



九龍建業有限公司  
KOWLOON DEVELOPMENT COMPANY LIMITED

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

## 2006 INTERIM RESULTS ANNOUNCEMENT

### HIGHLIGHTS

- Group's 2006 interim net profit rises to HK\$318 million; excluding property revaluations net of deferred tax, underlying net profit increases 42% to HK\$258 million.
- Underlying earnings per share, which exclude property revaluation effects, for the first half of 2006 amount to HK\$0.43, an increase of 34% over the same period in 2005.
- Two major acquisitions made in Macau and Shenyang during the first half of the year substantially increased the Group's land bank by 3.88 million sq.m.

(HK\$ million)	For six months ended 30 June		Change
	2006	2005	
<b>Turnover</b>	<b>1,312</b>	484	+171%
<b>Profit attributable to Company's shareholders</b>	<b>318</b>	301	+6%
– Net profit excluding property revaluations	258	182	+42%
<b>Earnings per share (HK\$) – Basic</b>	<b>0.53</b>	0.53	–
– EPS excluding property revaluations	0.43	0.32	+34%
<b>Interim dividend (HK\$)</b>	<b>0.13</b>	0.10	+30%

### INTERIM RESULTS AND DIVIDENDS

The Group's turnover for the six months ended 30 June 2006 amounted to HK\$1,312 million, an increase of 171% over the same period last year. The Group's unaudited profit attributable to shareholders for the period amounted to HK\$318 million.

Excluding investment property revaluation gains net of deferred tax of HK\$60 million, underlying net profit rose to HK\$258 million, an increase of 42% over the same period last year. The substantial increase in turnover relative to the increase in net profit over the period under review was primarily due to the effect of mark-to-market provisions on our investment portfolio at end-June 2006.

The Group raised HK\$1.4 billion by issuing 113,353,000 new shares in May 2006. Taking account of this dilution, interim earnings per share excluding property revaluation were HK\$0.43, an increase of 34% over the corresponding period last year. These interim results have been reviewed by the Company's Audit Committee and auditors.

KOWLOON DEVELOPMENT COMPANY LIMITED – Announcement  
6 September 2006

The Board of Directors has declared an interim dividend of HK\$0.13 per share which represents an increase of 30% as compared with HK\$0.10 in the first half of 2005. The interim dividend will be payable on 6 October 2006 to shareholders registered as at 27 September 2006.

## **BUSINESS REVIEW**

Two major acquisitions were made during the first half of the year which had the effect of substantially expanding the Group's land bank across the Greater China region.

### **Major Acquisitions**

In April 2006, the Group, through its 56.84% owned listed subsidiary, Polytec Asset Holdings Limited ("Polytec Asset") entered into an agreement with the ultimate holding company to acquire an 80% interest in three property development projects in Macau ("Acquisition") with an aggregate gross floor area of approximately 978,000 sq. m. at a consideration of HK\$8,448 million. The Acquisition was completed in June 2006.

The three sites are located in the Orient Pearl District of the Macau Peninsula near the Macau-Zhuhai border and the intended landing point of the Hong Kong, Zhuhai and Macau Bridge, a 29 kilometers bridge linking Hong Kong, Zhuhai and Macau. The Group intends to develop these sites into luxury residential buildings of approximately 8,000 units, with retail, recreational and car parking spaces. The developments will be phased with the first phase ready to commence construction works before the end of this year.

In June 2006, through a public bidding process, the Group acquired a plot of land with a site area of 1.45 million sq. m. in the west of Daba Road in Dong Ning District of Shenyang, the People's Republic of China ("PRC") for a consideration of RMB830 million. The project has a planned aggregate gross floor area of 2.9 million sq. m. and it has been approved by the Shenyang municipal government for residential and commercial development purposes.

### **An Update – Acquisition of Shenzhen Properties & Resources Development (Group) Limited ("Shenzhen Properties")**

Waiver from the obligation to make a general offer for the remaining 29.7% issued shares in Shenzhen Properties was not granted by the China Securities Regulatory Commission ("CSRC"). Accordingly in May 2006, the Group initiated the general offer process and paid HK\$120 million as deposit. Subsequently in the same month, the Group was advised by the CSRC that the examination of the general offer documents for the remaining issued shares in Shenzhen Properties would be temporarily suspended pending verification of certain issues by the State Council State-owned Assets Supervision and Administration Commission ("SASAC"). SASAC is currently verifying the total assets value of Shenzhen Properties.

### **Property Sales**

The Group's property sales rose to HK\$598 million in the first six months of 2006, an increase of 175% over the same period in 2005. The increase in sales was primarily due to the sale of Mount Davis 33, a joint-venture residential development project with Urban Renewal Authority in the western part of Hong Kong Island.

### **Property Development**

La Baie Du Noble, Macau, in which the Group has an 80% interest, is close to completion. The occupation permit for the residential portion (excluding duplex units) of the project was obtained in July 2006. Income from this project will be the major contribution to the Group's operating profit in the second half of the year.

Construction work on the development at 31 Robinson Road, Mid-Levels, Hong Kong, a luxury residential development with a gross floor area of approximately 11,900 sq. m. is scheduled to be completed in 2007.

The Group obtained an approval from the Town Planning Board for development parameters of the newly revised master layout plan in February 2006 for the residential and commercial development project at 35 Clear Water Bay Road, Ngau Chi Wan. We are currently liaising with relevant departments to obtain a land grant.

We intend to commence construction works for the Group's redevelopment project at Belcher's Street in the second half of 2007.

### Status of the Group's Major Projects Under Development

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u> (%)	<u>Approx. Total Gross Floor Area</u> (sq. m.)	<u>Status</u>	<u>Expected Date of Completion</u>
<b>MACAU</b>					
<b>La Baie Du Noble</b> The Orient Pearl District Macau	Residential and Commercial	80	147,700	Internal finishing	Second half 2006
<b>Pacifica Garden*</b> The Taipa District Macau	Residential and Commercial	33	35,900	Foundation works in progress	2008
<b>HONG KONG</b>					
<b>Mount Davis 33</b> No. 33 Ka Wai Man Road Kennedy Town Hong Kong	Residential	Joint Venture with Urban Renewal Authority	7,300	Construction completed	Completed (First half 2006)
No. 31 Robinson Road Mid-Levels Hong Kong	Residential	100	11,900	Superstructure works in progress	Second half 2007
No. 35 Clear Water Bay Road Ngau Chi Wan Kowloon Hong Kong	Residential and Commercial	100	196,400	Foundation and site formation works in progress	2009/2010
<b>TOTAL</b>			<b>399,200</b>		

\* Owned by the Group's 56.84% owned subsidiary Polytec Asset Holdings Limited at end-June 2006.

## Details of the Group's Major Land Held for Development

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u> (%)	<u>Approx. Total Gross Floor Area</u> (sq. m.)
<b>PRC</b>			
West of Daba Road Dong Ning District Shenyang PRC	Residential and Commercial	100	2,900,000
<b>MACAU</b>			
Lote V* Novos Aterros da Areia Preta Macau	Residential and Commercial	45	126,400
Lotes T and T1* Novos Aterros da Areia Preta Macau	Residential and Commercial	45	164,200
Lote P* Novos Aterros da Areia Preta Macau	Residential and Commercial	45	687,700
<b>HONG KONG</b>			
Belcher's Street Kennedy Town Hong Kong	Residential and Commercial	100	5,600
<b>TOTAL</b>			<b>3,883,900</b>

\* Owned by the Group's 56.84% owned subsidiary Polytec Asset Holdings Limited at end-June 2006.

### Property Investment

For the first six months of 2006, the Group's gross rental income generated by its property investment portfolio amounted to HK\$108 million, an increase of 9% over the same period in 2005. The improvement was largely due to an increase in rental income from the office and retail tenancies of Pioneer Centre.

The average occupancy rate for the retail portion of Pioneer Centre improved significantly to over 95% in the first half of the year from 88% at the same period last year following the completion of the first phase of renovation. The offices were almost fully let at end-June 2006. The occupancy rate for the Group's other investment properties in Hong Kong also remained above 90%.

### Property Management

The total area of residential and commercial premises managed by the Group and its associated companies remained at 790,000 sq. m. at end-June 2006. The property management division of the Group continues to provide quality management services to our properties.

### Financing and Investments

The performance of our investment division was affected by the new accounting treatment of our investment portfolio as at 30 June 2006. While the negative mark-to-market effect has currently been almost fully reversed with the subsequent improvement in the financial market over the past two months, for the period under review operating profits of this division recorded a decline from HK\$37 million posted at end-June 2005 to HK\$28 million at end-June 2006.

## **Other Business**

In March 2006, the Group disposed of its 20% interest in Southern Success Corporation, an associated company engaged in footwear wholesale and retail business at a consideration of US\$11.6 million, realising a gain of HK\$47 million.

## **FINANCIAL REVIEW**

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

The total bank borrowings of the Group as at 30 June 2006 amounted to HK\$2,653 million, a slight increase of HK\$10 million as compared with 2005 year end. The gearing ratio, calculated on the basis of bank loans to equity attributable to shareholders of the Company was reduced from 52% as at 31 December 2005 to 40% as at 30 June 2006 following the equity fund raising in May.

As previously reported, Polytec Asset acquired interests in property developments in Macau from the ultimate holding company for HK\$8,448 million of which HK\$5,490 million was settled and HK\$2,958 million is financed by a deferred settlement arrangement. Funds were raised by the issue of 2,811,411,970 new shares in Polytec Asset at HK\$1.98 per share. The Company also raised HK\$1.4 billion by the issue of 113,353,000 new shares at HK\$12.4 per share of which HK\$970 million was used to subscribe for the new shares in Polytec Asset. Loan from ultimate holding company amounted to HK\$2,194 million had been obtained for the balance required for the subscription of Polytec Asset's new shares. Including the deferred payment of the balance consideration for the Acquisition, total outstanding due to ultimate holding company as at 30 June 2006 amounted to HK\$5,708 million. The amounts due to ultimate holding company are unsecured, interest bearing and have no fixed term of repayment. Interest is charged with reference to bank lending rates. Taking account of the financial support provided by the ultimate holding company, the gearing was 127%.

During the first half year of 2006, the Group paid HK\$120 million as deposit for the general offer for the remaining 29.7% shares in relation to the proposed acquisition of Shenzhen Properties. Approximate HK\$390 million was paid for the acquisition of land in Shenyang, PRC. US\$11.6 million (approximately HK\$90 million) was obtained from the disposal of Southern Success Corporation, an associated company of the Group. The sale of Mount Davis 33 was well received and generated cash inflow of HK\$211 million.

All banking facilities are arranged on a floating rate basis with HK\$700 million bank loans being hedged by structured swaps. Management will continue to monitor and manage the Group's exposure to interest rate risks.

The Group's exposure to currency risk in relation to the investments in PRC will not have a material impact and the management will closely monitor the currency risk exposure in respect of renminbi and will consider hedging where appropriate. The Group's exposure to other currency risk is insignificant as most of the Group's operations are in Hong Kong or Macau and transactions are denominated in local currency.

With committed undrawn financing facilities in place, recurrent cash inflow from investment properties, property sales and the continuous support from the ultimate holding company, the Group has sufficient financial resources to satisfy its commitments, working capital requirements and for its future business growth.

### **Capital Commitments**

As at 30 June 2006, the Group had contracted commitments of HK\$665 million in respect of the acquisition of Shenzhen Properties. Commitments for construction work of the investment properties amounted to HK\$97 million.

## **Contingent Liabilities and Pledge of Assets**

As at 30 June 2006, properties and other assets amounting to HK\$4,732 million and time deposits of HK\$345 million were pledged to financial institutions to secure credit facilities. The Group had no contingent liabilities as at 30 June 2006.

## **OUTLOOK**

The Group remains optimistic about the Asia economic growth in the medium term. Hong Kong is well positioned with solid economic fundamentals and benefits from the continuous growth of the PRC economy. The macro-austerity measures implemented by the PRC central government should make the PRC property market more stable, thus providing a solid foundation for healthy and sustained growth in long term. As for the Macau property market, economic activities remain strong, which creates a need for a large work-force which in turn will generate further demand for residential accommodation.

In accordance with the Group's three-tier development strategy, and following a series of acquisitions in Macau and PRC in the first half of 2006, the Group is now well positioned in its three major markets, namely, Hong Kong, Macau and the PRC. Management is confident to secure additional value enhancing property projects in short term as we have done in the past in order to ensure strong earnings growth for the Group from the year 2008 onwards.

## **OTHER INFORMATION**

### **Compliance with the Code on Corporate Governance Practices**

The Company has complied with the code provisions set out in Appendix 14 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 period for the six months ended 30 June 2006, save for the few exceptions specified and explained below:

#### ***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. Given the current corporate structure, there is no separation between the roles of chairman and chief executive officer. The Board considers that this structure 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 of experienced and high calibre individuals. Hence, the operations of the Board and 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.

#### ***Code Provision A.4.1 and A.4.2***

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

Code A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the previous Article 105(A) of the Company's Articles of Association, 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.

At the Annual General Meeting of the Company held on 8 May 2006, a special resolution was passed to replace the previous Article 105(A) in the Company's Articles of Association with a new Article 105(A) to provide that all Directors shall be elected for a term of not more than approximately three years since his last election or re-election expiring at the conclusion of the third annual general meeting of the Company after his election or re-election and shall be eligible for re-election.

Non-executive Directors of the Company do not have a specific term of appointment. However, as Non-executive Directors will be subject to re-election under the new Article 105(A), in the opinion of the Directors, the principle of Code A.4 that all directors should be subject to re-election at regular intervals has been upheld.

The Company's Articles of Association provide that a Director appointed to fill a casual vacancy shall hold office until the first annual general meeting after his appointment, and shall be subject to re-election by the shareholders. This procedure complies with the requirement of Appendix 3 of the Listing Rules.

### **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 2006.

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

The Register of Members of the Company will be closed from Monday, 25 September 2006 to Wednesday, 27 September 2006, both days inclusive. 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 Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 22 September 2006.

## Consolidated Income Statement

		<b>Six months ended 30 June</b>	
		<b>2006</b>	2005
	<i>Note</i>	<b>(unaudited)</b>	<b>(unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Turnover</b>	2	<b>1,312,418</b>	483,940
Other revenue		7,151	1,284
Depreciation and amortization		(4,738)	(503)
Staff costs		(28,780)	(19,439)
Cost of inventories		(905,171)	(232,066)
Fair value changes on investment properties		72,210	143,436
Other operating expenses		(97,136)	(18,111)
<b>Profit from operations</b>	2	<b>355,954</b>	358,541
Finance costs		(34,203)	(2,480)
Profit on disposal of an associated company		47,090	–
Share of profits of associated companies		588	4,682
Share of profits of jointly controlled entities		3,273	–
<b>Profit before taxation</b>		<b>372,702</b>	360,743
Income tax	3	(43,470)	(60,195)
<b>Profit for the period</b>		<b>329,232</b>	300,548
<b>Attributable to:</b>			
Shareholders of the Company		317,835	300,510
Minority interests		11,397	38
<b>Profit for the period</b>		<b>329,232</b>	300,548
<b>Earnings per share – Basic</b>	4	<b>\$0.53</b>	\$0.53
<b>Dividend per share</b>	5	<b>\$0.13</b>	\$0.10

## Consolidated Balance Sheet

		At 30 June 2006		At 31 December 2005	
	Note	(unaudited) HK\$'000	(unaudited) HK\$'000	(audited) HK\$'000	(audited) HK\$'000
<b>Non-current assets</b>					
Fixed assets					
– Investment properties			4,220,630		4,147,630
– Leasehold land held for own use			262,288		265,553
– Other property, plant and equipment			38,310		39,503
			<u>4,521,228</u>		<u>4,452,686</u>
Goodwill			16,994		16,994
Interests in property development			8,448,000		–
Interest in jointly controlled entities			397,780		394,507
Interest in associated companies			12,091		56,568
Investments in securities			55,838		65,220
Loans and advances			46,025		55,320
Deferred tax assets			5,714		9,303
			<u>13,503,670</u>		<u>5,050,598</u>
	Note	(unaudited) HK\$'000	(unaudited) HK\$'000	(audited) HK\$'000	(audited) HK\$'000
<b>Current assets</b>					
Interest in property development		590,280		575,298	
Inventories		3,922,869		3,194,826	
Trade and other receivables	6	924,919		320,440	
Loans and advances		56,124		63,523	
Amounts due from jointly controlled entities		252,864		247,192	
Amount due from an associated company		191		207	
Derivative financial instruments		14,118		25,811	
Investments in securities		201,093		242,445	
Time deposit (pledged)		345,425		38,205	
Cash and cash equivalents		322,635		104,706	
		<u>6,630,518</u>		<u>4,812,653</u>	
<b>Current liabilities</b>					
Trade and other payables	7	1,087,867		338,804	
Amount due to ultimate holding company		5,435		–	
Amount due to a major shareholder		–		140,791	
Amounts due to minority shareholders		33,484		31,924	
Derivative financial instruments		61,073		7,741	
Bank loans		887,439		978,413	
Current taxation		66,348		44,814	
		<u>2,141,646</u>		<u>1,542,487</u>	
<b>Net current assets</b>			<u>4,488,872</u>		<u>3,270,166</u>

<b>Total assets less current liabilities</b>	<b>17,992,542</b>	<b>8,320,764</b>
<b>Non-current liabilities</b>		
Loan from ultimate holding company	2,742,040	2,635
Amount payable to ultimate holding company	2,965,677	–
Bank loans	1,765,200	1,663,600
Deferred tax liabilities	674,494	667,940
	<u>8,147,411</u>	<u>2,334,175</u>
<b>NET ASSETS</b>	<b><u>9,845,131</u></b>	<b><u>5,986,589</u></b>
<b>CAPITAL AND RESERVES</b>		
Share capital	68,012	56,677
Reserves	6,540,752	5,040,735
	<u>6,608,764</u>	<u>5,097,412</u>
<b>Total equity attributable to shareholders of the Company</b>	<b>6,608,764</b>	<b>5,097,412</b>
Minority interests	3,236,367	889,177
	<u>3,236,367</u>	<u>889,177</u>
<b>TOTAL EQUITY</b>	<b><u>9,845,131</u></b>	<b><u>5,986,589</u></b>

*Notes*

**1 Basis of preparation of accounts**

The interim financial statements has been prepared on a basis consistent with the accounting policies adopted in the 2005 annual financial statements except for the adoption of certain new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for accounting periods beginning on or after 1 January 2006. The adoption of the new standards, amendments and interpretations had no material effect on the Group’s results of operation and financial position.

The 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 34, “Interim financial reporting”, issued by the HKICPA.

## 2 Segment information

### (a) Business segments

	Six months ended 30 June 2006				
	Consolidated HK\$'000	Property development HK\$'000	Property investment HK\$'000	Financing and investments HK\$'000	Others HK\$'000
Turnover	<u>1,312,418</u>	<u>597,841</u>	<u>107,931</u>	<u>579,270</u>	<u>27,376</u>
Contribution from operations	304,371	172,324	97,088	27,558	7,401
Fair value changes on investment properties	72,210	-	72,210	-	-
Unallocated group expenses	<u>(20,627)</u>				
Profit from operations	355,954				
Finance costs	(34,203)				
Profit on disposal of an associated company	47,090				
Share of profits of associated companies	588	-	-	-	588
Share of profits of jointly controlled entities	<u>3,273</u>	-	3,273	-	-
Profit before taxation	372,702				
Income tax	<u>(43,470)</u>				
Profit for the period	<u><u>329,232</u></u>				
	Six months ended 30 June 2005				
	Consolidated HK\$'000	Property development HK\$'000	Property investment HK\$'000	Financing and investments HK\$'000	Others HK\$'000
Turnover	<u>483,940</u>	<u>217,308</u>	<u>99,142</u>	<u>157,612</u>	<u>9,878</u>
Contribution from operations	228,428	104,741	86,628	37,411	(352)
Fair value changes on investment properties	143,436	-	143,436	-	-
Unallocated group expenses	<u>(13,323)</u>				
Profit from operations	358,541				
Finance costs	(2,480)				
Share of profits of associated companies	4,682	-	-	-	4,682
Profit before taxation	360,743				
Income tax	<u>(60,195)</u>				
Profit for the period	<u><u>300,548</u></u>				

(b) *Geographical segments*

	<b>Group turnover</b>		<b>Group profit from operations</b>	
	<b>Six months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	<b>1,154,139</b>	476,626	<b>310,058</b>	352,563
People's Republic of China	<b>132,000</b>	–	<b>29,835</b>	–
Macau	<b>12,409</b>	–	<b>822</b>	–
North America	<b>11,252</b>	4,452	<b>12,682</b>	4,362
Others	<b>2,618</b>	2,862	<b>2,557</b>	1,616
	<b><u>1,312,418</u></b>	<u>483,940</u>	<b><u>355,954</u></b>	<u>358,541</u>

**3 Income tax**

	<b>Six months ended 30 June</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Current tax</b>		
Provision for profits tax		
– Hong Kong	<b>35,156</b>	34,250
– Overseas	<b>1,505</b>	–
(Over)/Under provision in respect of prior years	<b>(3,333)</b>	810
	<b><u>33,328</u></b>	<u>35,060</u>
<b>Deferred tax</b>	<b><u>10,142</u></b>	<u>25,135</u>
	<b><u>43,470</u></b>	<u>60,195</u>

Hong Kong profits tax is calculated at 17.5% (six months ended 30 June 2005: 17.5%) on the estimated assessable profits of the period. Overseas tax is calculated at the applicable tax rates ruling in the respective jurisdictions.

**4 Earnings per share**

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of \$317,834,816 (six months ended 30 June 2005: \$300,509,526) and weighted average number of ordinary shares of 595,575,795 (2005: number of 566,767,850 ordinary shares) in issue during the period.

No diluted earnings per share for the six months ended 30 June 2005 and 2006 has been presented as the Company had no dilutive potential ordinary shares for both periods.

**5 Dividend**

	<b>Six months ended 30 June</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim dividend declared after the interim period of \$0.13 (2005: \$0.10) per share	<b><u>88,416</u></b>	<u>56,677</u>

## 6 Trade and other receivables

Included in this item are trade receivables (net of impairment loss for bad and doubtful debts) with an ageing analysis as follows:

	<b>At 30 June 2006 HK\$'000</b>	At 31 December 2005 HK\$'000
Current and 0 – 90 days	<b>511,166</b>	54,498
91 – 180 days	<b>1,533</b>	1,614
Over 180 days	<b>9,376</b>	9,466
	<hr/> <b>522,075</b> <hr/>	<hr/> <b>65,578</b> <hr/>

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.

## 7 Trade and other payables

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

	<b>At 30 June 2006 HK\$'000</b>	At 31 December 2005 HK\$'000
Not yet due or on demand	<b>640,077</b>	46,612
0 – 90 days	<b>2,397</b>	20,047
91 – 180 days	<b>7</b>	137
Over 180 days	<b>40</b>	52
	<hr/> <b>642,521</b> <hr/>	<hr/> <b>66,848</b> <hr/>

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

Hong Kong, 6 September 2006

*As at the date of this announcement, the Board comprises 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 and Mr. Seto Gin Chung, John as Independent Non-executive Directors.*

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