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**九龍建業有限公司**  
**KOWLOON DEVELOPMENT COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 34)**

**ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**2009 ANNUAL RESULTS HIGHLIGHTS**

- Group's net profit attributable to shareholders for 2009 rises to HK\$1,214 million from a net loss of HK\$629 million in 2008.
- Excluding gains in fair value of our investment properties net of deferred tax, underlying net profit and underlying earnings per share for 2009 amounts to HK\$1,159 million and HK\$1.01 respectively.
- Full year dividend per share for 2009 rises to HK\$0.52, an increase of 33.3% over 2008.
- Group's land bank increases 8.7% to approximately 5 million sq m at end-December 2009.
- The Group is focusing its resources and efforts on its property business in the Greater China region and will cease its non-strategic financial investment activities.

**GROUP RESULTS AND DIVIDENDS**

For the year ended 31 December 2009, net profit attributable to shareholders of the Company rose significantly to HK\$1,214 million from a net loss of HK\$629 million in 2008. Basic earnings per share for 2009 rose to HK\$1.05 from a loss of HK\$0.55 in 2008.

Excluding revaluation gains from the Group's investment properties net of deferred tax, underlying net profit for 2009 amounted to HK\$1,159 million.

The Board of Directors recommends the payment of a final dividend of HK\$0.32 per share (2008: HK\$0.20) for the year ended 31 December 2009. Together with the 2009 interim dividend of HK\$0.20 per share, the full year dividend for 2009 amounts to HK\$0.52 per share, representing an increase of 33.3% over 2008.

The final dividend will be paid on 28 May 2010 to shareholders whose names appear on the Register of Members of the Company on 18 May 2010, subject to approval of shareholders at the annual general meeting.

## **BUSINESS REVIEW**

In the Greater China region, the three economies, Hong Kong, Macau and Mainland China, have rapidly recovered since the second half of 2009 and their respective property markets have rebounded strongly, with housing prices and transaction volumes returning to their pre-crisis levels since the middle of 2009. The Group's core property business has also benefited from the improving business environment.

### ***Property Sales***

In Hong Kong, we have sold almost all of our luxury residential units at 31 Robinson Road, Mid-levels, Hong Kong. Total sales proceeds from this development project so far amounted to approximately HK\$2.2 billion, achieving an overall profit margin of approximately 58%. Sales booked in 2009 amounted to HK\$528 million. The combined operating profit of HK\$1,085 million for 2009 was mainly derived from the projects at Robinson Road, Hong Kong and Villa de Mer, Macau, representing an increase of 60.2% over the same period in 2008.

The Group received the final income distribution from its co-investment property project Villa de Mer in Macau during the year under review, which contributed HK\$751 million to the Group's operating profit for 2009.

In Mainland China, the pre-sale of the first phase of the Group's 50% owned project in Foshan (Guangdong Province), which commenced in the first half of 2009, has been well received by the market, with total pre-sale proceeds already exceeding RMB2 billion. The majority of profit so generated will be recognized in 2010.

### ***Property Development***

During the year under review, we have successfully acquired a number of property development projects in Hong Kong and Mainland China, with the Group's land bank rising 8.7% over 2008 to approximately 5 million sq m.

Details of the Group's major property projects under development in the Greater China region are set out below.

#### ***Hong Kong***

##### **► *Ngau Chi Wan, Kowloon***

This site is located in Ngau Chi Wan, and has planning approval for a residential and commercial development totaling 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***

The site is located in a prime location of Mongkok. This is a joint-venture redevelopment residential and commercial 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 into a luxury residential and commercial complex with a club house and parking facilities, retail spaces, a multi-purpose sports stadium and a youth centre. Excluding the multi-purpose sports stadium and a youth centre, the residential and commercial portion is approximately 19,000 sq m. Foundation work is now completed and basement excavation has begun.

▶ ***Sai Yeung Choi Street North, Kowloon***

The site is located in 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. Foundation work has already been commenced in early 2010.

▶ ***Mount East, Ming Yuen Street West, Hong Kong***

The site is located in North Point, the heart of Eastern Hong Kong Island, with a total gross floor area of approximately 5,700 sq m. This residential project is wholly-owned by the Group. It will be developed into a luxury residential tower. It comprises 74 residential units, a shop on ground floor, recreational facilities, a club house with sky garden. Superstructure work is in progress and the project is expected to be completed in the middle of 2011.

▶ ***Belcher's Street, Hong Kong***

The site is located in Belcher's Street, with a proposed MTR station exit nearby. With the original site area of 564 sq m, the Group is in the process of acquiring a number of adjacent buildings in order to further expand the gross site area and hence have a more sizeable development.

*Mainland China*

▶ ***Dongling District, Shenyang***

The site is located in a residential area of Dongling District, Shenyang. 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 density residential units by phases. The building plan for the first phase of the development, with a gross floor area of approximately 100,000 sq m, has been submitted to local authorities. Foundation work will be commenced once the plan has been approved by the government.

▶ ***Hun Nan Xin District, Shenyang***

The site is located in the Hun Nan Xin District, Shenyang. According to the overall planning and development strategy of the local municipal government, the district will be developed into a modern technological new district with a high-tech industrial development zone, a high-grade commercial and business centre, a high-quality residential area, a university town and a Hun River tourism zone. This residential and commercial development project is

wholly-owned by the Group, with a planned gross floor area of approximately 579,000 sq m. It will be developed into a residential and commercial complex, together with hotels. Construction work of the first phase started in the first half of 2009. Pre-sales of the project will start in the second half of 2010.

► ***Nanhai District, Foshan***

The site is located in the Nanhai District, Foshan, with a sizable 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. This site is endowed with unique geographical advantages, surrounded by lakes, wetland nature reserve zone and woods. It will be developed into one of the most emblematic residential communities in Foshan, with aggregate gross floor area of approximately 1,600,000 sq m. The first phase of development comprises mainly luxury low-rise residential houses. The pre-sale of the first phase of residential development, which commenced in early 2009, has been well received by the market.

► ***Hedong District, Tianjin***

The site is located in the Hedong District, Tianjin, a new commercial and business area. This residential and commercial development project is 49% owned by the Group, with a gross floor area of approximately 930,000 sq m. It will be developed into a residential and commercial complex with luxury residential towers, office buildings, a five-star hotel and a first-class shopping arcade. We are in the process of obtaining necessary approvals and plan to start construction work later this year.

► ***Shiqi District, Zhongshan***

The site is located in the Shiqi District, one of the most prestigious residential areas in Zhongshan. This residential and commercial project is 70% owned by the Group, with gross floor area of approximately 129,000 sq m and comprising of 7 high-end towers with 1,150 residential units, a club house and retail shops. Foundation work is expected to be completed shortly and the pre-sale of the project will start in the second half of this year.

*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:

► ***Pacifica Garden, Taipa***

Pacifica Garden is Polytec Asset's 58% owned residential and commercial development project in Taipa with a gross floor area of approximately 35,900 sq m. It has been developed as two towers, with a total of 295 residential units and retail shops on the ground floor. The residential units have already been wholly pre-sold. The construction work has been completed and it is expected that the occupation permit will be obtained shortly.

► ***Lote P, The Orient Pearl District***

Lote P covers an aggregate site area of approximately 68,000 sq m. This project, in which Polytec Asset has an 80% interest, will be developed by phases into various luxury residential towers, together with a large shopping arcade, a club house and numerous car parking spaces,

with an aggregate gross floor area of approximately 699,700 sq m. The master plan of the development has been approved and the building plan has been submitted to the relevant government authorities for approval.

► ***Lotes T & T1, The Orient Pearl District***

Lotes T & T1 combined covers an aggregate site area of approximately 17,900 sq m. This project, in which Polytec Asset has an 80% interest, will be developed into a number of high-end residential blocks with retail shops and car parking spaces, having an aggregate gross floor area of approximately 186,800 sq m. The master plan has been approved by the government with final approvals being processed.

***Property Investment***

The Group's gross rental income from its property investment portfolio for 2009 amounted to HK\$272 million, an increase of 6.5% over 2008. The main improvement came from the Group's retail portfolio, with total rental income for 2009 rising 7.2% to HK\$171 million and occupancy rate for all retail properties reaching nearly 100%. Gross rental income from the Group's flagship property, Pioneer Centre, rose to HK\$218 million in 2009 from HK\$206 million in 2008, with both offices and retail spaces being almost fully let at end-December 2009.

***Finance and Investments***

The Group's finance and investment activities recorded an operating profit of HK\$119 million in 2009 compared with a loss of HK\$3,730 million in 2008 when the meltdown on the global financial markets significantly impaired the value of the Group's then owned financial investment portfolio.

As of 31 December 2009, the Group did not have any commitments under forward agreements and the total value of the financial investments in the Group's portfolio was further reduced to HK\$107 million compared to HK\$236 million at end-2008. The Group did not enter any new trades during the course of 2009.

***New Developments and Major Events in 2009***

***Disposal of 12% Interest in Tianjin Project***

On 29 July 2009, the Company entered into an equity transfer agreement for disposal of 12% interest of CITIC Polytec Property (Tianjin) Co., Ltd. to the joint venture partner, CITIC Real Estate Tianjin Investment Co., Ltd. The total proceeds arising from the disposal were approximately RMB271 million, consisting of RMB49 million as consideration and a further receipt of RMB222 million in relation to a reduction of the Company's contribution to this project.

***New Property Development Projects***

On 13 August 2009, the Company entered into a sale and purchase agreement with the ultimate holding company, Polytec Holdings International Limited, for the acquisition of 100% equity interests in two property development companies relating to the development of Mount East in

Hong Kong and the project in Hun Nan Xin District of Shenyang at an aggregate consideration of HK\$857 million. As a result of this acquisition, the Group's land bank has been increased by approximately 584,000 sq m in aggregate.

### *New Business Opportunity*

As announced on 7 December 2009, Polytec Asset is reviewing an opportunity of extending its business to the oil and gas industry through acquisition of Caspi Neft TME, which is a joint stock company registered under the laws of Kazakhstan and is principally engaged in the production of oil from hydrocarbon deposits in Kazakhstan. Polytec Asset's subsidiary is entitled to exercise an option to acquire Caspi Neft TME at a cash consideration of US\$139,600,000 at any time till 7 April 2010 pursuant to a deed of call option dated 7 December 2009. It is expected that the option will be exercised by the Group, subject to the necessary approvals have been granted by the Kazakhstan government. If the option is exercised, detailed information will be provided to shareholders in compliance with Listing Rules requirements.

## **PROSPECTS**

The overall global market sentiment appears to have improved considerably and many economies around the globe have started to grow since the third quarter last year after three quarters of severe economic contraction. However, the uncertainty over the sustainability of the global recovery remains as the economic rebound has largely been attributable to the governments' massive liquidity injection, record low interest rate policy and fiscal stimulus since the start of the financial crisis and indeed these truly exceptional policies cannot be sustained. Nevertheless, we believe that investor confidence will further improve and the global economy will further recover, with Asian nations picking up faster than the others.

During the year under review, we have successfully acquired a number of property development projects and sites in Hong Kong and Mainland China, with the Group's land bank rising 8.7% over 2008 to approximately 5 million sq m. We will continue to look to strengthen our quality land bank throughout the Greater China region.

In Hong Kong, the soft launch of the Group's luxury residential project Mount East in North Point has been well received by the market and the formal pre-sale will start in the first half of this year. Due to the advantage of its proximity to the North Point MTR station and limited supply of new residential development sites in this area, we are confident this project will generate a satisfactory profit margin for the Group.

The Group's investment in the property projects in Mainland China over the past three years has started bearing fruit. The Group's first Mainland China development project in Foshan launched last year and the pre-sale of the first residential phase has been well received by the market, with total pre-sale proceeds already exceeding RMB2 billion so far. The pre-sales of the development projects in Zhongshan and Shenyang will begin later this year. It is expected that our Mainland China property business will start contributing an increasingly large proportion to the Group's results over the coming years.

Through our subsidiary, Polytec Asset, we have recently considered to extend our business to the oil and gas industry. We are of the view that there are exceptionally appealing opportunities to acquire assets in the industry after the financial turbulence and we have recently entered into a call option to acquire an oil and gas company in Kazakhstan. Looking forward, we are optimistic about the prospects of the industry.

The Group's results for 2008 were significantly impaired by the effect of unexpected turbulence in global financial markets. However, with the solid foundation in its property business, the Group has regained its strength as the annual results for 2009 show. Management has reviewed its overall strategy for the Group going forward and has decided to cease its non-strategic financial investment activities and focus the Group's resources and efforts on the property business in Hong Kong, Mainland China and Macau, aiming to become one of very few listed property companies to have the capacity to grow significantly in all three markets.

## CONSOLIDATED RESULTS

The consolidated results of the Group for the year ended 31 December 2009, together with the comparative figures of 2008 are as follows:

### Consolidated Income Statement

for the year ended 31 December 2009

	<i>Note</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>Turnover</b>	3	<b>1,985,304</b>	8,792,773
Cost of sales		<b>(534,683)</b>	(8,171,721)
Other revenue	4	<b>57,062</b>	41,282
Other net income	5	<b>152,566</b>	34,170
Depreciation and amortization		<b>(11,288)</b>	(10,597)
Staff costs		<b>(111,304)</b>	(76,541)
Other operating expenses		<b>(60,081)</b>	(229,023)
Fair value changes on investment properties		<b>72,357</b>	878,833
Unwinding cost for contingent forward transactions		-	(1,614,522)
Loss on disposal of available-for-sale investments		-	(1,588,710)
<b>Profit/(Loss) from operations</b>		<b>1,549,933</b>	(1,944,056)
Finance costs	6	<b>(23,154)</b>	(95,512)
Share of profits of associated companies		<b>2,370</b>	206
Share of profits less losses of jointly controlled entities		<b>38,955</b>	(53,455)
Negative goodwill		-	1,205,914
<b>Profit/(Loss) before taxation</b>		<b>1,568,104</b>	(886,903)
Income tax	7	<b>(114,231)</b>	(171,131)
<b>Profit/(Loss) for the year</b>		<b><u>1,453,873</u></b>	<b><u>(1,058,034)</u></b>
<b>Attributable to:</b>			
Shareholders of the Company		<b>1,213,541</b>	(629,266)
Minority interests		<b>240,332</b>	(428,768)
<b>Profit/(Loss) for the year</b>		<b><u>1,453,873</u></b>	<b><u>(1,058,034)</u></b>
<b>Earnings/(Loss) per share - Basic/Diluted</b>	<i>8(a)</i>	<b><u>HK\$1.05</u></b>	<b><u>(HK\$0.55)</u></b>

**Consolidated Statement of Comprehensive Income**  
for the year ended 31 December 2009

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>Profit/(Loss) for the year</b>	<b>1,453,873</b>	(1,058,034)
<b>Other comprehensive income for the year</b>		
Exchange differences on translation of accounts of overseas subsidiaries	<b>3,495</b>	149,360
Realization of exchange differences upon disposal of interest in a subsidiary	<b>(21,520)</b>	-
Changes in fair value of available-for-sale investments	<b>(6,585)</b>	(1,625,213)
Changes in fair value of interests in property development	<b>(134,112)</b>	768,437
Impairment loss on available-for-sale investments	<b>9,078</b>	-
Transfer to income statement upon disposal of available-for-sale investments	-	1,588,710
Transfer to income statement upon recognition from interests in property development	<b>(751,168)</b>	(506,760)
Share of other comprehensive income of jointly controlled entities and associated companies	<b>538</b>	38,528
	<b>(900,274)</b>	413,062
<b>Total comprehensive income for the year</b>	<b>553,599</b>	(644,972)
<b>Attributable to:</b>		
Shareholders of the Company	<b>579,792</b>	(321,633)
Minority interests	<b>(26,193)</b>	(323,339)
<b>Total comprehensive income for the year</b>	<b>553,599</b>	(644,972)



**Consolidated Balance Sheet**  
at 31 December 2009

		2009		2008	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Fixed assets					
- Investment properties			6,108,010		6,027,990
- Leasehold land held for own use			239,431		245,961
- Other property, plant and equipment			38,616		41,725
			<u>6,386,057</u>		<u>6,315,676</u>
Interests in property development			10,116,880		10,251,062
Interest in jointly controlled entities			1,280,826		1,241,043
Interest in associated companies			1,286,726		7,584
Financial investments			27,096		33,681
Loans and advances			9,338		14,085
Deferred tax assets			30,266		31,711
			<u>19,137,189</u>		<u>17,894,842</u>
<b>Current assets</b>					
Inventories			7,067,026		5,854,969
Interests in property development			-		1,601,329
Trade and other receivables	10		169,622		2,196,512
Loans and advances			31,322		42,407
Amounts due from jointly controlled entities			210,822		997,314
Derivative financial instrument	11		7,800		-
Financial investments			80,016		202,176
Time deposits (pledged)			15,000		18,810
Cash and cash equivalents			575,237		967,499
			<u>8,156,845</u>		<u>11,881,016</u>

		2009		2008	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Current liabilities</b>					
Trade and other payables	12	1,061,330		2,676,052	
Amount payable to ultimate holding company		766,506		1,380	
Amounts due to minority shareholders		-		461,158	
Derivative financial instruments		-		45,526	
Bank loans		3,117,500		1,166,000	
Current taxation		274,121		398,870	
		<u>5,219,457</u>		<u>4,748,986</u>	
<b>Net current assets</b>			<u>2,937,388</u>		<u>7,132,030</u>
<b>Total assets less current liabilities</b>			<u>22,074,577</u>		<u>25,026,872</u>
<b>Non-current liabilities</b>					
Loan from ultimate holding company		1,200,559		2,473,789	
Amount payable to ultimate holding company		566,374		686,497	
Bank loans		150,000		1,862,000	
Deferred tax liabilities		1,071,264		900,145	
			<u>2,988,197</u>		<u>5,922,431</u>
<b>NET ASSETS</b>			<u><u>19,086,380</u></u>		<u><u>19,104,441</u></u>
<b>CAPITAL AND RESERVES</b>					
Share capital		115,068		115,068	
Reserves		16,019,126		15,899,606	
<b>Total equity attributable to shareholders of the Company</b>			<u>16,134,194</u>		<u>16,014,674</u>
Minority interests			<u>2,952,186</u>		<u>3,089,767</u>
<b>TOTAL EQUITY</b>			<u><u>19,086,380</u></u>		<u><u>19,104,441</u></u>

## 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 a number of new and revised HKFRSs that are first effective for the current accounting period of the Group. The adoption of these new and revised HKFRSs has no material impact on the results and financial position of the Group. 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

HKFRS 8, “Operating segments”, requires segment disclosure to be based on the way that the Group’s top management regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group’s top management for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group’s accounts into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group’s top management, and has resulted in amended disclosure being presented. Corresponding amounts have been provided on a basis consistent with the revised segment information.

As a result of the adoption of HKAS 1 (revised 2007), “Presentation of financial statements”, details of changes in equity during the period arising from transactions with shareholders of the Company in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expenses are presented in the consolidated income statement, if they are recognized as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation.

As a result of the adoption of the amendments to HKFRS 7, “Financial instruments : Disclosures - improving disclosures about financial instruments”, the accounts include expanded disclosures about the fair value measurement of the Group’s financial instruments, categorizing these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

As a result of amendments to HKAS 40, “Investment property”, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognized in profit

or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognized in profit or loss. This change in policy has no impact on net assets or profit or loss for any of the periods presented.

The amendments to HKAS 27, “Consolidated and separate financial statements - cost of an investment in a subsidiary, jointly controlled entity or associate”, have removed the requirement that dividends out of pre-acquisition profits should be recognized as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries, associated companies and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognized in the Company’s profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognizing dividend income in profit or loss, the Company would recognize an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

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

### **3 Segment reporting**

The Group manages its business by a mixture of both business lines and geography. On adoption of HKFRS 8, “Operating segments”, and 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/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.
- 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 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.

	2009						
	Property development				Property investment HK\$'000	Finance and investments HK\$'000	Others HK\$'000
Consolidated HK\$'000	Hong Kong HK\$'000	Macau HK\$'000	Mainland China HK\$'000				
Turnover	<u>1,985,304</u>	<u>529,620</u>	<u>761,637</u>	<u>-</u>	<u>272,217</u>	<u>367,224</u>	<u>54,606</u>
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	(12,480)	-	-	-	(12,480)	-	-
Head office and corporate expenses	(81,735)						
Finance costs	(23,154)						
Profit before taxation	<u>1,568,104</u>						
Share of profits of associated companies	2,370	-	-	-	-	-	2,370
Share of profits less losses of jointly controlled entities	38,955	-	-	34,254	4,701	-	-
Interest income	19,721	-	-	-	-	19,324	397
Depreciation and amortization	(11,485)	-	-	-	-	-	(11,485)
Impairment loss on inventories 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)**

	2008						
	Property development				Property investment HK\$'000	Finance and investments HK\$'000	Others HK\$'000
Consolidated HK\$'000	Hong Kong HK\$'000	Macau HK\$'000	Mainland China HK\$'000				
Turnover	<u>8,792,773</u>	<u>497,583</u>	<u>533,678</u>	<u>-</u>	<u>255,596</u>	<u>7,446,119</u>	<u>59,797</u>
Reportable segment profit	444,267	193,325	498,676	(14,535)	280,436	(526,954)	13,319
Fair value changes on investment properties	878,833	-	-	-	878,833	-	-
Share of fair value changes on investment properties of a jointly controlled entity	(80,000)	-	-	-	(80,000)	-	-
Unwinding cost for contingent forward transactions	(1,614,522)	-	-	-	-	(1,614,522)	-
Loss on disposal of available-for-sale investments	(1,588,710)	-	-	-	-	(1,588,710)	-
Negative goodwill	1,205,914	-	-	-	-	-	-
Head office and corporate expenses	(37,173)	-	-	-	-	-	-
Finance costs	<u>(95,512)</u>	-	-	-	-	-	-
Loss before taxation	<u>(886,903)</u>	-	-	-	-	-	-
Share of profits of associated companies	206	-	-	-	-	-	206
Share of profits less losses of jointly controlled entities	(53,455)	-	-	(5,269)	(48,186)	-	-
Interest income	37,389	-	-	-	-	22,359	15,030
Depreciation and amortization	(10,695)	-	-	-	-	-	(10,695)
Impairment loss on inventories	(179,207)	(166,940)	(12,267)	-	-	-	-
Fair value changes on held for trading listed investments	(96,947)	-	-	-	-	(96,947)	-
Fair value changes on derivative financial instruments	131,117	-	-	-	-	131,117	-

(a) Segment results and assets (continued)

	2009						
	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
Reportable segment assets	26,651,857	3,717,032	10,932,417	4,889,639	6,660,526	156,309	295,934
Deferred tax assets	30,266						
Time deposit (pledged)	15,000						
Cash and cash equivalents	575,237						
Head office and corporate assets	21,674						
Consolidated total assets	<u>27,294,034</u>						
Interest in associated companies	1,286,726	-	-	1,276,773	-	-	9,953
Interest in and amounts due from jointly controlled entities	1,491,648	-	-	946,729	544,919	-	-
	2008						
	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
Reportable segment assets	28,559,441	3,577,944	12,615,890	5,156,141	6,596,184	321,765	291,517
Deferred tax assets	31,711						
Time deposit (pledged)	18,810						
Cash and cash equivalents	967,499						
Head office and corporate assets	198,397						
Consolidated total assets	<u>29,775,858</u>						
Interest in associated companies	7,584	-	-	-	-	-	7,584
Interest in and amounts due from jointly controlled entities	2,238,357	-	-	1,676,828	561,529	-	-

## (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 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	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	<b>1,198,251</b>	8,056,266	<b>6,309,121</b>	6,221,708
Macau	<b>765,334</b>	533,810	<b>456,368</b>	465,716
Mainland China	<b>14,637</b>	12,358	<b>2,188,120</b>	876,879
North America	-	179,808	-	-
Others	<b>7,082</b>	10,531	-	-
	<b><u>1,985,304</u></b>	<b><u>8,792,773</u></b>	<b><u>8,953,609</u></b>	<b><u>7,564,303</u></b>

In addition to the above non-current assets, the Group has interests in property development of HK\$10,116,880,000 (2008: HK\$10,251,062,000) in Macau.

### 4 Other revenue

In 2009, other revenue includes an aggregate amount of HK\$46,859,000 being the compensation and interest received upon the termination of the proposed acquisition of Shenzhen Properties & Resources Development (Group) Limited ("Shenzhen Properties") by the Company.

### 5 Other net income

In 2009, other net income represents fair value changes on held for trading listed investments of gain of HK\$38,096,000 (2008: loss of HK\$96,947,000), derivative financial instruments of gain of HK\$45,526,000 (2008: HK\$131,117,000) and net gain of HK\$68,944,000 (2008: HK\$Nil) in relation to the disposal of 12% interest of a subsidiary.



## 6 Finance costs

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest on bank loans and overdrafts	20,240	66,142
Interest on loan from/amount payable to ultimate holding company	16,598	61,054
Less: Amount capitalized	<u>(13,684)</u>	<u>(31,684)</u>
	<b><u>23,154</u></b>	<b><u>95,512</u></b>

## 7 Income tax

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>Current tax</b> - Hong Kong	77,522	88,312
- Overseas	<u>17,952</u>	<u>1,298</u>
	95,474	89,610
<b>Deferred tax</b>	<u>18,757</u>	<u>81,521</u>
	<b><u>114,231</u></b>	<b><u>171,131</u></b>

The provision for Hong Kong profits tax for 2009 is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the year. Tax levied in jurisdictions outside Hong Kong rates of taxation is charged at the appropriate current ruling in relevant jurisdictions.

## 8 Earnings/(Loss) per share

- (a) The calculation of basic earnings/(loss) per share is based on the profit attributable to shareholders of the Company of HK\$1,213,541,000 (2008: loss of HK\$629,266,000) and weighted average number of shares in issue during the year of 1,150,681,275 (2008: 1,150,681,275).
- (b) There are no dilutive potential shares in existence during the years ended 31 December 2009 and 2008.

## 9 Dividends

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interim dividend declared and paid of HK\$0.20 (2008: HK\$0.19) per share	<b>230,136</b>	218,629
Final dividend proposed after the balance sheet date of HK\$0.32 (2008: HK\$0.20) per share	<b>368,218</b>	230,136
	<b><u>598,354</u></b>	<b><u>448,765</u></b>

The final dividend declared after the year end has not been recognized 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:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current	<b>59,614</b>	188,449
Less than 3 months past due	<b>6,032</b>	3,414
3 months to 6 months past due	<b>351</b>	624
More than 6 months past due	<b>7,399</b>	8,597
Amounts past due	<b><u>13,782</u></b>	<u>12,635</u>
Trade receivables	<b>73,396</b>	201,084
Utility and other deposits	<b>6,691</b>	4,185
Other receivables and prepayments	<b>89,535</b>	1,991,243
	<b><u>169,622</u></b>	<u>2,196,512</u>

As at 31 December 2008, prepayments of the Group of an amount of HK\$225,743,000 represented the deposit paid for the acquisition of approximately 70.3% of the issued shares of Shenzhen Properties. During the year, an agreement was signed between the Group and the relevant parties to discontinue the acquisition of Shenzhen Properties. Accordingly, the aforesaid deposit was returned from the vendor.

As at 31 December 2008, prepayments of the Group of an amount of approximately HK\$1,700,892,000 represented payments made for the acquisition of a composite property development site located in Tianjin of the Mainland China. 12% interest of the subsidiary holding the development property was disposed of in 2009 and such subsidiary became an associated company of the Group thereafter.

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

## 11 Derivative financial instrument

The carrying value of the asset arising from derivative financial instrument as at 31 December 2009 represented the fair value of a deed of call option entered into by the Group and an independent third party (the “Seller”) on 7 December 2009. Pursuant to the deed, the Group has an irrevocable option to acquire from the Seller (i) all of the issued share capital of a company principally engaged in the production of oil from hydrocarbon deposits in Kazakhstan (the “Targeted Company”) and (ii) the debt owed by the Targeted Company to the Seller at a cash consideration of US\$139,600,000. The option may be exercised at the discretion of the Group at any time within four months from the date of the deed.

## 12 Trade and other payables

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Not yet due or on demand	152,783	85,372
Within 3 months	10,789	57,700
3 months to 6 months	-	27,624
More than 6 months	<u>69,086</u>	<u>17,300</u>
Trade payables	232,658	187,996
Rental and other deposits	65,039	63,994
Other payables and accrued expenses	174,160	1,937,367
Deposits received on sale of properties	<u>589,473</u>	<u>486,695</u>
	<u><b>1,061,330</b></u>	<u><b>2,676,052</b></u>

As at 31 December 2008, other payables and accrued expenses of the Group included an amount of HK\$1,613,516,000 received from a subsidiary of Polytec Holdings International Limited in respect of the Group’s interests in property development in Macau which was settled during the year.

## 13 Comparative figures

As a result of the application of HKAS 1 (revised 2007), “Presentation of financial statements”, and HKFRS 8, “Operating segments”, certain comparative figures have been adjusted to conform to current year’s presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009.

## FINANCIAL REVIEW

### *Financial Resources and Bank Borrowings*

As at 31 December 2009, the Group had total bank borrowings of HK\$3,268 million with HK\$3,118 million repayable within one year and HK\$150 million repayable beyond one year. A substantial portion of the bank loans related to a 5-year term loan with maturity in early 2010.

Refinancing of the loan had been arranged subsequent to end-December 2009. The net borrowings position of the Group as at the year end date was HK\$2,693 million after taking into account cash and cash equivalents of HK\$575 million. There was an increase of HK\$632 million as compared with the net borrowings of HK\$2,061 million as at 31 December 2008. Loan from/amount payable to the ultimate holding company amounted to HK\$2,533 million as at year end 2009 (2008: HK\$3,160 million).

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 32.4% as at 31 December 2009 (2008: 32.6%).

During year 2009, the property sale of 31 Robinson Road generated a cash inflow of approximately HK\$710 million. Inflow of funds in connection with the Group's investment in Mainland China was approximately HK\$1,323 million. This related to the deposits refund upon termination of the proposed acquisition of Shenzhen Properties & Resources Development (Group) Limited, the disposal of 12% interest in Tianjin project and the return of funds from Foshan project which amounted to approximately HK\$250 million, HK\$308 million and HK\$765 million respectively.

Acquisition of property development projects amounted to approximately HK\$992 million in Hong Kong and Mainland China which included Mount East and Shenyang property acquired from ultimate holding company with total consideration of approximately HK\$857 million, HK\$767 million of which was settled by a promissory note which carried no interest and will mature in September 2010. The Group made a further investment of approximately HK\$446 million in Tianjin project during the year under review.

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. When appropriate, the Group will consider engaging relevant hedging arrangements suitable for its financing structure.

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

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 of the ultimate holding company, the Group has sufficient financial resources to satisfy its commitments and future funding requirements

### ***Capital Commitments***

As at 31 December 2009, in connection to the Group's investment properties, the Group had commitments for construction work which amounted to HK\$128 million.

### ***Pledge of Assets***

As at 31 December 2009, properties amounted to HK\$7,521 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 had given three guarantees in respect of banking facilities granted to a jointly controlled entity. One guarantee is provided in a joint and several basis in the amount of RMB200 million. The joint venture partner and the Group had signed a mutual indemnification agreement by which each other will be indemnified on a 50:50 basis for any loss in connection from the provision of the guarantee. The banking facility was subsequently reduced and utilized to the extent of RMB80 million as at 31 December 2009. The other two guarantees amounted to RMB365 million, representing 50% proportional guarantee in respect of an aggregate of RMB730 million term loan facilities as at 31 December 2009. The facilities were subsequently reduced and utilized to the extent of RMB600 million as at 31 December 2009.

## **HUMAN RESOURCES**

At 31 December 2009, the Group has a total of 398 employees (2008: 362 employees). During the year, total staff costs increased to HK\$111 million (2008: HK\$77 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 a strong competitive edge. The Group conducts a range of on-going training programme both in-house and through external institutions on an on-going basis 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.

## **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 2009 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 on 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 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 2009.

### ***Closure of Register of Members***

The register of members of the Company will be closed from Monday, 17 May 2010 to Tuesday, 18 May 2010, 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 Friday, 14 May 2010.

### ***Annual Report***

The 2009 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](http://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 16 March 2010.

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

Hong Kong, 1 March 2010

*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.*