



九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

(Stock code: 34)

2007 INTERIM RESULTS ANNOUNCEMENT

HIGHLIGHTS

- Group's 2007 interim net profit rises to HK\$712 million; excluding property revaluations net of deferred tax, underlying net profit increases 135% to HK\$606 million.
- Underlying earnings per share, which excludes property revaluation effects, for the first half of 2007 amounts to HK\$0.57, an increase of 36% over the same period in 2006.
- The Group will accelerate the pace of its business development in China.

FINANCIAL HIGHLIGHTS

<i>(HK\$ million)</i>	<i>For the six months ended 30 June</i>		
	2007	2006	Change
Turnover	3,180	1,312	+142%
Profit attributable to Company's shareholders	712	318	+124%
<i>Excluding property revaluations</i>	606	258	+135%
Earnings per share (HK\$), Basic*	0.67	0.52 <i>(restated)</i>	+29%
<i>Excluding property revaluations (HK\$)*</i>	0.57	0.42 <i>(restated)</i>	+36%
Interim dividend per share (HK\$)	0.17	0.13	+31%

* *Earnings per share for the six months ended 30 June have taken the rights issue during the period into account.*

INTERIM RESULTS AND DIVIDENDS

The Group's unaudited profit attributable to shareholders for the first six months of 2007 rose to HK\$712 million from HK\$318 million in the same period of last year. Excluding investment property revaluation gains net of deferred tax, underlying net profit amounted to HK\$606 million, an increase of 135% over the first half of 2006.

In February 2007, the Company issued 383,560,425 new shares at HK\$13.80 per share through a one-for-two rights issue, raising a total of HK\$5,293 million. Taking account of this effect, the underlying interim earnings per share excluding investment property revaluations for the period amounted to HK\$0.57, representing an increase of 36% over the corresponding period of last year. The interim results have been reviewed by the Company's Audit Committee and auditors.

The Board of Directors has declared an interim dividend of HK\$0.17 per share, which represents an increase of 31% over the corresponding period.

BUSINESS REVIEW

We have just delivered another record interim profit for the first half of 2007. The substantial increase in net profit for the period was mainly due to the recognition of profits from our 80% interest of the Macau project, La Baie Du Noble, together with strong investment income.

On 18 January 2007, to facilitate the rights issue, shareholders approved an increase in the authorized share capital of the Company to HK\$500 million by the creation of 4,000,000,000 new shares at HK\$0.10 each.

To further strengthen the Group's earnings base over the medium-term to long-term, on 22 August 2007, the Group entered into an agreement to acquire 50% of a non-performing loan portfolio ("NPLs") 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 banks and financial institutions.

At the same time, the Group will form a joint venture company ("JV") with China Orient, which will inject the remaining 50% of the NPLs into the newly formed JV, to manage the recovery of the whole NPLs. The Company and China Orient will take 75.1% and 24.9% stakes respectively in the JV. The NPLs are mainly located in Guangdong and Hainan provinces.

The acquisition and the formation of the JV are subject to the approval from relevant PRC governmental authorities including but not limited to the National Development and Reform Commission and the Ministry of Commerce.

Property Development

The Group's operating profits from property development amounted to HK\$131 million for the first six months of 2007, majority of the profits are generated from the recognition of profits from the Group's investment in La Baie Du Noble, an 80% interest residential and commercial property development project in Macau.

The status of the Group's major projects under development and the details of major land held for future development are listed below.

Status of the Group's Major Projects under Development

Location	Usage	Group's Interest (%)	Approx. Total Gross Floor Area (sq. m.)	Status
MAINLAND CHINA				
West of Daba Road Dong Ning District Shenyang PRC	Residential and Commercial	100	2,900,000	Site clearance work in progress
Heshun Meijing Shuiku Sector Lishui Town Nanhai District Foshan PRC	Residential and Commercial	50	1,600,000	Overall layout design and site formation in progress

Location	Usage	Group's Interest (%)	Approx. Total Gross Floor Area (sq. m.)	Status
MACAU				
<i>Villa de Mer</i> ^(Notes 1, 2) The Orient Pearl District Novos Aterros da Areia Preta Macau	Residential and Commercial	48	126,400	Foundation work in progress and completion of development expected in 2009/2010
<i>Pacifica Garden</i> ^(Note 1) Taipa Macau	Residential and Commercial	35	35,900	Superstructure work in progress and completion expected by the end of 2008 or early 2009
HONG KONG				
No. 31 Robinson Road Mid-Levels Hong Kong	Residential	100	11,900	Superstructure work in progress and completion expected in December 2007
No. 35 Clear Water Bay Road Ngau Chi Wan Kowloon Hong Kong	Residential and Commercial	100	196,400	Land exchange under process
Nos. 150-162 Belcher's Street Kennedy Town Hong Kong	Residential and Commercial	100	5,600	Demolition work in progress
TOTAL			4,876,200	

Notes:

1. Owned by the Group's 59.52% owned subsidiary Polytec Asset Holdings Limited ("Polytec Asset").
2. The development of these properties are under the co-investment agreements with wholly owned subsidiaries of the ultimate holding company.

Details of the Group's Major Land Held for Development

Location	Usage	Group's Interest (%)	Approx. Total Gross Floor Area (sq. m.)
MAINLAND CHINA			
Lot No. Jin Dong Liu 2004-066 Intersection of Shiyijing Road and Liuwei Road Hedong District Tianjin PRC	Residential and Commercial	61	930,000
MACAU			
Lotes T and T1 ^(Notes 1, 2) The Orient Pearl District Novos Aterros da Areia Preta Macau	Residential and Commercial	48	164,200
Lote P ^(Notes 1, 2) The Orient Pearl District Novos Aterros da Areia Preta Macau	Residential and Commercial	48	687,700
TOTAL			1,781,900

Notes:

- Owned by the Group's 59.52% owned subsidiary Polytec Asset.*
- The development of these properties are under the co-investment agreements with wholly owned subsidiaries of the ultimate holding company.*

Shenyang Dong Ning District, PRC

Shenyang is the capital city of Liaoning province in Northern China. The development site is located in the eastern part of Shenyang, benefiting in its close proximity to the heart of the metropolitan area. The first phase of development is planned to be commenced in the first half of 2008.

Foshan Nanhai District, PRC

The Foshan project is a 50/50 joint venture with CITIC South China (Group) Co., Ltd. Total site area is approximately 4 million sq. m. with a gross floor area of about 1.6 million sq. m. The project will consist of residential, recreational facilities and hotel development. Construction of a golf course is planned to commence soon. Development will be commenced upon the completion of the golf course.

Tianjin Hedong District, PRC

The Tianjin project, located in the central business district of Hedong, was acquired in December 2006. The site was previously a logistics centre of a railway corporation and the clearance of the existing railway network is required before the development commences.

No. 31 Robinson Road, Mid-Levels, Hong Kong

Planning of marketing and sales are now underway and the project is expected to launch in the fourth quarter of 2007.

Belcher's Street, Hong Kong

The Group's redevelopment project at Belcher's Street, Kennedy Town, will be developed into multi-storey high-end residential blocks with retail, recreational and car parking spaces.

Ngau Chi Wan, Hong Kong

The site will be developed into a residential and commercial complex with retail and community facilities.

Property Investment

The gross rental income generated by the Group's investment property portfolio in the first half of year 2007 amounted to HK\$115 million, an increase of 6.5% over the same period in 2006. Overall occupancy rate of the Group's property portfolio remained high for the first six months of 2007, with the average occupancy rate of both the retail spaces and offices at Pioneer Centre, the Group's flagship property, at over 98% and 97% respectively.

Property Management

For the six months ended 30 June 2007, the Group and its associated companies jointly managed properties with a total area of approximately 479,300 sq. m. which included luxury residential, serviced apartments, public housing estates and commercial centres.

Finance and Investments

The finance and investments segment continued to outperform, with the combined activities contributing HK\$393 million to the Group's net profit in the first half of 2007, compared with HK\$19 million in the corresponding period last year.

Shenzhen Properties

In regard to progress of acquisition of Shenzhen Properties & Resources Development (Group) Limited ("Shenzhen Properties"), a notice of termination dated 19 April 2007 was received from the vendor. Upon receipt of the notice, the Company has applied to the China International Economic and Trade Arbitration Commission for arbitration. Whether the Company could proceed with the acquisition depends on the results of arbitration, which are expected to be released by the Commission by the end of this year.

Polytec Asset

Polytec Asset Holdings Limited ("Polytec Asset"), a 59.52% owned listed subsidiary of the Company, recorded an after-tax profit of HK\$112 million during the period under review. The profit of Polytec Asset attributable to the Group amounted to HK\$58 million for the period, as compared with HK\$11 million in the same period of 2006. The improvement in net profit for the first six months of the year was mainly due to the rising rental income from the property investment portfolio and strong investment income.

Looking forward, the Group believes Macau's large infrastructure development projects, together with strong investment in gaming and tourism related industries, will continue to support economic growth and hence to create sustainable demand for housing, buoying the territory's property market in the years ahead. As one of the leading property developers in Macau with sizeable landbank and development projects, we will continue to benefit favourably from this promising prospects of economic environment.

FINANCIAL REVIEW

Financial Resources and Bank Borrowings

As at 30 June 2007, the Group's total bank borrowings amounted to HK\$1,925 million with HK\$1,253 million repayable in more than one year. Cash and cash equivalents of the Group amounted to HK\$1,563 million with resulting net borrowings position of HK\$362 million, a substantial reduction of 80% or HK\$1,416 million as compared with the net borrowings of HK\$1,778 million as at 31 December 2006. During the six months' period under review, the Group raised net proceeds of HK\$3,035 million by the issue of 383,560,425 rights shares at HK\$13.8 per share and after offsetting loans from the ultimate holding company of HK\$2,256 million. The new equity capital had not only 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 20% at year end of 2006 to 2.4% as at 30 June 2007 but also equipped the Group with funds for further investment opportunities which may come up especially from the Mainland China.

The ultimate holding company continued its financial support to the Group with loans outstanding as at 30 June 2007 of HK\$1,434 million including the balance of HK\$880 million in respect of the acquisition of interests in property development in Macau. Taking account of the outstanding balance due to the ultimate holding company, the adjusted gearing ratio is 12% as at 30 June 2007.

During the period under review, the Group has further increased its investment in both Shenyang and Foshan projects by HK\$219 million and HK\$195 million respectively, while HK\$771 million was added to its financial investment portfolio. The total outstanding balance due to the ultimate holding company dropped by HK\$4,450 million with HK\$2,256 million being offset against portion of the subscription money for the Company's rights shares by the major shareholder Intellinsight Holdings Limited. An amount of HK\$1,348 million was received by the Group during the first half year of 2007 from a subsidiary of the ultimate holding company, Polytec Holdings International Limited in Macau.

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 Group's investment in several property projects in China, the expected appreciation of Renminbi will increase the investment costs in these projects. Nevertheless, the Group will benefit from the associated currency gain and the future revenue generated from the projects which are denominated in Renminbi. The Group's exposure to other currency risk is insignificant.

With the financing facilities in place, recurrent income from investment properties, property sales and the proceeds from the rights issue in February 2007, there are sufficient financial resources for the Group to satisfy its commitments in property projects and working capital requirements. Furthermore, according to the assets transfer agreement with China Orient, the Company may be required to issue new equity for its capital commitments under the agreement.

Capital Commitments

As at 30 June 2007, the Group had contracted commitments of HK\$704 million in respect of the acquisition of Shenzhen Properties. Commitments for construction work of investment properties amounted to HK\$99 million.

Pledge of Assets

As at 30 June 2007, properties and financial investments valued at HK\$6,884 million and time deposits of HK\$345 million were pledged to financial institutions to secure credit facilities or as margin deposits for the Group's financial investments. The Group had no contingent liabilities as at 30 June 2007.

OUTLOOK

Over the course of 2006, through a series of major land acquisitions, we have secured a number of sizeable pieces of land in Macau and three cities in the Mainland China, namely Tianjin, Foshan and Shenyang. Accordingly the Group's landbank has significantly increased to 5 million sq. m. gross floor area with 480,000 sq. m. in Macau and 4,300,000 sq. m. in China. These moves have laid a solid foundation for the Group's property development in the years ahead.

We are optimistic about the economic development in China and believe its continued strong economic growth and on-going urbanization will lead to rising personal income and wealth and hence a rapid growth in the number of middle-class households, boosting resilient demand for housing. The recent rise in auctioned land prices and housing prices across the nation confirms our positive view on the China property market.

All the Group's projects in China are proceeding well and are expected to start contributing earnings to the Group in 2009. In the first half of 2008, we will commence the construction work of the first phase of our Shenyang and Foshan development projects. For the Tianjin project, where the development site is located in the heart of central business district of Hedong, we plan to build a modern commercial complex which will become the most prominent landmark in the area.

Over the past six months, we have been building up a strong local team of professionals and experts, which will enable the Group to accelerate the pace of its business development in China.

The Group, through its subsidiary Polytec Asset, will continue to maintain its strategic focus on Macau, where we believe there is still further upside in its property market.

The performance of the Group's finance and investments segment has been encouraging over the past five years, with its investment income rising significantly each year. We did expand our investment portfolio throughout the period 2002-2006, but at the same time, we have also improved the overall rate of return to capital. Meanwhile, we will continue to maintain highly prudent approach to our investment activities.

The proposed acquisition of 50% of the non-performing loan portfolio from China Orient will further strengthen the Group's finance and investments business. And the Group's joint-venture with China Orient will build mutual benefits and long-term business relationship with one of the four state asset management companies. Indeed, the combined synergy generated from China Orient's existing human resources and its knowledge in local business, and our management's extensive knowledge and experience in finance, retail, infrastructure and manufacturing businesses, will enable the joint-venture to enhance the recovery rate of the NPLs.

Looking forward, we will continue to explore potential investment opportunities in Hong Kong and Macau and accelerate the pace of our business development in China. With existing investment and development plans, the Group is entering a period of rapid growth and we expect this impetus will provide sustainable and solid momentum to the Group's earnings for the years to come.

Appreciation

On behalf of the Board, I would like to take this opportunity to express my gratitude to my fellow directors for their guidance and to all our staff for their hardwork, dedication and professionalism.

Or Wai Sheun

Chairman

Hong Kong, 13 September 2007

OTHER INFORMATION

Compliance with the Code on Corporate Governance Practices

The Company has complied with all 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 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 period 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 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 2007.

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 3 October 2007 to Friday, 5 October 2007, both days inclusive. To qualify for 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 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 2 October 2007.

Corporate Citizenship

We are committed to enhance corporate citizenship and the Company was awarded 2007 silver member by the World Wide Fund For Nature Hong Kong, recognizing its contribution in supporting environmental protection.

Publication of Interim Results and Interim Report

This results announcement is published on the websites of the Company at www.kdc.com.hk and Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk. The Company's 2007 Interim Report containing information required by Appendix 16 of the Listing Rules will be despatched to shareholders of the Company and available at the same websites by the end of September 2007.

INTERIM RESULTS

The directors of Kowloon Development Company Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 together with the comparative figures of 2006 as follows:

Consolidated Income Statement

	Note	Six months ended 30 June	
		2007 (unaudited) HK'000	2006 (unaudited) HK\$'000
Turnover	2	3,180,113	1,312,418
Other revenue		6,407	7,151
Other net income/(expenses)	3	235,209	(62,301)
Depreciation and amortization		(5,102)	(4,738)
Staff costs		(29,187)	(28,780)
Cost of inventories/financial investments sold		(2,540,740)	(905,171)
Fair value changes on investment properties		128,438	72,210
Other operating expenses		(23,825)	(34,835)
Profit from operations	2	951,313	355,954
Finance costs	4	(57,200)	(34,203)
Profit on disposal of an associated company		—	47,090
Share of profits of associated companies		1,161	588
Share of profits less losses of jointly controlled entities		6,208	3,273
Profit before taxation		901,482	372,702
Income tax	5	(130,893)	(43,470)
Profit for the period		<u>770,589</u>	<u>329,232</u>
Attributable to:			
Shareholders of the Company		711,746	317,835
Minority interests		58,843	11,397
Profit for the period		<u>770,589</u>	<u>329,232</u>
Earnings per share — Basic	6(a)	<u>HK\$0.67</u>	<u>(restated) HK\$0.52</u>
<i>Earnings per share — Basic (excluding fair value changes on investment properties net of deferred tax)</i>	6(b)	<u>HK\$0.57</u>	<u>(restated) HK\$0.42</u>
Dividend per share	7	<u>HK\$0.17</u>	<u>HK\$0.13</u>

Consolidated Balance Sheet

	<i>Note</i>	At 30 June 2007		At 31 December 2006	
		(unaudited) <i>HK\$'000</i>	(unaudited) <i>HK\$'000</i>	(audited) <i>HK\$'000</i>	(audited) <i>HK\$'000</i>
Non-current assets					
Fixed assets					
— Investment properties			4,625,330		4,494,630
— Leasehold land held for own use			255,757		259,022
— Other property, plant and equipment			<u>40,296</u>		<u>40,740</u>
			4,921,383		4,794,392
Goodwill			16,994		16,994
Interests in property development			10,505,678		9,490,063
Interest in jointly controlled entities			999,405		789,209
Interest in associated companies			7,142		12,040
Financial investments			136,508		150,635
Loans and advances			32,991		40,430
Deferred tax assets			<u>4,051</u>		<u>3,970</u>
			16,624,152		15,297,733
Current assets					
Interest in property development			59,288		122,124
Inventories			4,350,586		4,054,734
Trade and other receivables	8		947,484		1,045,889
Loans and advances			54,316		56,942
Amounts due from jointly controlled entities			232,374		258,053
Amount due from an associated company			—		185
Derivative financial instruments			88,274		36,074
Financial investments			2,043,547		1,258,752
Time deposit (pledged)			345,087		65,994
Cash and cash equivalents			<u>1,562,831</u>		<u>401,830</u>
			<u>9,683,787</u>		<u>7,300,577</u>

		At 30 June 2007		At 31 December 2006	
		(unaudited)	(unaudited)	(audited)	(audited)
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current liabilities					
Trade and other payables	9	1,390,830		1,087,207	
Amount due to ultimate holding company		—		4,985	
Amounts due to minority shareholders		18,270		25,082	
Derivative financial instruments		19,499		16,590	
Bank loans		671,843		888,843	
Current taxation		189,364		94,363	
		<u>2,289,806</u>		<u>2,117,070</u>	
Net current assets			<u>7,393,981</u>		<u>5,183,507</u>
Total assets less current liabilities			24,018,133		20,481,240
Non-current liabilities					
Other payable		1,348,000		—	
Loan from ultimate holding company		554,339		2,857,548	
Amount payable to ultimate holding company		879,853		3,026,231	
Bank loans		1,253,200		1,290,700	
Deferred tax liabilities		764,772		734,230	
			<u>4,800,164</u>		<u>7,908,709</u>
NET ASSETS			<u>19,217,969</u>		<u>12,572,531</u>
CAPITAL AND RESERVES					
Share capital			115,068		76,712
Reserves			<u>15,032,930</u>		<u>8,976,072</u>
Total equity attributable to shareholders of the Company			15,147,998		9,052,784
Minority interests			<u>4,069,971</u>		<u>3,519,747</u>
TOTAL EQUITY			<u>19,217,969</u>		<u>12,572,531</u>

Notes:

1. Basis of preparation

The interim financial report has been prepared on a basis consistent with the accounting policies adopted in the 2006 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 2007. 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 report 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 2007				
	Consolidated	Property	Property	Finance	Others
	HK\$’000	development	investment	and	HK\$’000
		HK\$’000	HK\$’000	investments	
				HK\$’000	
Turnover	<u>3,180,113</u>	<u>167,398</u>	<u>114,853</u>	<u>2,857,052</u>	<u>40,810</u>
Contribution from operations	844,907	131,290	109,052	595,785	8,780
Fair value changes on investment properties	128,438	—	128,438	—	—
Unallocated group expenses	<u>(22,032)</u>				
Profit from operations	951,313				
Finance costs	(57,200)				
Share of profits of associated companies	1,161	—	—	—	1,161
Share of profits less losses of jointly controlled entities	<u>6,208</u>	(1,221)	7,429	—	—
Profit before taxation	901,482				
Income tax	<u>(130,893)</u>				
Profit for the period	<u>770,589</u>				

Six months ended 30 June 2006

	Consolidated <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Finance and investments <i>HK\$'000</i>	Others <i>HK\$'000</i>
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>329,232</u>				

(b) *Geographical segments*

	Group turnover		Group profit from operations	
	Six months ended 30 June		Six months ended 30 June	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Hong Kong	2,965,190	1,154,139	805,412	310,058
People's Republic of China	750	132,000	(6,947)	29,835
Macau	164,447	12,409	137,926	822
North America	42,309	11,252	7,553	12,682
Others	<u>7,417</u>	<u>2,618</u>	<u>7,369</u>	<u>2,557</u>
	<u>3,180,113</u>	<u>1,312,418</u>	<u>951,313</u>	<u>355,954</u>

3. Other net income/(expenses)

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

4. Finance costs

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Interest on bank loans and overdrafts	49,711	61,886
Interest on loan from/amount payable to ultimate holding company	53,061	12,717
Less: Amount capitalized	<u>(45,572)</u>	<u>(39,529)</u>
	57,200	35,074
Less: Interest expense included as other operating expenses	<u>—</u>	<u>(871)</u>
	<u>57,200</u>	<u>34,203</u>

5. Income tax

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Current tax — Hong Kong	98,226	31,823
— Overseas	<u>3,067</u>	<u>1,505</u>
	101,293	33,328
Deferred tax	<u>29,600</u>	<u>10,142</u>
	<u>130,893</u>	<u>43,470</u>

The provision for Hong Kong profits tax is calculated at 17.5% (six months ended 30 June 2006: 17.5%) on the estimated assessable profits of the period. 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\$711,746,000 (six months ended 30 June 2006: HK\$317,835,000) and weighted average number of ordinary shares in issue during the period of 1,065,307,711 (2006: 607,719,138 as restated).

(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\$605,785,000 (six months ended 30 June 2006: HK\$257,908,000).

(c) *Diluted earnings per share*

No diluted earnings per share for the six months ended 30 June 2006 and 2007 has been presented as the Company had no dilutive potential ordinary shares for both periods.

(d) The comparative amount of earnings per share has been restated, as the number of ordinary shares in prior period has been adjusted for the consolidation of one-for-two rights issue effected during the six months ended 30 June 2007.

7. Dividends

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Interim dividend declared after the interim period of HK\$0.17 (2006: HK\$0.13) per share on 1,150,681,275 shares (2006: 680,120,850 shares)	<u>195,616</u>	<u>88,416</u>

8. Trade and other receivables

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

	At 30 June	At 31 December
	2007	2006
	HK\$'000	HK\$'000
Current and 0 — 90 days	231,967	113,212
91 — 180 days	2,019	1,521
Over 180 days	<u>8,781</u>	<u>7,973</u>
	<u>242,767</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 follows:

	At 30 June 2007 HK\$'000	At 31 December 2006 HK\$'000
Not yet due or on demand	791,511	561,702
0 — 90 days	36,386	4,427
91 — 180 days	1	104
Over 180 days	<u>1,774</u>	<u>—</u>
	<u>829,672</u>	<u>566,233</u>

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

Hong Kong, 13 September 2007

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, Mr. Seto Gin Chung, John and Mr. David John Shaw as Independent Non-executive Directors.