

(iii) In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, similar amendments have been made to HKAS 28, "Investments in associates", and HKAS 31, "Interests in joint ventures".

(iv) As a result of the amendment to HKAS 17, "Leases", arising from the "Improvements to HKFRSs (2009)", the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers significantly all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate, with the exception of those interests which are registered and transferable ownership interests in land located in Hong Kong. These leasehold interests will no longer be classified by the Group as operating leases as the Group considers that it is in a position economically similar to that of a purchaser. This change in accounting policy has no material impact on the current or previous periods.

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 seven reportable segments.

- Property development segment (Hong Kong/Macau/Mainland China): the development and sales of properties. Given the importance of 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.

- Finance and investments segment: the financial investments and the provision of finance services.

- Oil segment : oil exploration and production.

- Other businesses segment: mainly includes 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 sales of properties, oil and held for trading investments, income from interests in property development, dividend and interest income.

Reporting segment profit represents profit before tax 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.

(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.

	2010							
		Property development						
	Consolidated	Hong Kong	Macau	Mainland China	Property investment	Finance and investments	Oil	Others
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	1,268,722	2,357	819,258	-	272,741	27,849	80,444	66,073
Reportable segment profit	783,366	159,048	111,328	153,630	276,043	49,144	9,749	24,424
Other net income	141,337	-	-	-	141,337	-	-	-
Fair value changes on investment properties	1,421,148	-	-	-	1,421,148	-	-	-
Share of fair value changes on investment properties of a jointly controlled entity	22,000	-	-	-	22,000	-	-	-
Head office and corporate expenses	(74,506)							
Finance costs	(20,207)							
Profit before taxation	2,273,138							
Share of profits of associated companies	2,596	-	-	-	-	-	-	2,596
Share of profits of jointly controlled entities	218,360	-	-	172,720	45,640	-	-	-
Interest income	22,373	-	-	-	-	21,546	-	827
Depreciation and amortisation	(28,608)	-	-	-	-	-	(17,753)	(10,855)
Impairment loss on properties written back	154,770	154,770	-	-	-	-	-	-
Fair value changes on held for trading listed investments	24,578	-	-	-	-	24,578	-	-
Gain from bargain purchase	23,579	-	-	-	-	-	23,579	-

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

	2009 *(restated)*						
		Property development					
	Consolidated *HK$'000*	Hong Kong *HK$'000*	Macau *HK$'000*	Mainland China *HK$'000*	Property investment *HK$'000*	Finance and investments *HK$'000*	Others *HK$'000*
Turnover	1,985,304	529,620	761,637	-	272,217	367,224	54,606
Reportable segment profit	1,497,313	304,738	749,856	30,707	280,092	118,653	13,267
Other revenue	46,859						
Other net income	68,944						
Fair value changes on investment properties	72,357	-	-	-	72,357	-	-
Share of fair value changes on investment properties of a jointly controlled entity	(13,200)	-	-	-	(13,200)	-	-
Head office and corporate expenses	(81,735)						
Finance costs	(23,154)						
Profit before taxation	1,567,384						
Share of profits of associated companies	2,370	-	-	-	-	-	2,370
Share of profits of jointly controlled entities	38,235	-	-	34,254	3,981	-	-
Interest income	19,721	-	-	-	-	19,324	397
Depreciation and amortisation	(11,288)	-	-	-	-	-	(11,288)
Impairment loss on properties written back	12,170	12,170	-	-	-	-	-
Fair value changes on held for trading listed investments	38,096	-	-	-	-	38,096	-
Fair value changes on derivative financial instruments	45,526	-	-	-	-	45,526	-

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

	2010							
		Property development						
	Consolidated	Hong Kong	Macau	Mainland China	Property investment	Finance and investments	Oil	Others
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment assets	**30,234,331**	**4,255,834**	**10,285,205**	**6,026,766**	**8,002,462**	**164,000**	**1,220,557**	**279,507**
Deferred tax assets	**7,464**							
Time deposit (pledged)	**15,000**							
Cash and cash equivalents	**719,684**							
Head office and corporate assets	**19,790**							
Consolidated total assets	**30,996,269**							
Interest in associated companies	**1,675,361**	**-**	**-**	**1,667,105**	**-**	**-**	**-**	**8,256**
Interest in and amounts due from jointly controlled entities	**1,695,923**	**-**	**-**	**1,111,899**	**584,024**	**-**	**-**	**-**

	2009 *(restated)*						
		Property development					
	Consolidated	Hong Kong	Macau	Mainland China	Property investment	Finance and investments	Others
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment assets	26,670,029	3,717,032	10,932,417	4,889,639	6,678,698	156,309	295,934
Deferred tax assets	31,132						
Time deposit (pledged)	15,000						
Cash and cash equivalents	575,237						
Head office and corporate assets	21,674						
Consolidated total assets	27,313,072						
Interest in associated companies	1,286,726	-	-	1,276,773	-	-	9,953
Interest in and amounts due from jointly controlled entities	1,509,820	-	-	946,729	563,091	-	-

(b) Geographic information

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

	Revenue		**Non-current assets**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000* *(restated)*
Hong Kong (place of domicile)	**344,536**	1,198,251	**7,634,699**	6,309,121
Macau	**821,855**	765,334	**490,040**	474,540
Mainland China	**14,758**	14,637	**2,776,310**	2,188,120
Kazakhstan	**80,494**	-	**1,195,619**	-
Others	**7,079**	7,082	**-**	-
	1,268,722	1,985,304	**12,096,668**	8,971,781

In addition to the above non-current assets, the Group has interests in property development of HK$10,173,404,000 (2009: HK$10,116,880,000) in Macau.

4 Other net income

Other net income represents a net gain on disposal of investment properties of HK$141,337,000 (2009: HK$Nil), gain from bargain purchase of HK$23,579,000 (2009: HK$Nil) in relation to the acquisition of a subsidiary and fair value changes on held for trading listed investments of gain HK$24,578,000 (2009: HK$38,096,000). In 2009, other net income also included derivative financial instruments of gain of HK$45,526,000 and net gain of HK$68,944,000 in relation to the disposal of 12% interest in a subsidiary.

5 Finance costs

	2010	2009
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**65,040**	20,240
Interest on loan from/amount payable to ultimate holding company	**10,572**	16,598
Less : Amount capitalised	**(52,642)**	(13,684)
	22,970	23,154
Less: Interest expenses included as other operating expenses	**(2,763)**	-
	20,207	23,154

6 Profit before taxation

Profit before taxation is arrived at after charging :

	2010	2009
	HK$'000	*HK$'000*
Amortisation of oil exploitation assets *(Remark)*	**5,916**	-
Depreciation and amortisation of fixed assets *(Remark)*	**22,692**	11,288
Staff costs *(Remark)*	**123,611**	111,304

Remark:

Cost of sales includes HK$24,341,000 (2009: HK$Nil) relating to staff costs and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above.

7 Income tax

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Current tax		
- Hong Kong	**33,153**	77,522
- Outside Hong Kong	**53,040**	17,952
	86,193	95,474
Deferred tax	**(10,903)**	4,335
	75,290	99,809

The provision for Hong Kong profits tax is calculated at 16.5% (2009 : 16.5%) of the estimated assessable profits for the year. Tax levied in jurisdictions outside Hong Kong is charged at the appropriate rates of taxation currently ruling in relevant jurisdictions.

8 Earnings per share

(a) The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK$2,127,883,000 (2009 (restated): HK$1,227,613,000) and weighted average number of shares in issue during the year of 1,150,681,275 (2009: 1,150,681,275).

(b) There are no dilutive potential shares in existence during the years ended 31 December 2010 and 2009.

9 Dividends

	2010	2009
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK$0.20 (2009: HK$0.20) per share	**230,136**	230,136
Final dividend proposed after the balance sheet date of HK$0.32 (2009 : HK$0.32) per share	**368,218**	368,218
	598,354	598,354

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

10 Trade and other receivables

Included in this item are trade receivables (net of impairment losses for bad and doubtful debts) with an ageing analysis as follows :

	2010	2009
	HK$'000	*HK$'000*
Current	**53,538**	59,614
Less than 3 months past due	**5,354**	6,032
3 months to 6 months past due	**435**	351
More than 6 months past due	**10,065**	7,399
Amounts past due	**15,854**	13,782
Trade receivables	**69,392**	73,396
Utility and other deposits	**7,906**	6,691
Other receivables and prepayments	**107,914**	89,535
	185,212	169,622

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

11 Trade and other payables

Included in this item are trade payables with an ageing analysis as follows :

	2010	2009
	HK$'000	*HK$'000*
Not yet due or on demand	**132,551**	152,783
Within 3 months	**42,937**	10,789
3 months to 6 months	**506**	-
More than 6 months	**32,768**	69,086
Trade payables	**208,762**	232,658
Rental and other deposits	**64,798**	65,039
Other payables and accrued expenses	**535,177**	174,160
Deposits received on sale of properties	**464,450**	589,473
	1,273,187	1,061,330

12 Restatement of comparatives

As a result of the adoption of the amendments to HKAS 12, "Income taxes", certain comparative figures have been adjusted to reflect the decrease in accrual of deferred tax liabilities related to certain investment properties carried at fair value. Further details of these changes in accounting policies are disclosed in note 2.

FINANCIAL REVIEW

Financial Resources and Bank Borrowings

As at 31 December 2010, the Group's total bank borrowings amounted to HK$5,516 million, with HK$3,856 million repayable within one year and HK$1,660 million repayable beyond one year. A substantial portion of the short term bank loans with maturity in early 2011 had been re-financed by a medium term loan subsequent to year end. The net borrowings position of the Group as at end-December 2010 amounted to HK$4,796 million after taking into account cash and cash equivalents of HK$720 million, an increase of HK$2,103 million as compared with the net borrowings of HK$2,693 million as at 31 December 2009. At the same time, the loan from/amount payable to the ultimate holding company amounted to HK$1,524 million as at year end 2010 which represented a decrease of HK$1,009 million from HK$2,533 million as of year end 2009.

The Group's gearing ratio (calculated on the basis of net bank borrowings and payables to the ultimate holding company over equity attributable to shareholders of the Company) was 34.0% as at 31 December 2010 (2009: 31.0% (restated)).

During 2010, the Group's investment in Mainland China and Macau generated approximately HK$917 million and HK$289 million cash inflow respectively. The cash inflows from Mainland China were mainly related to the return of funds from the Group's investment in Foshan and the presales proceeds received from the development project in the Hun Nan Xin District, Shenyang. Cash inflow from Macau was mainly related to the sales proceeds received in respect of Pacifica Garden. Moreover, the disposal of certain non-core investment properties in Hong Kong and Macau generated cash of approximately HK$271 million during the year under review.

Approximately HK$339 million was further invested by the Group in the Tianjin project for the year 2010. Acquisition and construction costs paid in respect of the Group's development projects amounted to approximately HK$939 million.

The acquisition of Caspi Neft TME was completed in the second half of 2010. Upon completion of the transactions, part of the outstanding consideration amounting to US$133.6 million was settled.

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 arrangement when appropriate.

The Group is exposed to exchange rate fluctuations on Renminbi ("RMB") with its investments in Mainland China. External borrowings in RMB together with revenue generated from the development projects in Mainland China will serve as a natural hedge against the exchange rate risk of RMB.

Since the acquisition of the oil business in Kazakhstan, through our listed subsidiary Polytec Asset, during the year, the Group has been exposed to the exchange fluctuations in the Kazakhstan Tenge (KZT), the local currency of Kazakhstan. While the majority of the operating expenses, as well as capital expenditure, of the Group's oil business is denominated in the KZT, over 80% of its revenue generated from this segment is denominated in the USD. However, this business represents a relatively small portion of the Group's overall business and therefore the fluctuation in the KZT is unlikely to substantially affect the Group's financial position.

With the financing facilities in place, recurrent rental income from investment properties, cash inflow 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 2010, in connection with the Group's investment properties, the Group had commitments for construction work which amounted to HK$143 million.

Pledge of Assets

As at the balance sheet date, properties having a value of HK$11,995 million and time 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 jointly controlled entity in Mainland China. One guarantee is provided on a joint and several basis in the amount of RMB80 million. The joint venture partner and the Group had signed a mutual indemnification agreement by which each will be indemnified by the other on a 50:50 basis for any loss arising from the guarantee. The related banking facility was fully utilised, with total amount of RMB80 million as at 31 December 2010. The other remaining guarantees amounted to RMB495 million, representing a 50% proportional guarantee in respect of RMB990 million term loan facilities. These facilities were utilised to the extent of RMB730 million as at 31 December 2010.

HUMAN RESOURCES

As of 31 December 2010, the Group has a total of 605 employees (2009: 398 employees), with the significant increase in headcount mainly due to the newly acquired oil business in Kazakhstan by our listed subsidiary, Polytec Asset. During the year, total staff costs increased to HK$124 million (2009: HK$111 million). Salary levels of employees are competitive. Discretionary bonuses are granted based on performance of the Group as well as performance of individual to attract, motivate and retain talented people.

We believe that the quality of the Group's human resources is critical to its maintaining strong competitive edge. The Group conducts a range of training programs both in-house and through external institutions to strengthen employees' all round skills and knowledge, aiming to well equip them to cope with the Group's development in the ever-changing economy.

The Group held annual dinner, Christmas party, outing and working lunches for employees during the year to promote team spirit and loyalty and share information between departments.

OTHER INFORMATION

Review by Audit Committee

The Audit Committee of the Company has reviewed and discussed with the independent auditors, KPMG, the consolidated accounts of the Group for the year ended 31 December 2010 including critical accounting policies and practices adopted by the Group.

Compliance with the Code on Corporate Governance Practices

The Company has complied throughout the year with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, except Code Provision A.2.1 (which recommends the roles of the Chairman and chief executive officer should be separate) as explained below.

Mr Or Wai Sheun has performed the combined role as the Chairman and the Chief Executive Officer taking charge of overall operation. This combining of the roles enables the Company to make prompt and efficient decisions. The Company's approach to corporate governance emphasizes the quality of the Board's governance and accountability to shareholders. In ensuring proper ethical and responsible decision making, the Board has established a mechanism for formal review of particular aspect of the Company's affairs.

Important decisions, including those that may be expected to affect the long-term shareholder value, are made by the Board and applicable Board committees.

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 2010.

Annual General Meeting

The 2011 Annual General Meeting of the Company will be held on Monday, 27 June 2011. The Notice of Annual General Meeting will be published and dispatched in due course.

Closure of Register o f Members

The register of members of the Company will be closed from Tuesday, 5 July 2011 to Wednesday, 6 July 2011, 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 registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 pm on Monday, 4 July 2011.

Publication of Annual Report

The 2010 Annual Report containing all the information as required by the Listing Rules will be published on the Company's website at www.kdc.com.hk and the website of Hong Kong Exchanges and Clearing Limited, while printed copies will be sent to shareholders on or about 28 April 2011.

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

Hong Kong, 30 March 2011

As at the date of this announcement, the Directors of the Company are Mr Or Wai Sheun (Chairman), Ms Ng Chi Man, Mr Lai Ka Fai and Mr Or Pui Kwan as Executive Directors; Mr Keith Alan Holman (Deputy Chairman), Mr Tam Hee Chung and Mr Yeung Kwok Kwong as Non-executive Directors; and Mr Li Kwok Sing, Aubrey, Mr Lok Kung Chin, Hardy, Mr Seto Gin Chung, John and Mr David John Shaw as Independent Non-executive Directors.