



KOWLOON DEVELOPMENT COMPANY LIMITED

九龍建業有限公司

(Incorporated in Hong Kong with limited liability)

2001 INTERIM RESULTS ANNOUNCEMENT

RESULTS

The Board of Directors of Kowloon Development Company Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiary companies (the "Group") for the six months ended 30 June 2001. These interim results have been reviewed by the Company's audit committee and auditors.

Condensed Consolidated Income Statement (unaudited)

		Six months ended 30 June	
		2001	2000
	Note	HK\$'000	HK\$'000
Turnover	<i>1</i>	238,146	230,291
Other revenue		2,542	1,024
Depreciation and amortization expenses		(1,392)	(3,746)
Staff costs		(20,588)	(21,101)
Cost of inventories		(46,723)	(45,824)
Other operating expenses		(26,554)	(24,635)
Profit from operations		145,431	136,009
Finance costs		(7,149)	(5,367)
Share of profits less losses of associated companies		541	1,334
Loss on disposal of investment			

in an associated company	-	(22)
Investment revaluation reserve transferred upon distribution of The Kowloon Motor Bus Holdings Limited ("KMB") shares	1,128,145	-
Stamp duty incurred for distribution of KMB shares	(3,013)	-
Profit before taxation	1,263,955	131,954
Taxation	2 (12,380)	(12,171)
Profit after taxation	1,251,575	119,783
Minority interests	(75)	(52)
Profit attributable to shareholders	1,251,500	119,731
Dividends attributable to the interim period		
Special interim dividend in specie declared and distributed during the interim period in the proportion of 4 KMB shares for every 37 shares (2000 - Nil)	1,354,550	-
Interim dividend declared after the interim period end of 4 cents (2000 - 8 cents) per share	19,351	38,701
	1,373,901	38,701
Earnings per share	3	
Basic	258.7 cents	24.7 cents
Diluted	256.6 cents	N/A

Notes:

1. Segment information

Contribution to

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Kowloon Development Company Limited - ANNOUNCEMENT
Hong Kong, 12 September 2001

	Group turnover		profit from operations	
	Six months ended 30 June		Six months ended 30 June	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>(a) Business segments</i>				
Property investment and development	113,570	117,407	93,126	99,272
Investment in listed securities	66,744	53,468	66,412	53,363
Securities trading	26,786	16,667	5,248	1,090
Film distribution and exhibition	4,691	1,154	902	626
Trading of goods	16,119	29,508	(1,544)	654
Other businesses	10,236	12,087	3,074	(419)
	238,146	230,291	167,218	154,586
Unallocated group expenses			(21,787)	(18,577)
			145,431	136,009

(b) Geographical segments

	Group turnover	
	Six months ended 30 June	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	210,711	206,132
Asia	15,873	22,563
Others	11,562	1,596
	238,146	230,291

Contribution to profit from operations by geographical segments has not been presented as majority of the operating profit is derived in Hong Kong.

2. Taxation

	Six months ended 30 June	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group - Hong Kong	12,851	11,879
Associated companies		
- Hong Kong	-	292
- Overseas	(471)	-
	12,380	12,171

Hong Kong profits tax has been provided for at the rate of 16% (2000 - 16%) on the estimated assessable profits.

Overseas taxation has been provided for at the applicable tax rates ruling in the respective jurisdictions.

3. Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of HK\$1,251,499,752 (2000 - HK\$119,731,049) and 483,767,850 ordinary shares (2000 - 483,767,850 ordinary shares) in issue during the period.

After eliminating the financial effect due to distribution in specie of KMB shares of HK\$1,125,132,764, the profit attributable to ordinary shareholders is adjusted to HK\$126,366,988. The adjusted earnings per share is HK*26.1.

(b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit

attributable to ordinary shareholders of HK\$1,251,499,752 and the weighted average of 487,741,337 ordinary shares after adjusting for the effects of dilutive potential ordinary shares in respect of share options granted. There were no dilutive potential ordinary shares in existence during the corresponding period in 2000.

After eliminating the financial effect due to distribution in specie of KMB shares of HK\$1,125,132,764, the profit attributable to ordinary shareholders is adjusted to HK\$126,366,988. The adjusted diluted earnings per share is HK*25.9.

4. Commitments

The Group had the following outstanding commitments on future development expenditure:-

	At 30 June 2001 HK\$'000	At 31 December 2000 HK\$'000
Contracted for	30,645	43,216
Authorized but not contracted for	142,333	142,333

5. Contingent liabilities

The Company has given guarantees to banks in respect of bank loans, trade credit facilities and performance bond granted to/entered into by several subsidiary and associated companies to the extent of HK\$382,852,000 (at 31 December 2000 - HK\$389,617,000). These facilities were utilized to the extent of HK\$266,022,512 at 30 June 2001 (at 31 December 2000 - HK\$278,513,467).

6. Pledge of assets

At 30 June 2001, properties and investments in securities of the Group with an aggregate carrying value of approximately HK\$3,760,000,000 (at 31 December 2000 - HK\$1,777,833,000) were pledged to banks under fixed charges to secure general banking facilities granted to the Group.

INTERIM DIVIDEND

A special interim dividend in specie for the distribution of 4 shares of The Kowloon Motor Bus Holdings Limited for every 37 shares of the Company held was declared on 23 May 2001 and paid on 13 June 2001. The Board of Directors has declared a second interim dividend of HK*4 (2000 - HK*8) per share for the financial year ending 31 December 2001, payable on 15 October 2001 to shareholders whose names appear on the Register of Members of the Company on 11 October 2001.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 10 October 2001 to Thursday, 11 October 2001, both dates inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Central Registration Hong Kong Limited at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 9 October 2001.

BUSINESS REVIEW AND PROSPECTS

After experiencing a continuous growth in rental rate in the year 2000, rents have become flat since early 2001 when the global economy started to slowdown. With substantial efforts, the Group was able to achieve a better income flow from the investment properties which recorded a gross rental income of HK\$112 million for the first six months of 2001, representing an increase of 2.8% over the same period last year.

As at 30 June 2001, occupancy rates of the Group's investment properties as compared with those as at 31 December and 30 June 2000 were as follows:-

Investment Properties	Occupancy Rates		
	At 30 June 2001	At 31 December 2000	At 30 June 2000
Pioneer Centre	96.5%	96%	94.7%
Chong Kin Commercial Building	78.7%	94.1%	86.7%

20th Floor, Argyle Centre Phase I	90.5%	87.8%	91.3%
Retail Space at Sceneway Garden Arcade	100%	100%	100%
2nd to 23rd Floor, The Elgin	79%*	95%*	76.7%*

* *Average occupancy rates for the six months ended 30 June 2001, 31 December 2000 and 30 June 2000.*

All the above five investment properties recorded increases in rental income for the first six months of 2001 as compared with the same period last year. Nevertheless, both car parks at Merit Industrial Centre and Manor Centre recorded a decrease in rental income for the first half of 2001 when compared with the corresponding period in 2000. Some major tenancies in the office sector of Pioneer Centre will be subject to renewal in the second half of 2001, and it is likely that the new rates will be lower than the current agreements. The Group will face a downward pressure on its total rental income in the months ahead. In the latter half of 2001, Management will take a careful balance between rental rate and occupancy with an aim to attain the highest possible income for the Group.

In August and September 2001, the Group has signed sale and purchase agreements for the sale of Chong Kin Commercial Building and the retail space at Sceneway Garden Arcade at considerations of HK\$158 million and HK\$163 million respectively, which are similar to the carrying values of both properties. The two disposals will result in a loss of HK\$239 million after a transfer of the related revaluation deficit from the investment property revaluation reserve. Completion of these sales will be in November 2001.

Sales response of the residential units at The Verandah Garden at 40-42 Kung Lok Road, Kwun Tong remained unsatisfactory.

Foundation work of the development site at 31 Robinson Road, Hong Kong is underway and is expected to be completed by the end of September 2001.

The Company's wholly-owned subsidiary, Country House Property Management Limited, has maintained its management portfolio covering two commercial buildings and four residential buildings during the period under review. In March 2001, its 49% owned joint venture company, Easy Living Property Management Limited, was awarded a Property Service Contract by the Hong Kong Housing Authority for the management of 9,704 units in Cheung Ching

Estate and Cheung Hang Estate, Tsing Yi commencing from 1 July 2001. This joint venture company will seek opportunities to bid for the property management contracts of the Home Ownership Scheme estates in the latter half of 2001.

The Group's long-term listed investment portfolio reduced substantially with the distribution of 52 million shares of The Kowloon Motor Bus Holdings Limited to the Company's shareholders as a special interim dividend in June 2001. In the following month, the Group subscribed 4.37 million shares of RoadShow Holdings Limited at a consideration of HK\$9.9 million. Total income received from the long-term listed investments for the first six months of 2001 was HK\$66.7 million, an increase of 24.8% over the same period last year.

Golden Princess Amusement Company Limited Group continued to sell film rights of its film library and obtained a small profit of HK\$0.43 million for the first half of 2001.

Kowloon Development Finance Limited continued to perform well during the first six months of 2001 and achieved a satisfactory growth of 51.6% in profit over the corresponding period last year.

Gargantuan Investment Limited, a wholly-owned subsidiary of the Company which is engaged in securities trading activities, recorded a profit of HK\$3 million for the period under review as compared with HK\$0.11 million profit made in the corresponding period in 2001.

Due to the discouraging performance of KDC Prologue Limited in recent years, Management has decided to scale down its operation and ceased to operate all the shoe repairs chain stores in April 2001.

As a result of the deteriorating economic conditions and the depressing stock market, Kowloon Development K. F. Lo Securities Limited suffered a loss during the first six months of 2001 and the Group's share of the loss was HK\$0.93 million. In July 2001, the Group realized its 40% shareholdings of the securities broking company at a consideration of HK\$9 million, which gave rise to a loss of HK\$0.9 million to be accounted for in the latter half of 2001.

The Group's 50% owned associated company, Harvest City Ltd., contributed a profit of around HK\$2 million to the Group for the six months under review.

The existing cooperative joint ventures in Shenyang, Jilin and Tianjin operated a total of 22 bus routes with a fleet of 579 buses, serving a daily patronage of nearly 500,000 passengers. Management will continue to pursue opportunities to expand the business operations and it is anticipated that this investment will bring in a steady return to the Group.

The Group's share of the loss of the Canadian internet-based crude oil trading company, NetThruPut Inc, was HK\$1.5 million for the first six months of 2001. In July 2001, the Group disposed of all its interests in Circuit Technology Limited which held 48% shareholdings in NetThruPut Inc at a consideration of US\$10 million and obtained a profit of HK\$1.6 million.

In view of the unfavourable economic conditions, many customers have cut down their budgets on IT enhancement and as a result Asiasoft Hong Kong Limited recorded a loss for the first half of 2001 and the Group's share was HK\$0.62 million.

Due to the global economic recession, the performance of Southern Success Corporation, a leading retailer of fashionable ladies' footwear and accessories, did not meet its target. Profit contributed by this company to the Group amounted to HK\$2.1 million for the first six months of 2001.

FINANCIAL REVIEW

The Group's total bank borrowings as at 30 June 2001 was HK\$821.3 million, slightly less than that of 31 December 2000. A total of HK\$1,349.3 million facilities has been arranged with banks. Management considers that the existing banking facilities are sufficient for the Group's future funding needs and commitments.

After the special interim dividend distributed in June 2001, the net asset value of the Group reduced significantly from HK\$4,359 million as at 31 December 2000 to HK\$3,426 million as at 30 June 2001. As a result, the debt to equity ratio increased from 20% as at 31 December 2000 to 24% as at 30 June 2001.

All bank borrowings are arranged on a floating rate basis. With several cuts in interest rates earlier this year, Management had seized the timing and entered into a 2-year interest rate swap contract for HK\$200 million. Management will closely monitor the Group's exposure to interest rate risks on the remaining

financial obligations.

The Group's exposure to exchange rate fluctuations is insignificant.

STAFF BENEFITS

As at 30 June 2001, the Group employed around 140 staff. Staff remuneration is reviewed annually by the Management based on the staff's performance and prevailing market conditions. The Group facilitates continual staff improvement and development by providing various forms of training.

A share option scheme was approved by the shareholders on 19 June 2000 under which options may be granted to employees of the Group, including the executive directors, to subscribe for shares of the Company.

The Group operates a defined contribution staff retirement scheme since 1 October 1994 and a mandatory provident fund scheme since 1 December 2000.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiary companies, of the Company's shares during the six months ended 30 June 2001.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The directors are not aware of any information which would reasonably indicate that the Company was not in compliance with the Code of Best Practice, as set out by The Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules at any time during the six months ended 30 June 2001.

OTHER INFORMATION

A detailed announcement of results containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be subsequently published on The Stock Exchange of Hong Kong Limited's website (<http://www.hkex.com.hk>) in due course.

NG Siu Chan

Chairman

Hong Kong, 12 September 2001

"Please also refer to the published version of this announcement in the South China Morning Post"