九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 34)

2005 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

	Six months ended		Change
	30 June 2005	30 June 2004	
	HK$'000	*HK$'000*	
		(restated)	
Turnover	**483,940**	381,917	**+27%**
Profit attributable to Company's shareholders	**300,510**	152,967	**+96%**
Excluding property revaluations	182,176	119,520	+52 %
Earnings per share *(HK cents)* — Basic	**53.0**	27.4	**+93%**
Excluding property revaluations *(HK cents)*	32.1	21.4	+50 %
Interim dividend per share *(HK cents)*	**10.0**	7.0	**+43%**

INTERIM RESULTS AND DIVIDEND

The Group's unaudited profit attributable to the Company's shareholders for the six months ended 30 June 2005 amounted to HK$301 million (earnings per share of 53 HK cents) as compared to HK$153 million (restated) (earnings per share of 27.4 HK cents - restated), an increase of 96% over the comparable period last year. These interim results have been reviewed by the Company's Audit Committee and auditors. It should be noted that a number of new accounting standards which became effective on 1 January 2005 required restatement of the Group's previously reported results.

Excluding property revaluations, profit attributable to the Company's shareholders and earnings per share would have been HK$182 million and 32.1 HK cents respectively, representing an increase of 52% and 50% respectively over the comparable period last year.

The Board of Directors has declared an interim dividend of 10 HK cents per share compared with 7 HK cents in the first half of 2004. On a year-over-year basis, the interim dividend per share rose 43%. This increase in the dividend reflects the management's confidence in the earnings growth prospects for the Group. The dividend will be payable on 28 October 2005 to shareholders registered as at 21 October 2005.

BUSINESS REVIEW

We have reported a record interim net profit for 2005. Indeed, the Group's core property business continued to benefit from management's long-term investment planning and strategies over the past years, as well as the favourable economic environment in the first half of the year. The Group is expected to maintain its robust growth momentum in the second half of the year.

In April 2005, through an 85% owned subsidiary, the Group entered into an agreement to acquire 70.3% of the issued shares of Shenzhen Properties & Resources Development (Group) Limited ("Shenzhen Properties") for a cash consideration of RMB459 million ("Acquisition"). Shenzhen Properties, indirectly owned by the Shenzhen Municipal Government, is an enterprise listed on the Shenzhen Stock Exchange and principally engaged in real estate development, investment and property management in the People's Republic of China ("PRC").

The Acquisition was approved by the shareholders at an extraordinary general meeting on 20 July 2005. It should be noted that the completion is subject to the approvals to be obtained from the relevant PRC regulatory authorities and the process has been progressing satisfactorily so far.

Property Development

In the first six months of the year, the Group's property sales turnover rose to HK$217 million, representing a 37% increase over the same period last year. And more encouragingly, a significantly higher operating profit of HK$105 million was recorded for the period, up 148% from the comparable period in 2004. The income was primarily generated from the sales of the residential units of Padek Palace at No.377 Prince Edward Road West, Kowloon.

In Macau, we have made a success of the pre-sale in La Baie Du Noble, the commercial and residential property development project which we acquired an 80% interest in January last year, with over 95% of residential units being sold by the end of June this year. We intend to release the rest of units to the market after the completion of the construction work by the end of the year.

The construction work of all our three major projects in Hong Kong is progressing smoothly. The status of the Group's projects in progress is shown below.

Property development projects in progress

Location	Usage	Group's Interest	Attributable Gross Floor Area	Status	Expected Date of Completion
		(%)	*(sq.ft.)*		
Macau					
La Baie Du Noble The Orient Pearl District Macau	Commercial and Residential	80	1,280,000	Superstructure works in progress	December 2005
Hong Kong					
No. 33 Ka Wai Man Road Kennedy Town Hong Kong	Residential	Joint Venture with Urban Renewal Authority	78,372	Superstructure works in progress	1st half 2006
No. 31 Robinson Road Mid-Levels Hong Kong	Residential	100	128,084	Superstructure works in progress	1st half 2007
No. 35 Clear Water Bay Road Ngau Chi Wan Kowloon	Commercial and Residential	100	2,163,295	Foundation works in progress	2008/09
			3,649,751		

Property Investment

With overall rental levels improving in Hong Kong over the past year, the Group's gross rental income generated by its investment property portfolio for the first half of 2005 rose to HK$99 million, an increase of 9.6% compared with the same period in 2004. The average occupancy rate for the Group's investment property portfolio remained above 90% in the first half of the year.

Property Management

The size of the portfolio managed by the Group and its associated companies as at 30 June 2005 remains at about 7.7 million sq. ft. and overall property management contributed HK$1.4 million to the Group's profit, an increase of 40% over the comparable period last year. Despite a relatively insignificant net income generated for the Group, our property management team enables us to provide quality management services to our properties.

Financing and Investments

The performance of our mortgages business and investment division was satisfactory in the first six months of the year. Financing and investment activities combined contributed HK$37 million to the Group's operating profit, a 45% increase compared with the same period last year.

Other Businesses

Among our other businesses, the performance of the footwear wholesale and retail business of a 20% owned company, Southern Success Corporation, has continued to improve, contributing HK$4.1 million to the Group's net profit, a 17% increase compared with the same period in 2004.

FINANCIAL REVIEW

Financial Resources and Borrowings

The total bank loans of the Group as at 30 June 2005 amounted to HK$2,107 million representing an increase of HK$355 million from 31 December 2004. The gearing ratio, calculated on the basis of bank loans to total equity was 48%, a slight increase from the 45% as at 31 December 2004. During the first half of the year, the Group has paid HK$192 million in relation to the proposed acquisition of Shenzhen Properties and repaid HK$240 million to a subsidiary of the ultimate holding company. Cash generated from the sale of residential units in Padek Palace at No.377 Prince Edward Road West for the first six months in 2005 amounted to HK$155 million.

All banking facilities are arranged on a floating basis with HK$700 million bank loans being hedged by structured swaps engaged during the period under review.

The remaining 50% of the consideration (50% of RMB459 million) for the proposed acquisition of Shenzhen Properties will be payable after the relevant PRC regulatory approvals have been obtained, and the waiver to make a general offer for the shares in Shenzhen Properties has been obtained or upon completion of such obligations. The recent Chinese currency reform will increase the total costs of the proposed acquisition by approximately HK$3 million according to the current exchange rate. The Group's exposure to other currency risks is insignificant.

With committed undrawn banking facilities in place, recurrent rental revenue and cash generated from property sales in Hong Kong and Macau, the Group has sufficient funds to satisfy its working capital needs, capital commitments and the obligations for the acquisition of Shenzhen Properties.

Commitments

As at 30 June 2005, the Group had contracted commitments of HK$684 million for properties, HK$183 million for acquisition of subsidiaries and another HK$45 million for financial investments.

Commitments authorized but not contracted for related to properties under development amounted to HK$1 million.

Contingent Liabilities and Pledge of Assets

The Group has given guarantees in the amount of HK$9 million to insurance companies in respect of performance bonds entered into by associated companies engaged in property management services.

As at 30 June 2005, properties of the Group with an aggregate carrying value of HK$4,108 million were pledged to banks to secure credit facilities.

OUTLOOK

We have been striving to grow the Company at a sustainable rate since the change of management in early 2002. Over the past three years, we have achieved an average net earnings growth rate of 40% per year and more importantly we have also strengthened our foundation for future growth. This year is expected to be the most rewarding year for the Group since 2002. Looking beyond 2005, we are confident that the Group will continue its dynamic growth.

Indeed, the Group is now well positioned in its three major markets. Last year, we acquired an 80% interest in La Baie Du Noble in Macau and it represented an important step for us to establish our business presence there. The recent proposed acquisition of a controlling stake in Shenzhen Properties represented another significant step for the Group to expand its core property business into the PRC. More importantly, Shenzhen Properties will serve as an important platform for the Group to accelerate its development in the PRC.

Our penetration into the Macau and PRC markets has essentially set a stage for the Group to readily access the best investment opportunities in addition to the Hong Kong market. We believe this strategy will provide the Group with greater investment flexibility and deliver the best return to our shareholders.

OTHER INFORMATION

Compliance with the Code on Corporate Governance Practices

The Company has complied with the code provisions (with the exception of Code Provision C.2 on internal controls which will apply to accounting periods commencing 1 July 2005) set out in Appendix 14 Code on Corporate Governance Practices of the Listing Rules throughout the accounting period for the six months ended 30 June 2005, except for the following deviations:

Code Provision A.2.1 —

This Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The position of the Chairman of the Board is currently held by Mr Or Wai Sheun, and the Company does not have any chief executive officer. As such, the roles of chairman and chief executive officer are performed by the same person. The Board considers that this structure is beneficial to the Company as it enables the Company to make prompt and efficient decisions. The Board comprises of experienced and high calibre individuals who meet regularly to discuss issues and make decisions on transactions that are material in nature to the Company. Hence, the operations of the Board ensure the balance of power and authority. The corporate governance principles of the Company emphasise a quality Board and accountability to all shareholders.

Code Provision A.4.1 and A.4.2 (last sentence) —

Code A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Code A.4.2 (last sentence) stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Non-executive Directors of the Company do not have a specific term of appointment. However, in accordance with Article 105(A) of the Articles of Association of the Company, at every annual general meeting one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third, who have been longest in office since their last election shall retire from office, provided that no Director holding office as executive chairman or as a managing director shall be subject to retirement by rotation or taken into account in determining the number of Directors to retire. The retiring Directors shall be eligible for re-election.

The Board will ensure the retirement of each Director by rotation at least once every three years in order to comply with the Code Provisions.

Code Provision B.1.1 —

Code B.1.1 requires the establishment of a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.

The remuneration committee as required under Code Provision B.1.1 was not yet in place during the period under review, but it was established by the Company on 20 July 2005 with terms of reference complying with Code Provision B.1.3.

Code Provision C.3.3 —

Code C.3.3 stipulates that the terms of reference of the audit committee should include at least the duties set out therein.

A set of revised terms of reference for the Audit Committee of the Company incorporated with, among others, the duties set out in Code C.3.3 was approved by the Board on 20 July 2005.

Compliance with the Model Code for Securities Transactions by Directors

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 period under review and they have all confirmed that they had fully complied with the required standard set out in the Model Code.

Purchase, Sale or Redemption of Shares

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the six months ended 30 June 2005.

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 19 October 2005 to Friday, 21 October 2005. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 18 October 2005.

Consolidated income statement — unaudited

		Six months ended 30 June	
	Note	**2005**	2004
		HK$'000	*HK$'000*
			(restated)
Turnover	*3*	**483,940**	381,917
Other revenue		**1,284**	1,006
Depreciation and amortization		**(503)**	(327)
Staff costs		**(19,439)**	(15,498)
Cost of inventories		**(232,066)**	(191,662)
Fair value changes on investment properties		**143,436**	40,543
Other operating expenses		**(18,111)**	(34,832)
Profit from operations	*3*	**358,541**	181,147
Finance costs		**(2,480)**	(5,590)
Share of profits less losses of associated companies		**4,682**	4,379

	Note		
Profit before taxation		**360,743**	179,936
Income tax	*4*	**(60,195)**	(26,928)
Profit after taxation		**300,548**	153,008
Attributable to:			
Shareholders of the Company		**300,510**	152,967
Minority interests		**38**	41
Profit after taxation		**300,548**	153,008
Earnings per share			
Basic	*6*	**53.0 HK cents**	27.4 HK cents
Dividend per share	*5*	**10.0 HK cents**	7.0 HK cents

Consolidated balance sheet — unaudited

	At 30 June 2005		At 31 December 2004	
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000* *(restated)*
Non-current assets				
Fixed assets				
— Investment properties		**3,628,630**		3,461,940
— Other property, plant and equipment		**2,462**		2,563
		3,631,092		3,464,503
Interest in leasehold land held for own use under an operating lease		**2,044**		2,059
Interest in associated companies		**51,708**		46,026
Investments in securities		**111,110**		110,099
Loans and advances		**50,315**		60,158
Deferred tax assets		**3,592**		3,223
		3,849,861		3,686,068

Current assets				
Interest in property development	**748,484**		400,000	
Inventories	**2,107,811**		2,126,451	
Trade and other receivables	**379,901**		209,143	
Loans and advances	**83,247**		84,834	
Amount due from an associated company	**143**		83	
Derivative financial instruments	**10,693**		—	
Investments in securities	**112,418**		129,251	
Cash and cash equivalents	**27,072**		44,497	
	3,469,769		2,994,259	
Current liabilities				
Trade and other payables	**223,733**		491,970	
Bank loans	**757,265**		665,442	
Current taxation	**54,271**		24,677	
	1,035,269		1,182,089	
Net current assets		**2,434,500**		1,812,170
Total assets less current liabilities		**6,284,361**		5,498,238
Non-current liabilities				
Loan from ultimate holding company	**3,766**		7,519	
Bank loans	**1,349,744**		1,086,987	
Other payables	**62,263**		62,263	
Deferred tax liabilities	**469,698**		444,192	
		1,885,471		1,600,961
Net assets		**4,398,890**		3,897,277
Total equity attributable to shareholders of the Company				
Share capital		**56,677**		56,677
Reserves		**4,340,967**		3,839,392
		4,397,644		3,896,069
Minority interests		**1,246**		1,208
Total equity		**4,398,890**		3,897,277

Notes:

1 Basis of preparation

This interim financial statements has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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 statements has been prepared in accordance with the same accounting policies adopted in the 2004 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2005 annual financial statements.

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 HKASs and Interpretations) that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2005, on the basis of HKFRSs currently in issue.

(a) Effect of changes in the accounting policies

(i) Profit attributable to shareholders of the Company

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Effect of new policy (increase/(decrease))		
HKAS 17		
Leasehold land held for development for sale	**(105)**	(105)
HKAS 39		
Derivative financial instruments	**8,822**	—
HKAS 40		
Investment properties, net of deferred tax	**118,334**	33,447
Total effect for the period	**127,051**	33,342
Effect on earnings per share		
— basic	**22.4 HK cents**	6.0 HK cents

(ii) Equity attributable to shareholders of the Company

	At 30 June 2005 HK$'000	At 31 December 2004 HK$'000
Effect of new policy (increase/(decrease))		
HKAS 17		
Leasehold land held for development for sale	**(666)**	(561)
HKAS 39		
Derivative financial instruments	**8,822**	—
Interest in property development	**348,484**	—
HKAS 40		
Investment properties, net of deferred tax	**(382,233)**	(357,131)
Total effect	**(25,593)**	(357,692)

(b) Investment properties (HKAS 40, Investment property, and HK(SIC) Interpretation 21, Income taxes - Recovery of revalued non-depreciable assets)

(i) Timing of recognition of movements in fair value in the income statement

In prior years, movements in the fair value of the Group's investment properties were recognized directly in the investment property revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognized in the income statement had reversed, or when an individual investment property was disposed of. In these limited circumstances, movements in the fair value were recognized in the income statement.

Upon adoption of HKAS 40 as from 1 January 2005, all changes in the fair value of investment properties are recognized directly in the income statement in accordance with the fair value model in HKAS 40.

The changes in accounting policies have been adopted retrospectively by increasing the opening balance of retained earnings as of 1 January 2005 by HK$2,040,751,066 (1 January 2004: HK$1,782,959,470) to include all of the Group's previous investment property revaluation reserve.

As a result of this new policy, the Group's profit before taxation for the six months ended 30 June 2005 has increased by HK$143,435,752 (six months ended 30 June 2004: HK$40,542,173), being the net increase in the fair value of the Group's investment properties.

(ii) Measurement of deferred tax on movements in fair value

In prior years, the Group was required to apply the tax rate that would be applicable to the sale of investment properties to determine whether any amounts of deferred tax should be recognized on the revaluation of investment properties. As there would have been no tax payable on the disposal of the Group's investment properties, no deferred tax was provided in prior years.

As from 1 January 2005, in accordance with HK(SIC) Interpretation 21, the Group recognizes deferred tax on movements in the value of investment property using tax rates that are applicable to the property's use, if the Group has no intention to sell it and the property would have been depreciable had the Group not adopted the fair value model.

The change in accounting policy has been adopted retrospectively by reducing the opening balance of retained earnings as of 1 January 2005 by HK$357,131,436 (1 January 2004: HK$312,017,907) and increasing deferred tax liabilities by HK$420,444,891 (1 January 2004: HK$375,331,362).

As a result of this new policy, the Group's taxation expense for the six months ended 30 June 2005 has increased by HK$25,101,257 (six months ended 30 June 2004: HK$7,094,880).

(c) Leasehold land and buildings held for own use (HKAS 17, Leases)

In prior years, leasehold land and buildings held for own use were included under fixed assets and stated at cost less accumulated depreciation and impairment losses.

With the adoption of HKAS 17 as from 1 January 2005, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be split reliably between land and buildings, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between land and buildings elements can be made reliably, the leasehold land are reclassified to leasehold land held for own use under operating lease, which are carried at cost and amortized on a straight-line basis over the lease term whereas the leasehold buildings are stated at cost less accumulated depreciation and impairment losses.

The new accounting policy has been adopted retrospectively with the balances of leasehold land reclassified from fixed assets to leasehold land held for own use under operating lease. Apart from this presentational change with comparatives restated, there is no material effect on the interim financial statement.

(d) Leasehold land held for development for sale (HKAS 17, Leases)

In prior years, leasehold land held for development for sale was stated at cost less impairment losses and no amortization is provided.

With the adoption of HKAS 17 as from 1 January 2005, any pre-paid land premiums for acquiring the land leases, or other lease payments, are amortized on a straight-line basis over the lease term. If the property is in the course of development or re-development, the amortization charge is included as part of the costs of the property under development. In all other cases, the amortization charge for the period is recognized in the income statement immediately.

The new accounting policy has been adopted retrospectively, with the opening balance of retained earnings and the comparative information adjusted for the amounts relating to prior periods.

(e) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

(i) Derivatives and hedging

In prior years, derivative financial instruments entered into by the Group were not separately recorded in the financial statements. The notional amounts of derivatives were recorded off balance sheet.

With effect from 1 January 2005 and in accordance with HKAS 39, all derivative financial instruments entered into by the Group are stated at fair value. Changes in the fair value of derivatives are generally recognized in the income statement unless the derivative financial instrument qualifies for hedge accounting. Where a derivative financial instrument qualifies for hedge accounting and is designated as a cash flow hedge, the effective part and the ineffective part of any unrealized gain or loss on the instrument is recognized directly in equity and in the income statement respectively. The cumulative gain or loss associated with the effective part of cash flow hedge is removed from equity and is generally recognized in the income statement in the same period or periods during which the gain or loss arising from the hedged transaction is recognized in the income statements.

The effect of the policy for the current period is disclosed in note 2(a) and there has been no effect on the opening balance as there was no outstanding derivative financial instrument entered into by the Group as at 31 December 2004.

(ii) Financial assets and financial liabilities other than debt and equity securities

In prior years, interest in property development was stated at cost less impairment losses.

With effect from 1 January 2005 and in accordance with HKAS 39, interest in property development is classified as available-for-sale financial assets and carried at fair value. Changes in fair value are recognized in the fair value reserve, unless there is objective evidence that the interest in property development has been impaired, any amount held in fair value reserve in respect of the interest in property development is transferred to the income statement for the period in which the impairment is identified. Any subsequent increase in the fair value of the interest in property development is recognized directly in equity.

This change was adopted prospectively by way of an adjustment to the opening balance of retained earnings of HK$172,842,297 as at 1 January 2005. Comparative amounts have not been restated nor has the opening balance of the fair value reserve been restated as this is prohibited by the transitional arrangements in HKAS 39.

As a result of this new policy, net income recognized in equity for the six months ended 30 June 2005 has increased by HK$175,641,499.

(f) ***Minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)***

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 January 2005, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the shareholders of the Company, and minority interests in the results of the Group for the period are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between the minority interests and the shareholders of the Company.

The presentation of minority interests in the consolidated balance sheet and income statement for the comparative period has been restated accordingly.

3 Segment information

(a) *Business segments*

		Six months ended 30 June 2005			
	Consolidated	**Property investment**	**Property development**	**Financing and investments**	**Others**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**483,940**	**99,142**	**217,308**	**157,612**	**9,878**
Contribution from operations	**228,428**	**86,628**	**104,741**	**37,411**	**(352)**
Fair value changes on investment properties	**143,436**	**143,436**	**—**	**—**	**—**
Unallocated group expenses	**(13,323)**				
Profit from operations	**358,541**				
Finance costs	**(2,480)**				
Share of profits less losses of associated companies	**4,682**	**—**	**—**	**—**	**4,682**
Profit before taxation	**360,743**				
Income tax	**(60,195)**				
Profit after taxation	**300,548**				

	Six months ended 30 June 2004 *(restated)*				
	Consolidated	Property investment	Property development	Financing and investments	Others
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	381,917	90,461	158,136	130,480	2,840
Contribution from operations	151,342	82,951	42,160	25,738	493
Fair value changes on investment properties	40,543	40,543	—	—	—
Unallocated group expenses	(10,738)				
Profit from operations	181,147				
Finance costs	(5,590)				
Share of profits less losses of associated companies	4,379	—	—	—	4,379
Profit before taxation	179,936				
Income tax	(26,928)				
Profit after taxation	153,008				

(b) Geographical segments

	Group turnover		**Group profit from operations**	
	Six months ended 30 June		**Six months ended 30 June**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(restated)
Hong Kong	**476,626**	360,956	**352,563**	161,250
North America	**4,452**	18,664	**4,362**	18,326
Europe	**2,240**	2,297	**1,048**	1,571
Others	**622**	—	**568**	—
	483,940	381,917	**358,541**	181,147

4 Income tax

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
		(restated)
Current tax		
Provision for Hong Kong profits tax at 17.5% on the estimated assessable profits of the period	**34,250**	18,883
Underprovision/(Overprovision) in respect of prior years	**810**	(1,182)
	35,060	17,701
Deferred tax	**25,135**	9,227
	60,195	26,928

Overseas taxation of the associated companies has been provided for at the applicable tax rates ruling in the respective jurisdictions. Share of taxation attributable to the associated companies for the six months ended 30 June 2005 of HK$1,679,945 (six months ended 30 June 2004: HK$1,915,168) are included in the consolidated income statement under share of profits less losses of associated companies.

5 Dividend

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Interim dividend declared after the interim period end of 10 HK cents (2004: 7 HK cents) per share	**56,677**	39,674

6 Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK$300,509,526 (six months ended 30 June 2004 (restated): HK$152,967,497) and number of ordinary shares of 566,767,850 (2004: weighted average number of 558,559,059 ordinary shares) in issue during the period.

No diluted earnings per share for the six months ended 30 June 2004 and 2005 have been presented as the Company has no dilutive potential ordinary shares for the period.

By Order of the Board
KOWLOON DEVELOPMENT COMPANY LIMITED
Or Wai Sheun
Chairman

Hong Kong, 7 September 2005

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

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