



九龍建業有限公司 KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 34)

Results Announcement for the year ended 31 December 2007

2007 GROUP'S RESULTS HIGHLIGHTS

- ❖ Group's net profit rises to HK\$1,906 million; excluding property revaluations net of deferred tax, underlying net profit increases 41.3% to HK\$1,502 million.
- ❖ Taking account of the dilution effects of the rights issue, underlying earnings per share after excluding the effect of property revaluations amounts to HK\$1.36 from HK\$1.58 in 2006.
- ❖ Pre-sale of the Group's two Macau projects has exceeded HK\$4 billion as of 31 December 2007.
- ❖ Dividend per share rises to HK\$0.65, an increase of 18.2% over 2006.

	2007 HK\$ million	2006 HK\$ million	Change +/(–)
Turnover	10,384	2,908	257%
Profit attributable to the			
Company's shareholders	1,906	1,346	42%
Excluding property revaluations	1,502	1,063	41%
Earnings per share (HK\$)			
– Basic	1.72	2.00	(14%)
Excluding property revaluations	1.36	1.58	(14%)
Net asset value per share attributable to			
the Company's shareholders (HK\$)	14.87	11.80	26%
Dividend per share (HK\$)	0.65	0.55	18%
Interim	0.17	0.13	31%
Final	0.48	0.42	14%

GROUP RESULTS AND DIVIDENDS

The Group's net profit attributable to shareholders for the financial year ended 31 December 2007 rose to another record high of HK\$1,906 million from HK\$1,346 million in 2006. Excluding investment property revaluation gains net of deferred tax, underlying net profit for 2007 amounted to HK\$1,502 million, an increase of 41.3% over the previous year.

Taking account of the effect of the one-for-two rights issue in February 2007, the underlying earnings per share after the effect of property revaluations for 2007 amounted to HK\$1.36 compared to HK\$1.58 in 2006.

The Board of Directors has recommended the payment of a final dividend per share of HK\$0.48 for 2007, an increase of 14.3% over 2006. Together with the interim dividend per share of HK\$0.17, the full year dividend per share for 2007 will amount to HK\$0.65, an increase of 18.2% over the previous year.

The final dividend will be payable on 22 May 2008 to shareholders registered as at 16 April 2008.

BUSINESS REVIEW

The Group's net profit hit a record high in 2007 driven by a broad-based improvement across our major businesses. The Group's core businesses of property development and investment have benefited considerably from the robust economy in the region while the Group's finance and investments division also performed well in 2007.

To facilitate the one-for-two rights issue as announced on 19 December 2006, the authorized share capital of the Company was increased by 4 billion new shares of HK\$0.10 each to 5 billion shares of HK\$0.10 each. Upon completion of the rights issue in February 2007, the issued share capital was increased by 383,560,425 shares to 1,150,681,275 shares of HK\$0.10 each. The gross proceeds of HK\$5,293 million substantially strengthened the equity base of the Group and allowed it to capture further investment opportunities.

Major Acquisitions

On 15 May 2007, the Company entered into an interest transfer agreement to transfer equity interests of 30% and 9% respectively in a project subsidiary named "Polytec CITIC Property (Tianjin) Co., Ltd" to two strategic investors – Tianjin CITIC Real Estate Investment Co., Ltd and Tianjin Flying Investment Development Co., Ltd. Simultaneously the same parties entered into a cooperation agreement in relation to a project in Tianjin to which the Company committed in December 2006. Both strategic investors are experienced in the investment and development of real estate in Mainland China and will bring valuable expertise to the project company.

On 22 August 2007, the Group entered into an agreement to acquire 50% of a portfolio of non-performing loans with a principal value of approximately RMB35,500 million for a total consideration of RMB2,190 million from China Orient Asset Management Corporation (“China Orient”), one of the four state asset management companies set up by the Ministry of Finance in 1999 to acquire the non-performing loans of China’s four largest state-owned commercial banks and financial institutions. A joint venture company will be formed with China Orient upon completion of the acquisition pursuant to conditions of a joint venture agreement. Both the acquisition and the formation of the joint venture company are subject to regulatory approval.

Property Sales

The Group’s total property sales rose to HK\$1,515 million in 2007, an increase of 25.8% over the previous year. The biggest contributor to sales was from the project at 31 Robinson Road, Mid-levels, Hong Kong. The occupation permit for the project was obtained in December 2007 and the internal finishing work will be completed and will be handed over to the buyers in the second quarter of this year.

Together with the final profit recognition from the Group’s 80% interest in La Baie du Noble project in Macau, total sales for 2007 produced a combined operating profit of HK\$721 million, an increase of 12.1% over the previous year.

Property Development

As of 31 December 2007, the Group’s land bank for development totaled approximately 5 million sq m gross floor area, which consisted of 1 million sq m of properties held for development and 4 million sq m of properties under development across Hong Kong, Mainland China and Macau.

The status of the Group’s major development projects in Hong Kong, Mainland China and Macau is as follows:

Hong Kong

Ngau Chi Wan, Hong Kong

In Hong Kong, the Group owns a major site at 35 Clear Water Bay Road in Ngau Chi Wan with gross floor area of approximately 196,400 sq m. The site will be developed into a residential and commercial complex with retail and community facilities. We have been working actively in order to get the final approval from the relevant government departments.

Belcher’s Street, Hong Kong

The project covers a site area of 564 sq m and will be developed into a gross floor area of approximately 5,600 sq m consisting of multi-storey high-end residential block with retail, recreational and car parking spaces. The architectural design is under review and construction work is scheduled to commence in the second half of 2008.

Mainland China

Dong Ning District, Shenyang

The relocation and resettlement work is about to complete and the first phase of residential development will be commenced in the second quarter of 2008 and is expected to be completed before the end of 2009.

Nanhai District, Foshan

A ground-breaking ceremony was held in November 2007 to mark the commencement of the first phase construction work of the Foshan project. With the aim of creating a large scale luxury community, the conceptual design for the first phase consists of low density and high quality housing and a five-star hotel surrounded by greenery environment. The sale of the first phase residential development is expected to commence by the end of 2008 or early 2009.

Hedong District, Tianjin

The Tianjin project is located in the central business district of Hedong. The development will be carried out in phases. The master layout design has been completed. Construction work is ready to start when approvals from the relevant government authorities are obtained.

Macau

Following the completion of the La Baie du Noble project, the Group's interest in Macau is held through its listed subsidiary, Polytec Asset Holdings Limited ("Polytec Asset"), 59.52% owned by the Group. Currently Polytec Asset has two major projects, Villa de Mer and Pacifica Garden, under development. The pre-sale of the project in the Orient Pearl District, Villa de Mer, has been encouraging, with approximately 80% of residential units being sold as of 31 December 2007 while for the project in Taipa, Pacifica Garden, all residential units were sold in early 2007.

Villa de Mer, The Orient Pearl District

Villa de Mer, 80% interest held by Polytec Asset under a co-investment agreement, covers a gross floor area of approximately 126,400 sq m and comprises 5 towers with a total of about 1,300 residential units and a number of retail shops on the ground floor. The foundation work has been completed. The project is expected to complete in 2009/2010.

Pacifica Garden, Taipa

Pacifica Garden is Polytec Asset's 58% owned residential and commercial project in Taipa, Macau, with a gross floor area of approximately 35,900 sq m, comprising two buildings with a total of 295 residential units and a number of retail shops on the ground floor. The foundation work has been completed and the superstructure is now in progress. The project is expected to be completed in end of 2008 or early 2009.

Property Investment

The Group's gross rental income for 2007 from its property investment portfolio amounted to HK\$234 million, an increase of 4.5% over the previous year. Overall occupancy rate of the Group's property portfolio remained high for 2007 at over 90% with the average occupancy rate of the retail spaces at Pioneer Centre, the Group's flagship property, improving to 98.6% from 93.9% in 2006.

Property Management

While the property management section contributed insignificantly to the Group's profit, it is intended to complement the Group's principal business in property development. The Group operates a property management company which offers high quality property management services.

Finance and Investments

With favourable market conditions, the performance of the finance and investments division improved in 2007, with its combined activities contributing HK\$723 million to the Group's net profit compared to HK\$242 million in 2006.

Shenzhen Properties

In relation to the acquisition of Shenzhen Properties & Resources Development (Group) Limited ("Shenzhen Properties"), a ruling was awarded in favour of the Group by the China International Economic and Trade Arbitration Commission on 25 October 2007 stating that the sale and purchase agreement is legally binding and will continue to be of effect and that the sellers are required to continue to perform their obligations of selling their interest in Shenzhen Properties to the Group. The Company is still seeking implementation of the agreement by the relevant government authorities for the continuation of the general offer obligation before 30 June 2008.

Polytec Asset Holdings Limited

Polytec Asset contributed HK\$80 million to the Group's net profit in 2007 compared to HK\$8 million in previous year.

FINANCIAL REVIEW

Financial Resources and Bank Borrowings

As at 31 December 2007, the Group had total bank borrowings of HK\$1,765 million with HK\$623 million repayable within one year and HK\$292 million repayable more than one year but within two years. The remaining balance of HK\$850 million is repayable after two years but within five years. The net bank borrowing position of the Group as at the year end date was HK\$857 million having taken into account the HK\$908 million of cash and cash equivalents as at 31 December 2007. There was a substantial reduction of 51.8% or HK\$921 million as compared with the net borrowings of HK\$1,778 million at end of 2006 as a result of the fund raising activity during the year under review. In February 2007, the Group raised net proceeds of HK\$3,035 million by issue of 383,560,425 rights share at HK\$13.8 per share after offsetting loans from the ultimate holding company of HK\$2,256 million. The new equity capital has strengthened the financial position of the Group by reducing the Group's gearing ratio (calculated on the basis of net bank borrowings to equity attributable to shareholders of the Company) significantly from 19.6% at year end 2006 to about 5.0% at year end 2007. Furthermore, the rights issue also strengthened the equity base of the Group. With its strong and sound financial position, the Group is well-positioned to secure new investments whenever appropriate opportunities arise.

The ultimate holding company continued its financial support to the Group with loans outstanding as at 31 December 2007 amounted to HK\$1,398 million (2006: HK\$5,884 million) including the balance and related accrued interest in respect of the acquisition of interests in property developments in Macau. The adjusted gearing ratio was 13.2% as at 31 December 2007 (2006: 84.6%) after taking into account the outstandings due to the ultimate holding company. Of the reduction of HK\$4,486 million due to the ultimate holding company, HK\$2,256 million was offset against the relevant portion of subscription money for the Company's rights shares.

In 2007, the Group increased its investment in property development projects in Mainland China, namely, the Tianjin, Shenyang and Foshan projects, by a further HK\$393 million, HK\$566 million and HK\$620 million respectively. The Group added a net HK\$343 million to its securities investment portfolio during the year. A total of HK\$452 million has been generated from the sale of 31 Robinson Road of which more than 50% of the units have been sold. The total amount received from a fellow subsidiary company in Macau in relation to the pre-sale proceeds of Villa de Mer under a co-investment agreement, was HK\$1,508 million during 2007.

All banking facilities are arranged on a floating rate basis. Management will continue to monitor and manage the Group's exposure to interest rate risks and will engage in relevant hedging arrangements when appropriate. With the several interest rate cuts in the United States recently and the currency peg, interest rates in Hong Kong are expected to remain at a low level in the short and medium term.

With the Group's investment in several property projects in Mainland China, the continuous appreciation of Renminbi will increase the costs for further investment in these projects. Where appropriate and cost efficient, the Group seeks to finance these investments by Renminbi borrowing and as future returns from these investments are denominated in Renminbi, exposure to currency risk is minimised. On the other hand, the Group will benefit from the associated currency gain from the assets' value of the development projects in Mainland China. The Group's exposure to other currency risk is insignificant.

With the financing facilities currently in place, recurrent income from investment properties, readily realizable marketable securities on hand, property sales and the proceeds from the rights issue in February 2007, the Group has sufficient financial resources to satisfy its commitments, working capital requirements and for its future business expansion.

Capital Commitments

As at 31 December 2007, the Group had contracted commitments of HK\$814 million in respect of the acquisition of Shenzhen Properties and development projects in Mainland China. Commitments for construction work amounted to HK\$101 million.

Pledge of Assets

As at 31 December 2007, properties and securities amounted to HK\$6,464 million and time deposits of HK\$582 million were pledged to financial institutions to secure credit facilities and as margin for securities investments. The Group had no contingent liabilities as at 31 December 2007.

PROSPECTS

The impact of the Chinese government's macroeconomic controls in relation to the property sector put in place over the past few years has finally emerged in the fourth quarter following the even more intensified measures taken during the course of 2007. In general, a correction in the property market was observed in cities where transaction volume and prices once soared, while cities with relatively moderate price increases were less affected.

The cost of the three major pieces of land acquired by the Group in 2006 still represents a considerable discount to the current land prices, which will keep the Group well-positioned over the medium to the long run. The Foshan project is underway while the Shenyang project is expected to be commenced in the second quarter this year. The initial master layout design for the Tianjin project has been completed and the project is immediately available for development in a disciplined manner subject to the approval by the relevant government authorities.

In Hong Kong, the decline in new private housing supply, together with falling interest rates and continued economic growth, has boosted the demand for housing and property prices. The project at Robinson Road was launched in September 2007 and has been well received with satisfactory transaction prices recorded for certain units. The remaining units will be launched for sale in stages and are expected to have a significant contribution to the Group's earnings in 2008. The negotiation in relation to the Ngau Chi Wan project with the relevant government departments is still underway and we will endeavour to reach an agreement as soon as possible.

Undoubtedly, the economy remained robust in Macau last year. Looking forward, the economy is expected to continue to be fuelled by foreign and local investment and a number of large government infrastructure projects scheduled for the next few years. In particular, the Group will benefit from its sizeable land bank for property projects adjacent to the location of the Hong Kong-Zhuhai-Macau Bridge. We are indeed optimistic about the outlook for the Macau economy.

The Group's finance and investments segment recorded significant earnings in 2007 due to the favourable market conditions during the year. However, such environment has been reversed in early 2008 as the world economy has slowed down substantially. As such, we do not expect the performance of this segment to match that of the previous year. Nonetheless, the Group's earnings in the next two years will be supported by sales of the remaining units of the Robinson Road project and the sales of the two Macau projects, Pacifica Garden in Taipa and Villa de Mer in the Orient Pearl District, which recorded a total of pre-sale proceeds exceeding HK\$4 billion as of 31 December 2007.

Looking forward, we expect that our development projects in Mainland China will start to make a meaningful contribution to the Group's earnings from 2009 onwards.

OTHER INFORMATION

Review of Accounts

The Audit Committee has reviewed the Group's consolidated accounts for the year ended 31 December 2007, including the accounting principles and practices adopted by the Group, in conjunction with the Company's auditors.

Compliance with the Code on Corporate Governance Practices

The Company has complied with all code provisions set out in Appendix 14 of Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the accounting year ended 31 December 2007, save for code provision A.2.1.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Under the existing corporate structure, both the positions of the Chairman and chief executive officer are held by Mr Or Wai Sheun. On viewing this structure, the Board considers that it is beneficial to the Company as it enables the Company to make prompt and efficient decisions. Moreover, all major decisions are made in consultation with members of the Board and appropriate board committees comprising experienced and high caliber individuals. Hence, the operations of the board committees ensure the balance of power and authority. The corporate governance principles of the Company emphasize the importance of a quality Board and accountability to all shareholders.

Codes for Dealing in the Company's Securities

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year under review and they have all confirmed that they had fully complied with the required standard set out in the Model Code. Specific employees who are likely to be in possession of unpublished price sensitive information have also been requested to comply with the provisions of the Model Code. No incident of non-compliance was noted by the Company.

Purchase, Sale or Redemption of the Company's Listed Shares

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the year.

Closure of Register of Members

The Register of Members of the Company will be closed from Tuesday, 15 April 2008 to Wednesday, 16 April 2008, both dates inclusive. To qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on Monday, 14 April 2008.

Annual General Meeting

The forthcoming annual general meeting of the Company will be held at Island Ballroom, Level 5, Island Shangri-La Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Wednesday, 23 April 2008 at 11:00 am. Notice of the annual general meeting will be published on the Company's website at www.kdc.com.hk and the website of the Stock Exchange of Hong Kong Limited and dispatched to Shareholders on or about 28 March 2008.

Publication

The Annual Report 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 and the website of the Stock Exchange of Hong Kong on or about 28 March 2008.

The consolidated results of the Group for the year ended 31 December 2007, together with the comparative figures of 2006 are as follows:

**Consolidated Income Statement
for the year ended 31 December 2007**

		2007	2006
	Note	HK\$'000	HK\$'000
Turnover	2	10,384,080	2,908,171
Cost of sales		(8,211,550)	(1,742,805)
Other revenue		10,430	14,125
Other net (expenses)/income	3	(46,013)	115,845
Depreciation and amortization		(10,280)	(9,646)
Staff costs		(97,048)	(79,994)
Fair value changes on investment properties		490,922	346,608
Other operating expenses		(93,867)	(69,462)
Profit from operations	2	2,426,674	1,482,842
Finance costs	4	(81,685)	(178,400)
Profit on disposal of an associated company		–	47,090
Share of profits of associated companies		1,396	1,324
Share of profits less losses of jointly controlled entities		11,886	3,982
Negative goodwill		–	162,876
Profit before taxation		2,358,271	1,519,714
Income tax	5	(385,367)	(153,708)
Profit for the year		<u>1,972,904</u>	<u>1,366,006</u>
Attributable to:			
Shareholders of the Company		1,906,398	1,346,261
Minority interests		66,506	19,745
Profit for the year		<u>1,972,904</u>	<u>1,366,006</u>
Earnings per share – Basic	6(a)	<u>HK\$1.72</u>	<u>HK\$2.00</u>
<i>Earnings per share – Basic (excluding fair value changes on investment properties net of deferred tax)</i>	6(b)	<u>HK\$1.36</u>	<u>HK\$1.58</u>
Dividend per share	7	<u>HK\$0.65</u>	<u>HK\$0.55</u>

**Consolidated Balance Sheet
as at 31 December 2007**

		2007		2006	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Fixed assets					
– Investment properties			4,991,830		4,494,630
– Leasehold land held for own use			252,492		259,022
– Other property, plant and equipment			39,710		40,740
			<u>5,284,032</u>		<u>4,794,392</u>
Goodwill			–		16,994
Interests in property development			12,013,954		9,490,063
Interest in jointly controlled entities			1,072,470		789,209
Interest in associated companies			7,378		12,040
Financial investments			148,329		150,635
Loans and advances			27,654		40,430
Deferred tax assets			9,028		3,970
			<u>18,562,845</u>		<u>15,297,733</u>
Current assets					
Interest in property development			–		122,124
Inventories			4,331,389		4,054,734
Trade and other receivables	8		2,935,869		1,045,889
Loans and advances			47,708		56,942
Amounts due from jointly controlled entities			608,480		258,053
Amount due from an associated company			–		185
Derivative financial instruments			40,335		36,074
Financial investments			1,603,789		1,258,752
Time deposits (pledged)			582,473		65,994
Cash and cash equivalents			907,961		401,830
			<u>11,058,004</u>		<u>7,300,577</u>
Current liabilities					
Trade and other payables	9		1,413,068		1,087,207
Amount due to ultimate holding company			2,662		4,985
Amounts due to minority shareholders			333,305		25,082
Derivative financial instruments			216,978		16,590
Bank loans			623,000		888,843
Current taxation			368,927		94,363
			<u>2,957,940</u>		<u>2,117,070</u>
Net current assets			<u>8,100,064</u>		<u>5,183,507</u>
Total assets less current liabilities			26,662,909		20,481,240

		2007	2006
	Note	HK\$'000	HK\$'000
		HK\$'000	HK\$'000
Non-current liabilities			
Other payables		1,508,000	—
Loan from ultimate holding company		495,964	2,857,548
Amount payable to ultimate holding company		902,020	3,026,231
Bank loans		1,141,700	1,290,700
Deferred tax liabilities		<u>795,941</u>	<u>734,230</u>
		<u>4,843,625</u>	<u>7,908,709</u>
NET ASSETS		<u>21,819,284</u>	<u>12,572,531</u>
CAPITAL AND RESERVES			
Share capital		115,068	76,712
Reserves		<u>16,992,195</u>	<u>8,976,072</u>
Total equity attributable to the shareholders of the Company		17,107,263	9,052,784
Minority interests		<u>4,712,021</u>	<u>3,519,747</u>
TOTAL EQUITY		<u>21,819,284</u>	<u>12,572,531</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 HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group.

There have been no significant changes to the accounting policies applied in these accounts for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, “Financial instruments: Disclosures” and the amendment to HKAS 1, “Presentation of financial statements: Capital disclosures”, there have been some additional disclosures.

As a result of the adoption of HKFRS 7, the accounts include expanded disclosure about the significance of the Group’s financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, “Finance instruments: Disclosure and presentation”.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group’s objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognized in the financial statements.

2 Segment information

(a) Business segments

	2007				
	Consolidated HK\$'000	Property development HK\$'000	Property investment HK\$'000	Finance and investments HK\$'000	Others HK\$'000
Turnover	<u>10,384,080</u>	<u>1,514,777</u>	<u>234,171</u>	<u>8,555,927</u>	<u>79,205</u>
Contribution from operations	2,020,027	721,480	219,844	1,046,271	32,432
Fair value changes on investment properties	490,922	–	490,922	–	–
Unallocated group expenses	<u>(84,275)</u>				
Profit from operations	2,426,674				
Finance costs	(81,685)				
Share of profits of associated companies	1,396	–	–	–	1,396
Share of profits less losses of jointly controlled entities	<u>11,886</u>	<u>(2,887)</u>	<u>14,773</u>	<u>–</u>	<u>–</u>
Profit before taxation	2,358,271				
Income tax	<u>(385,367)</u>				
Profit for the year	<u>1,972,904</u>				
Segment assets	26,658,587	18,890,836	4,999,552	2,474,288	293,911
Interest in jointly controlled entities	1,680,950	1,050,807	630,143	–	–
Interest in associated companies	7,378	–	–	–	7,378
Unallocated	<u>1,273,934</u>				
Total assets	<u>29,620,849</u>				
Segment liabilities	3,066,533	2,511,849	81,391	452,339	20,954
Unallocated	<u>4,735,032</u>				
Total liabilities	<u>7,801,565</u>				
Capital expenditure incurred during the year	6,709	–	6,566	–	143
Fair value changes on financial investments and derivative financial instruments	46,013	–	–	46,013	–
Depreciation and amortization for the year	10,280	–	–	–	10,280
Impairment loss on inventories	13,531	13,531	–	–	–
Impairment loss on goodwill	<u>16,994</u>				

(a) *Business segments (continued)*

	2006				
	Consolidated	Property	Property	Finance and	Others
	HK\$'000	development	investment	investments	HK\$'000
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>2,908,171</u>	<u>1,204,401</u>	<u>224,468</u>	<u>1,416,365</u>	<u>62,937</u>
Contribution from operations	1,189,655	643,766	200,970	325,220	19,699
Fair value changes on investment properties	346,608	–	346,608	–	–
Unallocated group expenses	<u>(53,421)</u>				
Profit from operations	1,482,842				
Finance costs	(178,400)				
Profit on disposal of an associated company	47,090	–	–	–	47,090
Share of profits of associated companies	1,324	–	–	–	1,324
Share of profits less losses of jointly controlled entities	3,982	(450)	4,432	–	–
Negative goodwill	<u>162,876</u>				
Profit before taxation	1,519,714				
Income tax	<u>(153,708)</u>				
Profit for the year	<u>1,366,006</u>				
Segment assets	20,771,007	14,313,303	4,509,353	1,626,384	321,967
Interest in jointly controlled entities	1,047,262	391,707	655,555	–	–
Interest in associated companies	12,225	–	–	–	12,225
Unallocated	<u>767,816</u>				
Total assets	<u>22,598,310</u>				
Segment liabilities	1,108,400	871,972	80,034	136,321	20,073
Unallocated	<u>8,917,379</u>				
Total liabilities	<u>10,025,779</u>				
Capital expenditure incurred during the year	4,168	488	439	–	3,241
Depreciation and amortization for the year	<u>9,646</u>	–	–	–	9,646

An asset amount of HK\$225,743,000 (2006: HK\$225,743,000) represented the deposit paid for the acquisition of approximately 70.3% of the issued shares of Shenzhen Properties & Resources Development (Group) Limited (“Shenzhen Properties”) and HK\$120,000,000 (2006: HK\$120,000,000) represented the deposit paid for general offer for the remaining 29.7% of the issued shares of Shenzhen Properties were not allocated to business segments as the transaction was not yet completed.

(b) Geographical segments

	Group turnover		Group profit from operations	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	9,943,948	2,244,506	2,201,466	977,980
Macau	369,040	472,093	193,879	444,589
People's Republic of China	2,821	132,239	(12,038)	26,617
North America	52,919	52,273	28,474	27,989
Others	15,352	7,060	14,893	5,667
	<u>10,384,080</u>	<u>2,908,171</u>	<u>2,426,674</u>	<u>1,482,842</u>
	Segment assets		Capital expenditure incurred during the year	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	10,715,497	8,487,571	6,709	3,680
Macau	13,105,358	10,576,546	–	–
People's Republic of China	2,627,367	1,468,770	–	488
North America	208,417	234,218	–	–
Others	1,948	3,902	–	–
	<u>26,658,587</u>	<u>20,771,007</u>	<u>6,709</u>	<u>4,168</u>

3 Other net (expenses)/income

Other net (expenses)/income represents fair value changes on financial investments and derivative financial instruments.

4 Finance costs

	2007	2006
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	99,056	106,876
Interest on loan from/amount payable to ultimate holding company	89,463	149,178
Less: Amount capitalized	<u>(106,834)</u>	<u>(76,135)</u>
	81,685	179,919
Less: Interest expense included as other operating expenses	<u>–</u>	<u>(1,519)</u>
	<u>81,685</u>	<u>178,400</u>

5 Income tax

	2007 HK\$'000	2006 HK\$'000
Current tax – Hong Kong	317,880	78,851
– Overseas	11,695	3,234
	329,575	82,085
Deferred tax	55,792	71,623
	385,367	153,708

The provision for Hong Kong profits tax for 2007 is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year. Overseas tax is calculated at the applicable tax rates ruling in the respective jurisdictions.

6 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK\$1,906,398,000 (2006: HK\$1,346,261,000) and weighted average number of shares in issue during the year of 1,108,345,343 (2006 as restated: 674,313,626).

(b) Basic earnings per share (excluding fair value changes on investment properties net of deferred tax)

The calculation of basic earnings per share excluding fair value changes on investment properties net of deferred tax is based on the adjusted profit attributable to shareholders of the Company of HK\$1,501,989,000 (2006: HK\$1,063,086,000).

(c) Diluted earnings per share

No diluted earnings per share for 2006 and 2007 has been presented as the Company had no dilutive potential shares for both years.

(d) The comparative amount of earnings per share has been restated, as the number of ordinary shares in prior year has been adjusted for the consolidation of one-for-two rights issue effected during the year ended 31 December 2007.

7 Dividends

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interim dividend declared and paid of HK\$0.17 (2006: HK\$0.13) per share on 1,150,681,275 shares (2006: 680,120,850 shares)	195,616	88,416
Final dividend proposed after the balance sheet date of HK\$0.48 (2006: HK\$0.42) per share on 1,150,681,275 shares	<u>552,327</u>	<u>483,286</u>
	<u>747,943</u>	<u>571,702</u>

8 Trade and other receivables

Included in this item are trade receivables with an ageing analysis as at 31 December as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current	<u>1,331,699</u>	<u>100,291</u>
Less than 3 months past due	20,979	12,921
3 months to 6 months past due	637	1,521
More than 6 months past due	<u>9,181</u>	<u>7,973</u>
Amounts past due	<u>30,797</u>	<u>22,415</u>
	<u>1,362,496</u>	<u>122,706</u>

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.

9 Trade and other payables

Included in this item are trade payables with an ageing analysis as at 31 December as follows:

	2007 HK\$'000	2006 HK\$'000
Not yet due or on demand	487,083	561,702
Within 3 months	35,197	4,427
3 months to 6 months	658	104
More than 6 months	272	—
	<u>523,210</u>	<u>566,233</u>

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

Hong Kong, 17 March 2008

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