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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)**

**2009 INTERIM RESULTS ANNOUNCEMENT**

**HIGHLIGHTS**

- ❖ Group's 2009 interim net profit increases to HK\$887 million from HK\$854 million for the corresponding period of 2008. Excluding property revaluation adjustments net of deferred tax, underlying net profit for the first half of 2009 amounts to HK\$883 million, an increase of 84% over the same period last year.
- ❖ Barring unforeseen circumstances, the Group is expected to deliver satisfactory results for the full year of 2009.
- ❖ Interim dividend per share for 2009 is HK\$0.20, an increase of 5% over 2008.

**INTERIM RESULTS AND DIVIDEND**

The Group's unaudited net profit attributable to shareholders for the six months ended 30 June 2009 amounted to HK\$887 million compared to HK\$854 million for the corresponding period of 2008.

Excluding revaluation adjustments on the Group's investment property portfolio net of deferred tax, the underlying interim net profit for 2009 rose to HK\$883 million, an increase of 84.2% over the corresponding period of 2008. Underlying interim earnings per share for 2009 amounted to HK\$0.77 compared to HK\$0.42 over the corresponding period of last year.

The Board of Directors has declared an interim dividend for 2009 of HK\$0.20 per share (2008: HK\$0.19). The interim dividend will be payable on 16 October 2009 to shareholders whose names appear on the Register of Members of the Company on 9 October 2009.

## **BUSINESS REVIEW**

The overall economic activity in the Greater China region during the first quarter of the year has been inevitably affected by the worst worldwide economic downturn since the Great Depression, with the China economy slowing significantly and the Hong Kong and Macau economies contracting considerably. The transaction volume and housing prices in the Hong Kong, Macau and Mainland China property markets fell substantially in the first three months of the year. However, the overall market sentiment has started to improve since the second quarter of the year as major leading economies around the globe appear to be gradually stabilizing following a series of unprecedented efforts by their respective governments to stimulate the economies through both monetary policy and fiscal policy since the start of the crisis in October last year.

### **Property Sales**

In Hong Kong, we have almost sold all of our luxury residential units at 31 Robinson Road, Mid-levels. For the first half of 2009, total property sales from this residential project rose to HK\$463 million, an increase of 18.9% over the first half of 2008. Together with the final income distribution from the Group's co-investment in one of the Macau property development projects in the Orient Pearl District, Villa de Mer, a total operating profit of HK\$957 million was recorded for the first half of 2009, an increase of 95.1% over the corresponding period last year.

As stated above, the Group has received the final income distribution from the Villa de Mer project in the first half of 2009. Including the distribution received in 2008, this project has contributed a total of HK\$821 million to the Group's net profit.

### **Property Development**

The Group's land bank for development amounted to approximately 4.4 million sq m of attributable gross floor area as of end-June 2009 and details of its major development projects are set out as follows.

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

##### *Ngau Chi Wan, Kowloon*

The site is located at 35 Clear Water Bay Road in Ngau Chi Wan, covering a site area of 19,335 sq m. This development project is wholly owned by the Group. It will be developed into a luxury residential and commercial complex, together with a modern shopping arcade, a first-class club house and community facilities, covering a gross floor area of approximately 196,400 sq m. The Group has accepted the provisional basic terms of the land exchange and the land premium negotiation is in process.

### *Belcher's Street, Hong Kong*

This site is located in the neighborhood of a high-end residential zone and it is wholly owned by the Group. It will be developed into a multi-storey luxury residential tower, together with a club house and car parking spaces and retail shops on the ground floor, covering a gross floor area of approximately 5,600 sq m. Foundation work will be commenced soon.

### *Macpherson Stadium Project, Kowloon*

This is a joint venture redevelopment project with Urban Renewal Authority and Hong Kong Playground Association. The site is located in a prime location of Mongkok and it will be developed into a luxury residential and commercial complex, together with a multi-purpose sports stadium, a youth centre and car parking spaces with a gross floor area of approximately 24,800 sq m. Foundation work has recently been commenced.

### *Others*

The Group also possesses two wholly-owned residential redevelopment sites located at Sai Yeung Choi Street North and Pok Fu Lam Road. Currently, they are at the planning stage.

### *Macau*

The Group's property interest in Macau is held through its listed subsidiary, Polytec Asset Holdings Limited ("Polytec Asset"), 73.44% owned by the Company. Details of major development projects are set out as follows.

### *Pacifica Garden, Taipa*

Pacifica Garden is located in Taipa, Macau and the development comprises of two residential building towers of a total of 295 units together with a five-star club house and 6 retail shops on the ground floor, covering a gross floor area of 35,900 sq m. Polytec Asset owns a 58% interest in the project. Construction work is scheduled to be completed in September this year and the Occupation Permit is expected to be granted by the end of the year.

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

Lote P is located in the Orient Pearl District, Macau, covering an aggregate site area of approximately 68,000 sq m. It will be developed by phases into various luxury residential towers, together with a large shopping arcade, a five-star club house and car parking spaces, covering an aggregate gross floor area of approximately 699,800 sq m. Polytec Asset owns an 80% interest in this project under a co-investment agreement. The master plan of the development has been approved and the building plan was submitted to the relevant government authorities for approval.

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

Lotes T & T1 are located in the Orient Pearl District, Macau, covering an aggregate site area of approximately 17,900 sq m. This project will be developed into a number of luxury residential blocks with retail shops and car parking spaces, covering an aggregate gross floor area of approximately 187,000 sq m. Polytec Asset owns an 80% interest in this project under a co-investment agreement. The architectural plan has been approved by the government. Construction work will be commenced in the first half of next year if other regulatory approvals are successfully obtained.

### *Mainland China*

#### *Dongling District, Shenyang*

This site is located in the Dongling District, Shenyang and the development covers a tentative gross floor area of approximately 2,200,000 sq m. It should be noted that we are in the process of negotiating with the local government and the total final gross floor area figure is still subject to further adjustments. This project is wholly owned by the Group. The building plan for a portion of the first phase of the development, which comprises low-rise and medium-rise residential blocks, will be submitted to the local authorities for approval shortly. Foundation work is expected to be commenced immediately after we obtain all approvals from the relevant government authorities.

#### *Nanhai District, Foshan*

This site is located in the Nanhai District of Foshan (Guangdong Province). This large-scale joint-venture residential and commercial project with CITIC Property Group covers a total site area of approximately 4,000,000 sq m. The project will be developed into mainly a cluster of luxury low-rise residential units, together with a deluxe five-star hotel, a world-class golf course, a shopping arcade, a school and a wetland nature reserve zone, with a gross floor area of approximately 1,600,000 sq m. The Group owns a 50% interest in the development project. The initial pre-sale of residential units under the first phase of development started in the second quarter of 2009 has been well received by the market, with total pre-sales proceeds already over RMB1 billion.

#### *Hedong District, Tianjin*

The site is located in a prime area of the central business district of Hedong, Tianjin. The project comprises a residential and commercial complex with luxury residential and office towers, a five-star hotel and a first-class shopping arcade, with a gross floor area of approximately 930,000 sq m. The Group's effective interest in this project was 61% as of end-June 2009. In late July 2009, the Group entered into an equity transfer agreement to sell its 12% interest to Tianjin CITIC Real Estate Investment Co., Ltd. ("Tianjin CITIC") following which the Group will own an effective 49% interest in the project upon completion of the disposal. The project is under the planning stage and construction work will be commenced in mid-2010.

## *Shiqi District, Zhongshan*

This site is located in the Shiqi District, the central business area of Zhongshan. It will be developed into 7 high-end towers of over 1,200 residential units, together with a club house, retail shops and car parking spaces, covering an aggregate gross floor area of approximately 126,600 sq m. The Group owns a 70% interest in the project. Demolition work has been almost completed and foundation work is expected to start shortly.

## **Property Investment**

For the first six months of 2009, gross rental income generated from the Group's property investment portfolio amounted to HK\$135 million, an increase of 5.9% over the corresponding period of last year. The total rental income from Pioneer Centre, the Group's flagship investment property, amounted to HK\$108 million for the first half of the year, with gross rental income from the retail portion rising 6.7% year-on-year due to a nearly 100% occupancy rate and rising rental of the retail spaces.

## **Property Management**

The Group offers a full range of property management services to both private and public sectors, from luxury residential to public housing estates, and from serviced apartments to commercial buildings. The property management team is committed to develop strong specialist capabilities in meeting the clients' needs. Property management portfolio covers a gross floor area of approximately 1,075,000 sq m as of end-June 2009.

## **Finance and Investments**

We have substantially reduced our investment portfolio position since the end of last year. As of end-June 2009, the total value of the Group's financial investments was reduced to HK\$110 million from HK\$236 million at end-2008, and the maximum commitments of the Group under remaining two forward agreements, which will expire on 23 September 2009, were at an insignificant level of HK\$69 million.

Total operating profit generated from the Group's finance and investments activities amounted to HK\$109 million for the first half of this year compared to an operating loss of HK\$19 million in the corresponding period of 2008.

## **Polytec Asset Holdings Limited**

Polytec Asset, a 73.44%-owned listed subsidiary of the Company, is the Group's development and investment arm in Macau. The net profit of Polytec Asset attributable to the Group for the period under review amounted to HK\$514 million, representing an increase of 282% over the corresponding period of last year. The considerable increase in its profit contribution was mainly driven by the final income distribution from the co-investment in Villa de Mer in the first half of 2009.

## **Shenzhen Properties**

The Group terminated the 2005 proposed acquisition of Shenzhen Properties & Resources Development (Group) Limited (“Shenzhen Properties”). The settlement was completed and the Group received refunds of deposits and earnest money together with interest and compensation for the foreign exchange loss arising thereof. The Group recognized an attributable gain of approximately HK\$38 million.

## **Post-30 June 2009 Events**

On 29 July 2009, the Company entered into an equity transfer agreement in relation to the disposal of 12% interest in Polytec CITIC Property (Tianjin) Co., Ltd., an effectively 61%-owned subsidiary of the Company, to Tianjin CITIC. As detailed in the Company’s circular dated 20 August 2009, completion of the disposal is subject to conditions which have yet to be fulfilled. Upon completion, total proceeds of approximately RMB271 million will be received, consisting of RMB49 million as consideration and a further receipt of RMB222 million in relation to a reduction of the Company’s contribution to the Tianjin project.

On 13 August 2009, as detailed in the circular dated 3 September 2009, the Company entered into a sale and purchase agreement in relation to the acquisition of two property development companies, which are holding development projects located in North Point of Hong Kong and Hun Nan Xin District of Shenyang City, China covering a gross floor area of approximately 5,700 sq m and 579,000 sq m respectively, from Polytec Holdings International Limited, the controlling shareholder of the Company, for an aggregate consideration of HK\$857 million. The completion of the acquisition is subject to approval by independent shareholders of the Company at an extraordinary general meeting to be held on 28 September 2009 and the fulfilment of certain other conditions. Upon completion, it will add approximately 584,700 sq m gross floor area to the Group’s land bank.

## **FINANCIAL REVIEW**

### **Financial Resources and Bank Borrowings**

As at 30 June 2009, the Group had total bank borrowings of HK\$2,128 million repayable within one year, of which a substantial portion related to a 5-year term loan with maturity in 2010. The Group is currently negotiating with banks for the re-financing arrangement. The net borrowings position of the Group as at the interim period end date was HK\$1,528 million after taking into account cash and cash equivalents of HK\$600 million. There was a decrease of HK\$533 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\$3,011 million as at period end of 30 June 2009 (year-end 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 28.3% as at 30 June 2009 as compared with 32.6% at 2008 year end. The decrease in the Group's gearing is attributable mainly to the sales of 31 Robinson Road and inflow of fund from the Group's activity in Mainland China.

During the period under review, the sale of 31 Robinson Road generated a cash inflow of approximately HK\$459 million. Deposits and earnest money refunded together with compensation money and interest received in connection with the termination of the proposed acquisition of Shenzhen Properties amounted to approximately HK\$250 million.

All the Group's borrowings are arranged on a floating rate basis. The Group is continuously monitoring and managing its exposure to interest rate fluctuations. When necessary, the Group will consider engaging in relevant hedging arrangements to control its exposure to interest rate risk.

With the Group's investments in projects of Mainland China, the Group is exposed to exchange fluctuations on Renminbi ("RMB"). The Group is currently seeking appropriate RMB borrowings to finance the development of these projects. Moreover, the Group's RMB denominated revenue generated from the development projects serves as a hedge against the exchange rate risk of RMB in respect of the Group's commitments to the projects in Mainland China.

With the financing facilities in place, cash in hand, recurrent rental income from investment properties, cash inflow from sale/presale 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 working capital requirements.

### **Capital Commitments**

As at 30 June 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 the balance sheet date, properties and financial investments amounting to HK\$4,739 million and time deposits of HK\$1 million were pledged to financial institutions mainly to secure credit facilities extended to the Group.

### **Contingent Liabilities**

The Group has given two guarantees in respect of banking facilities granted to a jointly controlled entity in Mainland China. One guarantee is provided in a joint and several basis in the amount of RMB200 million. The joint venture partner and the Group have signed a mutual indemnification agreement by which each will indemnify the other on a 50:50 basis for any loss in connection from the provision of

the guarantee. The banking facility was utilized to the extent of RMB80 million as at 30 June 2009. The other guarantee amounts to RMB190 million, representing a 50% proportional guarantee in respect of a RMB380 million term loan facility which was fully utilized as at 30 June 2009.

## **PROSPECTS**

Since the beginning of the financial turmoil in October last year, major leading countries around the globe have concurrently launched a series of unprecedented efforts to revitalize their economies through both monetary policy and fiscal policy. Consequently, market sentiment as well as investor confidence has gradually been recovering since the second quarter of this year.

As a result of unprecedented monetary easing and aggressive fiscal expansion, interest rates in the Greater China region have remained exceptionally low since the start of the crisis. In such an abnormally low interest rate environment, together with relatively cheap bank credit, there are growing prospective home buyers looking for affordable housing in the region. Moreover, some investors have started to worry about inflation, which could erode the purchasing power of money, and with inflation fears, they gradually adjust their investment portfolio by purchasing properties as a hedge. Therefore demand for properties in Hong Kong, Macau and Mainland China has risen substantially, with both transaction volume and average selling prices in the region rebounding considerably since the second quarter of the year.

We remain cautiously optimistic about the outlook for the property markets in the Greater China region given that we do not expect the policy makers from major leading countries around the world to tighten their monetary policies too dramatically in the coming year.

Since the start of the year, the Group has entered into two transactions, which consequently would further enhance its cash position. In April 2009, the Company terminated the acquisition of equity interests in Shenzhen Properties and generated an aggregate cash inflow of approximately HK\$276 million. In July 2009, the Group entered into an agreement to sell a 12% equity interest of the Tianjin project to Tianjin CITIC. Upon completion, the total cash to be received from this transaction amounts to approximately HK\$308 million.

In August 2009, the Group entered into a conditional sale and purchase agreement to acquire two development sites, in Hong Kong and Shenyang, from its controlling shareholder for a total cost of HK\$857 million. Thus, these acquisitions, if completed, will initially draw a relatively insignificant amount of cash from the Group as only HK\$90 million will be paid in cash upon completion, with the balance being payable in a year without any interest cost. The two development projects are currently under construction and they are expected to start generating solid income for the Group in 2010-2011. The Group's land bank will be increased by 584,700 sq m upon completion of the acquisition. The Group will continue to explore investment opportunities to maximise return for its shareholders.

Barring unforeseen circumstances, the Group is expected to deliver satisfactory results for the full year of 2009.

## **OTHER INFORMATION**

### **Code on Corporate Governance Practices**

During the six months ended 30 June 2009, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), save for the deviation under code provision A.2.1 as disclosed in the 2008 Annual Report of the Company.

### **Purchase, Sale or Redemption of the Company’s Listed Securities**

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2009.

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

The Register of Members of the Company will be closed on Thursday, 8 October 2009 and Friday, 9 October 2009. During which period, no transfer of shares will be effected. In order to qualify for the interim 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 not later than 4:30 p.m. on Wednesday, 7 October 2009.

## INTERIM RESULTS

The Directors of the Company are pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2009 together with the comparative figures of 2008 as follows:

### Consolidated Income Statement

		<b>Six months ended 30 June</b>	
		<b>2009</b>	2008
		<b>(unaudited)</b>	(unaudited)
	<i>Note</i>	<b>HK'000</b>	<b>HK'000</b>
<b>Turnover</b>	3	<b>1,673,406</b>	4,829,354
Cost of sales		<b>(476,428)</b>	(3,917,656)
Other revenue	4	<b>52,298</b>	12,041
Other net income/(expenses)	5	<b>73,764</b>	(267,114)
Depreciation and amortization		<b>(5,617)</b>	(5,020)
Staff costs		<b>(68,061)</b>	(32,719)
Other operating expenses		<b>(55,988)</b>	(30,509)
Fair value changes on investment properties		<b>12,530</b>	408,400
<b>Profit from operations</b>		<b>1,205,904</b>	996,777
Finance costs	6	<b>(12,119)</b>	(18,700)
Share of profits of associated companies		<b>520</b>	16
Share of profits less losses of jointly controlled entities		<b>(14,427)</b>	8,273
<b>Profit before taxation</b>	3	<b>1,179,878</b>	986,366
Income tax	7	<b>(56,954)</b>	(79,706)
<b>Profit for the period</b>		<b><u>1,122,924</u></b>	<b><u>906,660</u></b>
<b>Attributable to:</b>			
Shareholders of the Company		<b>887,141</b>	854,076
Minority interests		<b>235,783</b>	52,584
<b>Profit for the period</b>		<b><u>1,122,924</u></b>	<b><u>906,660</u></b>
<b>Earnings per share – Basic/Diluted</b>	8(a)	<b><u>HK\$0.77</u></b>	<b><u>HK\$0.74</u></b>
<b>Dividend per share</b>	9	<b><u>HK\$0.20</u></b>	<b><u>HK\$0.19</u></b>

## Consolidated Statement of Comprehensive Income

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>(unaudited)</b>	(unaudited)
	<b>HK'000</b>	HK'000
<b>Profit for the period</b>	<b>1,122,924</b>	906,660
<b>Other comprehensive income for the period</b>		
Exchange differences on translation of accounts of overseas subsidiaries	<b>1,074</b>	77,016
Changes in fair value of available-for-sale investments	<b>(3,914)</b>	(667,473)
Changes in fair value of interests in property development	<b>(163,068)</b>	870,849
Transfer to income statement upon recognition from interests in property development	<b>(751,098)</b>	(218,350)
Share of other comprehensive income of jointly controlled entities	<b>268</b>	40,576
	<b>(916,738)</b>	102,618
<b>Total comprehensive income for the period</b>	<b>206,186</b>	1,009,278
<b>Attributable to:</b>		
Shareholders of the Company	<b>244,604</b>	791,132
Minority interests	<b>(38,418)</b>	218,146
<b>Total comprehensive income for the period</b>	<b>206,186</b>	1,009,278

## Consolidated Balance Sheet

	Note	At 30 June 2009		At 31 December 2008	
		(unaudited) HK\$'000	(unaudited) HK\$'000	(audited) HK\$'000	(audited) HK\$'000
<b>Non-current assets</b>					
Fixed assets					
– Investment properties			6,046,190		6,027,990
– Leasehold land held for own use			242,696		245,961
– Other property, plant and equipment			40,087		41,725
			<u>6,328,973</u>		<u>6,315,676</u>
Interests in property development			10,087,994		10,251,062
Interest in jointly controlled entities			1,226,884		1,241,043
Interest in associated companies			8,103		7,584
Financial investments			29,767		33,681
Loans and advances			11,898		14,085
Deferred tax assets			35,715		31,711
			<u>17,729,334</u>		<u>17,894,842</u>
<b>Current assets</b>					
Inventories		5,731,561		5,854,969	
Interest in property development		–		1,601,329	
Trade and other receivables	10	2,001,519		2,196,512	
Loans and advances		41,631		42,407	
Amounts due from jointly controlled entities		674,367		997,314	
Derivative financial instruments		2,715		–	
Financial investments		80,459		202,176	
Time deposits (pledged)		816		18,810	
Cash and cash equivalents		599,727		967,499	
		<u>9,132,795</u>		<u>11,881,016</u>	

		At 30 June 2009		At 31 December 2008	
		(unaudited)	(unaudited)	(audited)	(audited)
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Current liabilities</b>					
Trade and other payables	11	1,005,614		2,676,052	
Amount due to ultimate holding company		1,380		1,380	
Amounts due to minority shareholders		486,352		461,158	
Derivative financial instruments		–		45,526	
Bank loans		2,127,500		1,166,000	
Current taxation		276,895		398,870	
		<u>3,897,741</u>		<u>4,748,986</u>	
<b>Net current assets</b>			<u>5,235,054</u>		<u>7,132,030</u>
<b>Total assets less current liabilities</b>			<u>22,964,388</u>		<u>25,026,872</u>
<b>Non-current liabilities</b>					
Loan from ultimate holding company		2,446,735		2,473,789	
Amount payable to ultimate holding company		564,702		686,497	
Bank loans		–		1,862,000	
Deferred tax liabilities		906,997		900,145	
			<u>3,918,434</u>		<u>5,922,431</u>
<b>Net assets</b>			<u>19,045,954</u>		<u>19,104,441</u>
<b>Capital and reserves</b>					
Share capital			115,068		115,068
Reserves			<u>15,914,074</u>		<u>15,899,606</u>
<b>Total equity attributable to shareholders of the Company</b>			<u>16,029,142</u>		<u>16,014,674</u>
Minority interests			<u>3,016,812</u>		<u>3,089,767</u>
<b>Total equity</b>			<u>19,045,954</u>		<u>19,104,441</u>

## 1 Basis of preparation

The unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Listing Rules including compliance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

## 2 Changes in accounting policies

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which term collectively includes Hong Kong Financial Reporting Standards, HKASs and Interpretations) that are 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 below, the interim financial report has been prepared on a basis consistent with the accounting policies adopted in the 2008 annual financial statements.

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.

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 financial statements 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 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.

### **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, dividend and interest income.

Reporting segment profit represents profit before tax by excluding fair value changes on investment properties, finance costs and head office and corporate expenses.

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate 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 period is set out below:

Six months ended 30 June 2009							
Consolidated	Property development			Property investment	Finance and investments	Others	
	Hong Kong	Macau	Mainland China				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover	<u>1,673,406</u>	<u>463,700</u>	<u>751,648</u>	<u>-</u>	<u>135,493</u>	<u>300,416</u>	<u>22,149</u>
Reporting segment profit	1,207,353	222,858	744,489	(10,330)	139,221	109,304	1,811
Fair value changes on investment properties	12,530	-	-	-	12,530	-	-
Share of fair value changes on investment properties of jointly controlled entity	(12,480)	-	-	-	(12,480)	-	-
Head office and corporate expenses	(62,265)						
Other revenue	46,859						
Finance costs	(12,119)						
Profit before taxation	<u>1,179,878</u>						
Share of profits of associated companies	520	-	-	-	-	-	520
Share of profits less losses of jointly controlled entities	(14,427)	-	-	(8,959)	(5,468)	-	-
Six months ended 30 June 2008							
Consolidated	Property development			Property investment	Finance and investments	Others	
	Hong Kong	Macau	Mainland China				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover	<u>4,829,354</u>	<u>389,528</u>	<u>240,068</u>	<u>-</u>	<u>127,986</u>	<u>4,047,274</u>	<u>24,498</u>
Reporting segment profit	613,180	273,977	222,498	(6,053)	138,405	(18,617)	2,970
Fair value changes on investment properties	408,400	-	-	-	408,400	-	-
Head office and corporate expenses	(16,514)						
Finance costs	(18,700)						
Profit before taxation	<u>986,366</u>						
Share of profits of associated companies	16	-	-	-	-	-	16
Share of profits less losses of jointly controlled entities	8,273	-	-	(1,814)	10,087	-	-

At 30 June 2009

	Consolidated	Property development			Property investment	Finance and investments	Others
		Hong Kong	Macau	Mainland China			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Reporting segment assets	26,193,754	3,383,143	10,895,451	4,842,844	6,599,773	182,900	289,643
Deferred tax assets	35,715						
Time deposit (pledged)	816						
Cash and cash equivalents	599,727						
Head office and corporate assets	32,117						
Consolidated total assets	<u>26,862,129</u>						
Interest in associated companies	8,103	-	-	-	-	-	8,103
Interest in jointly controlled entities	1,901,251	-	-	1,356,559	544,692	-	-

At 31 December 2008

	Consolidated	Property development			Property investment	Finance and investments	Others
		Hong Kong	Macau	Mainland China			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Reporting 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 jointly controlled entities	2,238,357	-	-	1,676,828	561,529	-	-

#### 4 Other revenue

In 2009, other revenue included an aggregate amount of HK\$46,859,000 being the compensation and interest received/receivable upon the termination of the proposed acquisition of Shenzhen Properties by the Company.

## 5 Other net income/(expenses)

Other net income/(expenses) represents fair value changes on held for trading listed investments of gain HK\$25,523,000 (2008: loss HK\$417,761,000) and derivative financial instruments of gain HK\$48,241,000 (2008: gain HK\$150,647,000).

## 6 Finance costs

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	10,085	27,294
Interest on loan from/amount payable to ultimate holding company	11,040	18,912
Less: Amount capitalized	(9,006)	(27,506)
	<u>12,119</u>	<u>18,700</u>

## 7 Income tax

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Current tax – Hong Kong	48,454	103,314
– Outside Hong Kong	5,652	3,812
	<u>54,106</u>	<u>107,126</u>
Deferred tax	<u>2,848</u>	<u>(27,420)</u>
	<u>56,954</u>	<u>79,706</u>

The provision for Hong Kong profits tax is calculated by applying the estimated effective tax rate of 16.5% (2008: 16.5%) to the six months ended 30 June 2009. Tax levied in jurisdictions outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable 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\$887,141,000 (six months ended 30 June 2008: HK\$854,076,000) and weighted average number of ordinary shares in issue during the period of 1,150,681,275 (six months ended 30 June 2008: 1,150,681,275).
- (b) There are no diluted potential shares in existence during the six months ended 30 June 2009 and 2008.

## 9 Dividends

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Interim dividend declared after the interim period of HK\$0.20 (2008: HK\$0.19) per share	<u>230,136</u>	<u>218,629</u>

The interim dividend declared after the interim period end has not been recognized as a liability at the interim period end date.

## 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:

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Current	<u>188,955</u>	188,449
Less than 3 months past due	6,618	3,414
3 months to 6 months past due	268	624
More than 6 months past due	<u>7,659</u>	<u>8,597</u>
Amounts past due	<u>14,545</u>	<u>12,635</u>
Trade receivables	203,500	201,084
Utility and other deposits	6,486	4,185
Other receivables and prepayments	<u>1,791,533</u>	<u>1,991,243</u>
	<u>2,001,519</u>	<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 proposed acquisition of approximately 70.3% of the issued shares of Shenzhen Properties. During the period, 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.

Prepayments of the Group of an amount of approximately HK\$1,701,587,000 (2008: HK\$1,700,892,000) represents payments made for the acquisition of a composite property development site located in Tianjin of the Mainland China.

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 Trade and other payables

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

	<b>At 30 June 2009 HK\$'000</b>	At 31 December 2008 HK\$'000
Not yet due or on demand	<b>45,145</b>	85,372
Within 3 months	<b>18,537</b>	57,700
3 months to 6 months	<b>134</b>	27,624
More than 6 months	<b>59,567</b>	17,300
	<hr/>	<hr/>
Trade payables	<b>123,383</b>	187,996
Rental and other deposits	<b>64,056</b>	63,994
Other payables and accrued expenses	<b>316,198</b>	1,937,367
Deposits received on sale of properties	<b>501,977</b>	486,695
	<hr/>	<hr/>
	<b><u>1,005,614</u></b>	<b><u>2,676,052</u></b>

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 in the period.

## 12 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 with the presentation of the interim period under review and to provide comparative amounts in respect of items disclosed for the first time in 2009.

## **Publication of interim report**

The 2009 Interim Report of the Company containing all the information as required by Appendix 16 of 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 23 September 2009.

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

Hong Kong, 8 September 2009

*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.*