



KOWLOON DEVELOPMENT COMPANY LIMITED

九龍建業有限公司

(Incorporated in Hong Kong with limited liability)

ANNOUNCEMENT OF RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2001

RESULTS

The Board of Directors of Kowloon Development Company Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiary companies (the "Group") for the year ended 31 December 2001, together with the comparative figures of 2000 are as follows:

Consolidated income statement

	<i>Note</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover	2	397,896	410,529
Other revenue		5,904	2,888
Depreciation and amortization expenses		(2,438)	(6,532)
Staff costs		(38,360)	(42,139)
Cost of inventories		(87,456)	(74,029)
Other operating expenses		(46,449)	(46,558)
Profit from operations		229,097	244,159
Finance costs		(10,036)	(18,267)
Share of (losses less profits)/profits less			

losses of associated companies		(416)	2,807
Profit/(Loss) on disposal of investment in associated companies		688	(22)
Impairment loss on goodwill of an associated company previously charged against investment revaluation reserve		(15,292)	-
Impairment loss on investment in an associated company		(1,967)	-
Loss on disposal of investment in non-trading securities		(3,157)	-
Loss on disposal of investment properties		(243,119)	(179)
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		1,080,930	228,498
Taxation	3	(21,134)	(22,838)
Profit after taxation		1,059,796	205,660
Minority interests		(1,584)	(85)
Profit attributable to shareholders		1,058,212	205,575
Dividends attributable			
Special interim dividend in specie declared and Distributed in the proportion of 4 KMB shares for every 37 shares (2000 - Nil)		1,354,550	-
Interim dividend paid of 4 cents (2000 - 8 cents) per share		19,351	38,701
Final dividend proposed after the balance sheet date of 18 cents (2000 - 18 cents) per share		87,078	87,078

		1,460,979	125,779
Earnings per share	4		
Basic		218.7 cents	42.5 cents
Diluted		217.4 cents	42.5 cents

Notes:-

1. Basis of preparation

The financial statements for the year ended 31 December 2001 have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The measurement basis used is historical cost modified by the revaluation of investment properties, and the marking to market of certain investments in securities.

2. Segment information

	Contribution to Group			
	Group turnover		operating profit	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>

(a) Business segments

Continuing operations:-

Property investment and development	210,126	230,463	183,945	200,690
Investments in non-trading securities	76,541	71,338	69,357	71,122
Securities trading	41,163	28,690	4,949	(800)
Film distribution and exhibition	24,179	3,542	12,199	1,157

Other businesses	17,226	24,046	(1,648)	4,171
	369,235	358,079	268,802	276,340
Discontinued operations:-				
Trading of goods	28,661	52,450	(3,976)	(278)
	397,896	410,529	264,826	276,062
Unallocated group expenses			(35,729)	(31,903)
Profit from operations			229,097	244,159

(b) *Geographical segments*

	Group turnover	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	331,874	363,473
Asia	26,521	40,836
North America	30,695	1,180
Others	8,806	5,040
	397,896	410,529

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

3. Taxation

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group - Hong Kong	21,615	23,980
Associated companies		
- Hong Kong	165	-
- Overseas	(646)	(1,142)

21,134 22,838

Hong Kong profits tax has been provided for at the rate of 16% on the estimated assessable profits. Overseas taxation has been provided for at the applicable tax rates ruling in the respective jurisdictions.

4. 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 \$1,058,212,435 (2000 - \$205,575,606) and 483,767,850 ordinary shares (2000 - 483,767,850 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of \$1,058,212,435 (2000 - \$205,575,606) and the weighted average of 486,822,312 ordinary shares (2000 - 483,812,428 ordinary shares) after adjusting for the effects of dilutive potential ordinary shares in respect of share options granted.

DIVIDENDS

The Board of Directors recommends the payment of a final dividend of \$0.18 (2000 - \$0.18) per share for the financial year ended 31 December 2001. Together with the 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 (equivalent to a dividend of \$2.8 per share) which was distributed on 13 June 2001 and the second interim dividend of \$0.04 (2000 - \$0.08) per share paid on 15 October 2001, the total dividend for the year will be \$3.02 (2000 - \$0.26) per share, amounting to \$1,461 million.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 16 May

2002 to Thursday, 23 May 2002, both dates inclusive, during which period no transfer of shares will be registered. To qualify for the final 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 Wednesday, 15 May 2002.

CHANGE OF CONTROL AND MANAGEMENT

On 7 December 2001, Intellinsight Holdings Limited entered into a conditional sale and purchase agreement with certain shareholders of the Company to acquire approximately 51.5% of the issued share capital of the Company. The agreement was completed on 18 December 2001. Intellinsight Holdings Limited is a wholly-owned subsidiary of Polytec Holdings International Limited and is ultimately wholly-owned by a discretionary family trust, the beneficiaries of which include Mr. Or Wai Sheun and his family members.

Pursuant to the Hong Kong Code on Takeovers and Mergers, Intellinsight Holdings Limited made a mandatory unconditional cash offer to acquire all the issued shares and options of the Company not already owned by Intellinsight Holdings Limited and parties acting in concert with it. As at today's date, Intellinsight Holdings Limited and parties acting in concert with it owned and controlled 414,856,883 shares in the Company, representing approximately 85.8% of the issued share capital of the Company. A waiver has been obtained from The Stock Exchange of Hong Kong Limited from strict compliance with rule 8.08 of the Listing Rules, which requires at least 25% of the issued share capital of a listed company be held in public hands, until 11 May 2002 in order for Intellinsight Holdings Limited to reduce its shareholding in the Company. Intellinsight Holdings Limited is actively taking steps to place such number of shares as to result in not less than 25% of the issued share capital being owned by the public in accordance with the requirements of the Listing Rules.

Following closing of the offer, all but one of the former 16 directors, including those holding executive positions in the Company, resigned. On 16 January 2002, nine new directors were appointed.

BUSINESS REVIEW

2001 was a difficult year for the Group which recorded a drop of 4.9% in gross

rental income as compared with last year. Also during the year, the Group disposed of two of its properties, the Chong Kin Commercial Building and the retail space at Sceneway Garden Arcade, at considerations of \$158 million and \$163 million respectively, which resulted in a loss of \$243.1 million after a transfer of the related revaluation deficit from the investment property revaluation reserve.

With the distribution of 52 million shares of The Kowloon Motor Bus Holdings Limited to the Company's shareholders as a special interim dividend, the Group's long-term listed investment portfolio reduced substantially. Total income generated from the portfolio decreased by 5% when compared with 2000 and, if no further changes are made to the portfolio, will reduce substantially in 2002.

The other businesses, including property management, securities trading and film distribution showed improved performance and have contributed profits to the Group.

The Group disposed of its interests in two associated companies in 2001, namely the 40% equity interest in Kowloon Development K F Lo Securities Limited and the 48% shareholdings in NetThruPut Inc., at considerations of \$9 million and US\$10 million respectively. The first disposal resulted in a loss of \$0.9 million to the Group while the latter realized a profit of \$1.6 million.

In March 2002, in line with the Group's new objective to concentrate on the property development and investment business, the Group sold its interest in Harvest City Ltd. at a consideration of \$25 million and realized a profit of \$0.6 million. In the same month, the Company entered into a conditional sale and purchase agreement with Polytec Holdings International Limited for the acquisition of a portfolio of property interests, including the exclusive development rights relating to a real estate project in Hong Kong, at an aggregate consideration of approximately \$816.3 million, subject to a final adjustment as set out in the agreement. The transaction constitutes a connected transaction for the Company and independent shareholders' approval will be sought at the forthcoming extraordinary general meeting to be held on 15 April 2002.

Also in March 2002, the Group acquired the major portion of the first floor of the Commercial Podium of Mandarin Plaza (also known as New Mandarin Plaza)

in Tsimshatsui for \$77 million. This retail investment will provide an initial yield of 11.7% per annum before letting of vacant space of 6,564 sq. ft.

PROSPECTS

The new management intends to add dynamism to the Group's principal activities of property development and investment and will actively seek new opportunities in these areas, the first of which is the proposed acquisition of interests in properties from Polytec Holdings International Limited. The acquisition represents approximately 2 million sq. ft. of developable area, an increase of more than 3 times of the Group's existing property investment and development portfolio. The directors believe that the acquisition will enable the Group to develop high quality residential and commercial property in Hong Kong and thus strengthen the Group's property portfolio and create an additional income stream in the coming years.

Going forward, the Company's intention is to provide shareholders with a significant annual improvement in total return, made up of annual dividends and increase in asset value per share.

On the operational level, management is studying the Group's structure and procedures with a view to enhancing efficiency and reducing the cost base where appropriate. A first step to this end will be to propose a change to the Company's Articles of Association to remove the annual bonus of 2% of net profit paid to directors. Management's effort will focus on enhancing shareholder value.

The directors are confident that Kowloon Development group has an active and progressive future.

FINANCIAL REVIEW

Fund Management

With the proceeds from the sale of the two investment properties and disposal of the Group's interest in the two associated companies, NetThruPut Inc. and Kowloon Development K F Lo Securities Limited in 2001, the Group's bank borrowings reduced significantly from \$850.3 million as at 31 December 2000 to \$302 million as at 31 December 2001. The debt to equity ratio also decreased

from 20% to 10% accordingly.

The Group had committed undrawn bank facilities of more than \$400 million available as at 31 December 2001. This is sufficient for the Group's general working capital needs and commitments for the development of Robinson Road project.

Since the year end, sufficient banking facilities have been arranged to meet the funding requirements in respect of the contemplated acquisition of assets from Polytec Holdings International Limited.

Interest Rate and Currency Exposure

All bank borrowings are arranged on a floating rate basis, of which \$200 million has been hedged by an interest rate swap contract arranged in early 2001. Management will closely monitor the Group's exposure to interest rate risks on the remaining financial obligations.

Most of the Group's activities are in Hong Kong and therefore the Group's exposure to exchange rate fluctuations is insignificant.

Pledge of Assets

At 31 December 2001, properties of the Group with an aggregate carrying value of approximately \$3,058 million were pledged to banks under fixed charges to secure general banking facilities granted to the Group.

Contingent Liabilities

The Group has given guarantees to banks and insurance company in respect of bank facilities and a performance bond granted to or entered into by certain associated companies amounting to \$34.9 million. These facilities were utilized to the extent of \$34 million at 31 December 2001.

STAFF BENEFITS

Staff Remuneration and Training

As at 31 December 2001, the Group employed 125 staff. Total salaries of the

employees for the year 2001 amounted to \$32.7 million. Staff remuneration is reviewed annually based on the staff's performance and prevailing market conditions. The Group encourages continual staff improvement and development by organising and sponsoring various forms of training.

Share Option Scheme

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

Provident Fund Scheme

The Group operates a defined contribution staff retirement scheme (ORSO scheme) since 1 October 1994 and a mandatory provident fund scheme (MPF scheme) since 1 December 2000. All new employees who join the Group on or after 1 December 2000 are required to join the MPF scheme.

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 year.

OTHER INFORMATION

A detailed announcement of results containing all the information required by paragraphs 45(1) to 45(3) 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.

By Order of the Board
Or Wai Sheun
Chairman

Hong Kong, 10 April 2002

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at The Four Seasons, Lobby Floor, New World Renaissance Hotel, 22 Salisbury Road, Kowloon, Hong Kong on Thursday, 23 May 2002 at 11:00 a.m. for the following purposes:-

- (1) To receive and consider the audited accounts and the reports of the directors and auditors for the year ended 31 December 2001.
- (2) To declare a final dividend.
- (3) To elect directors and to fix their remuneration.
- (4) To appoint auditors and to authorise the directors to fix their remuneration.

As special business, to consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:-

(5) **THAT:-**

- (A) subject to paragraph (C), the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be generally and unconditionally approved;
- (B) the approval in paragraph (A) shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (A), otherwise than pursuant to (i) a Rights Issue, (ii) the exercise of options granted under any share option scheme adopted by the Company or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole

or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company, shall not exceed the aggregate of (aa) 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution plus (bb) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the aggregate nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution), and the said approval shall be limited accordingly; and

(D) for the purpose of this Resolution:-

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:-

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, Hong Kong or any territory outside Hong Kong).

(6) **THAT:-**

(A) subject to paragraph (B) below, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to purchase shares of the Company be generally and unconditionally approved;

(B) the aggregate nominal amount of shares which may be purchased on The Stock Exchange of Hong Kong Limited or any other stock exchange on which the securities of the Company may be listed and which is recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (A) above shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly;

(C) for the purpose of this Resolution:-

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:-

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting.

(7) **THAT** the directors of the Company be authorised to exercise the powers of the Company referred to in paragraph (A) of the resolution set out in item (5) in the Notice of this Meeting in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (C) of such resolution.

By Order of the Board
Ma Mi Chun, Conita

Hong Kong, 10 April 2002

Notes:

- (a) The Register of Members of the Company will be closed from Thursday, 16 May 2002 to Thursday, 23 May 2002, both dates inclusive, during which period no transfer of shares will be registered. To qualify for the final 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 Wednesday, 15 May 2002.
- (b) Every member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- (c) To be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be lodged at the Registered Office of the Company at 23rd Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the Meeting. Completion and return of the form of proxy will not preclude a member from attending and voting in person if such member is subsequently able to be present.
- (d) With reference to items (5), (6) and (7) set out in this Notice, the directors wish to state that they have no immediate plans to repurchase any existing shares or to issue any new shares pursuant to the relevant mandate.
- (e) An explanatory statement containing further details regarding the general mandate to repurchase shares as referred to in item (6) set out above will be included in a circular which is intended to be despatched to shareholders in late April 2002.

"Please also refer to the published version of this announcement in the Hong Kong i-mail"