



九龍建業有限公司  
**KOWLOON DEVELOPMENT COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 34)**

**2008 INTERIM RESULTS ANNOUNCEMENT**

**HIGHLIGHTS**

- ❖ Group's 2008 interim net profit increases by 20% to HK\$854 million; earnings per share for the six months ended 30 June 2008 rises by 10% to HK\$0.74.
- ❖ Excluding property revaluations net of deferred tax, underlying net profit for the first half of 2008 amounts to HK\$479 million, a decrease of 21% over the same period last year.
- ❖ Gross rental income for the first six months this year increases by 11% to HK\$128 million.
- ❖ Total operating profit generated from the property development projects amounts to HK\$492 million, an increase of 275% over the same period last year.
- ❖ Group's net gearing ratio is 25.2% at end-June 2008.
- ❖ Total presales generated from the two Macau property development projects amounts to approximately HK\$5 billion, supporting the Group's earnings over the next two years.
- ❖ Interim dividend per share for 2008 rises to HK\$0.19, an increase of 12% over 2007.

**INTERIM RESULTS AND DIVIDENDS**

The Group's unaudited net profit attributable to shareholders for the six months ended 30 June 2008 rose by 20% to HK\$854 million. Excluding property revaluation net of deferred tax and tax rate change, the underlying net profit for the first half of 2008 amounted to HK\$479 million compared to HK\$606 million in the same period last year. The interim results have been reviewed by the Company's Audit Committee.

The Board of Directors has declared an interim dividend of HK\$0.19 per share, representing an increase of 12% over the corresponding period. The interim dividend will be payable on 27 November 2008 to shareholders registered as at 20 November 2008.

## **BUSINESS REVIEW**

The corrections in the global financial markets since the start of the year, triggered by the extended sub-prime problem in the US, had adversely impacted the Group's finance and investments activities, which recorded an operating loss of HK\$18.6 million for the first half of 2008. However, the Group's core property investment and development business has performed well in the first six months of the year, with gross rental income from our investment property portfolio rising 11% and total operating profit generated from the Group's development projects rising 275% over the same period last year.

### **Property Sales**

The Group's total operating profit generated from the property development projects amounted to HK\$492 million, an increase of 275% over the same period last year. The main contributor to the Group's development profit for the first half of 2008 generated from the Group's luxury residential project at 31 Robinson Road, which recorded an operating profit of approximately HK\$277 million. In addition, a partial recognition of profit from the Group's investment in the development project Villa de Mer in Macau also contributed HK\$218 million to this segment's operating profit.

### **Property Development**

To ensure sustainable growth, we have been continuously looking for good investment opportunities to replenish our land bank. During the period under review, the Group was awarded a tender by Urban Renewal Authority ("URA") to redevelop the Macpherson Indoor Stadium Site in Mongkok. This is a joint venture development project with URA and the site will be developed into a complex of two luxury residential towers and retail shops, with an attributable gross floor area of approximately 18,000 sq m. In addition, the Group is in the course of acquiring two redevelopment projects in the urban area of Hong Kong.

In July 2008, we have also acquired a 70% interest in a piece of land in Zhongshan, China, with a gross floor area of approximately 120,000 sq m for HK\$140 million. The Group possesses a number of quality development projects in the Greater China region, with the Group's current land bank for development totaling over 5 million sq m in Hong Kong, Macau and China.

In Hong Kong, we will soon open two show flats at 31 Robinson Road to the public and will start selling the remaining residential units. With very limited supply in the primary market in the Mid-Levels area in the next few years, we are confident that the remaining units will generate significant income for the Group in the second half of 2008 and the first half of next year.

In China, our property development projects are progressing smoothly. The first phase of the Foshan project is under construction and the presale of the low-rise residential units is expected to start in the first half of next year. Construction of the first phase of the Shenyang project is expected to begin next spring and the presale of residential units will start in the second half of 2009. The master layout plan for the Tianjin project will be revised in accordance to the comments made by the local authorities and all approval procedures are expected to be completed before the commencement of work in the first half of next year.

In Macau, we have sold over 90% of the residential units at Villa de Mer, the Group's development project in the Orient Pearl District, Macau. Both the master layout plan of the development project at Lote P and the architectural plan of the project at Lotes T & T1 were submitted to the relevant government authorities for approval and we will start the construction work once we obtain the approvals.

**Details of Group's major projects under development are as follows :**

### **Hong Kong**

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

This is one of the Group's major development projects in Hong Kong with 100% interest. The site is located at 35 Clear Water Bay Road in Ngau Chi Wan with a gross floor area of approximately 196,400 sq m. It will be developed into a residential and commercial complex with retail and community facilities.

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

The project, which the Group owns a 100% interest, covers a site area of 564 sq m and will be developed into gross floor area of approximately 5,600 sq m consisting of multi-storey high-end residential block with retail, recreational and car parking spaces. The master layout plan of the development project at Belcher's Street has been revised and will be submitted to local authorities for approval shortly.

### **Mainland China**

#### ***Dong Ning District, Shenyang***

Most of the relocation and resettlement work of this development project, which is 100% owned by the Group, was completed in December 2007. The master layout plan for the first phase of the development project is in progress. The first phase of development includes villas, low-rise and medium-rise residential blocks and covers a gross floor area of approximately 150,000 sq m.

#### ***Nanhai District, Foshan***

The first phase of development project, which the Group owns a 50% stake, consists of low-rise residential blocks and a five-star hotel equipped with golf course. The approval for commencing construction work was obtained for the first phase development. The hotel is scheduled to complete and operate in early 2010 while the residential units of the first phase are expected to be completed in the second half of 2009.

### ***Hedong District, Tianjin***

The Tianjin development project, which the Group owns a 61% interest, is located in a prime area of the central business district of Hedong, with an aggregate gross floor area of approximately 930,000 sq m. The demolition and removing work was basically completed.

### **Macau**

The Group's property interest in Macau is held through its listed subsidiary, Polytec Asset Holdings Limited ("Polytec Asset"), 59.52% owned by the Group and details of the projects are as follows.

### ***Villa de Mer, The Orient Pearl District***

Villa de Mer, the Group's development project held by Polytec Asset with an 80% interest under a co-investment agreement, covers a gross floor area of approximately 128,100 sq m and comprises five high-end residential towers with a total of about 1,300 units erected on top of a podium with retail, recreational and carpark spaces. Foundation work was completed, while construction work is expected to be completed in 2010.

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

Lote P, a development project with an 80% interest by Polytec Asset, covers an aggregate site area of approximately 68,000 sq m and will be developed by phases into various multi-storey luxury residential towers, together with retail, recreational and car parking spaces, with an aggregate gross floor area of approximately 699,800 sq m.

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

Lotes T & T1 combined covers an aggregate site area of approximately 17,900 sq m. This project, which Polytec Asset owns an 80% interest, will be developed into a number of high-end residential blocks, with an aggregate gross floor area of approximately 183,000 sq m.

### ***Pacifica Garden, Taipa***

Pacifica Garden is Polytec Asset's 58% owned residential and commercial project in Taipa, Macau, with a gross floor area of approximately 35,900 sq m, comprising two buildings with a total of 295 residential units and a number of retail shops on the ground floor. All residential units were sold last year. Construction work is expected to be completed by end-2008 or early 2009.

## **Property Investment**

The Group's gross rental income generated from its investment property portfolio rose by 11% to HK\$128 million in the first six months this year. The improvement in rental income for the first half of this year mainly came from a decent increase in overall rental rate of the offices at Pioneer Centre due to either lease renewals or new leases. The Group's overall occupancy rate remained high for the first six months this year, with our flagship retail properties at Pioneer Centre improving to 99.4% from 98.7% in the same period last year.

## **Property Management**

The Group's property management team offers a full range of management services to both public and private housing, including our self-developed residential buildings, serviced apartments and commercial buildings. The management portfolio covered a gross floor area of approximately 566,000 sq m as of end-June 2008.

## **Finance and Investments**

With the slowdown in the global economy and on-going housing and credit crises in the US, investment sentiment and the performance of the world financial markets have been drastically affected. Stock markets around the world have plummeted, with the Hang Seng Index, the benchmark stock market index in Hong Kong, falling over 20% in the first six months of the year. The Group's finance and investments segment has inevitably been affected, with an operating loss of HK\$18.6 million recorded for the period under review.

The acquisition of a portfolio of non-performing loans from China Orient Asset Management Corporation ("China Orient") and the formation of a joint venture company with China Orient was approved by the relevant government authorities during the period under review.

The joint venture company is owned as to 75.1% by the Group and 24.9% by China Orient. The total consideration for the acquisition of the non-performing loans was satisfied by the issue of zero coupon convertible bonds with principal amount of HK\$2,413,773,720 on 7 July 2008. These convertible bonds are convertible any time at a conversion price of HK\$15.078 per share of the Company with the maturity date on 6 January 2009. This segment is expected to start contributing to the Group's earnings in the second half of 2008.

## **Polytec Asset Holdings Limited**

Polytec Asset, a 59.52% owned listed subsidiary of the Company, contributed HK\$134 million to the Group's earnings in the first half of 2008, an increase of 131% over the same period last year.

## **Shenzhen Properties**

In relation to the acquisition of Shenzhen Properties & Resources Development (Group) Limited ("Shenzhen Properties"), as two shareholders of Shenzhen Properties (the sellers) have failed to perform their obligations under the arbitral award issued by the China International Economic and Trade Arbitration Commission on 25 October 2007, the Group applied to the Intermediate People's Court of Shenzhen on 19 June 2008 for specific performance of the arbitral award. We are awaiting a ruling from the Intermediate People's Court of Shenzhen.

Note that the arbitral award states that the sale and purchase agreement between the Company's subsidiary (the buyer) and the two shareholders of Shenzhen Properties (the sellers) was legally binding and the sellers are required to comply with their obligations of selling their total 70.3% interest in Shenzhen Properties to the Group.

## **FINANCIAL REVIEW**

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

As at 30 June 2008, the Group had total bank borrowings of HK\$2,364 million with HK\$721 million repayable within one year and HK\$1,643 million repayable more than one year. The net borrowings position of the Group as at the period end date was HK\$1,897 million after taking account of cash and cash equivalents of HK\$467 million. There was an increase of 121% or HK\$1,040 million as compared with net borrowings of HK\$857 million as at 31 December 2007.

The Group's gearing ratio (calculated on the basis of net bank borrowings to equity attributable to shareholders of the Company) rose to 10.9% as of 30 June 2008 from 5% at year-end 2007. The ultimate holding company continued to be the major supporter to the Group financially, with outstanding loans and payable to the ultimate holding company in respect of the acquisition of interests in property developments in Macau totalling HK\$2,471 million (31 December 2007 : HK\$1,398 million). Having taken account of the outstanding loans and payable due to the ultimate holding company, the adjusted gearing ratio increased to 25.2% as of 30 June 2008 from 13.2% at year-end 2007.

During the period under review, additional capital investment in property projects in the PRC amounted to HK\$393 million. Payments of HK\$338 million were made for the Macpherson project with the Urban Renewal Authority and HK\$149 million for acquisition of certain redevelopment properties. The Group had added a net of HK\$1,627 million to its securities investment portfolio during the first half of 2008.

A total of HK\$623 million was received in respect of the sales proceeds from the Robinson Road project for the period under review. An inflow of HK\$655 million during the first six months from a fellow subsidiary in Macau was in relation to the pre-sale proceeds of Villa de Mer under a co-investment agreement.

The Group's borrowings are arranged on a floating rate basis. When appropriate, the Group will engage in relevant hedging arrangements in order to monitor and manage the Group's exposure to interest rate fluctuations.

The majority of the Group's borrowings was in Hong Kong dollars and the revenue of the Group is denominated in Hong Kong dollars. As the Group has some significant investments in the PRC development projects, it is exposed to exchange fluctuations on Renminbi. Nevertheless, the Group's Renminbi-denominated revenue generated from the development projects will offset an expected increase in the cost of capital investment in these projects due to the appreciation of Renminbi. The Group will look at different ways of Renminbi borrowings to finance the development projects in the PRC.

With the financing facilities in place, recurrent income from investment properties, property sales from the Group's development projects and the marketable securities and cash on hand, the Group has sufficient financial resources to satisfy its capital commitments and working capital requirements.

### **Capital Commitments**

As at 30 June 2008, the Group had contracted commitments of HK\$774 million in respect of the acquisition of Shenzhen Properties, and a total of HK\$3,551 million in respect of the acquisition of the non-performing loan portfolio from China Orient and the capital requirement for the setting up of the joint venture company with China Orient. Further, outstanding commitments for the acquisition of subsidiaries engaged in PRC property development amounted to HK\$210 million. In connection to the Group's investment properties, the Group had commitments for construction work to enhance the property value amounting to HK\$103 million.

The Group satisfied the consideration for the acquisition of the non-performing loan portfolio from China Orient by way of issue of zero coupon convertible bonds with principal amount of HK\$2,413,773,720 in July 2008.

### **Pledge of Assets**

As at the interim balance sheet date, properties and securities amounting to HK\$7,549 million and time deposits of HK\$667 million were pledged to financial institutions to secure credit facilities and as margin for securities investments.

### **Contingent Liabilities**

The Group had no contingent liability as at 30 June 2008.

## **PROSPECTS**

As the US sub-prime crisis has intensified and extended to the general economic strata, triggering the instability in global financial markets and the continuing slowdown of the global economy, the Group has adopted more prudent development strategies for its various spheres of operation. Over the past two years, the Group has taken steps to reduce its gearing ratio and to strengthen the Group's financial position which should enable the Group to take up good investment opportunities during the economic downturn.

During the course of 2007, robust economic growth witnessed in the Greater China region has caused both land and housing prices to soar. However, the Group continued to maintain its prudent approach and we made no new land acquisitions during the period.

In the first half of 2008, the Group has secured a number of good potential development projects in Hong Kong and Zhongshan, China in order to well prepare itself for future business expansion and earnings growth in the years ahead. The presale results of our development projects in Macau have been successful over the past two years. Together with the expected proceeds from the sale of the remaining units at 31 Robinson Road, Hong Kong, they will provide solid support to the Group's earnings in the coming two years.

While the overall business environment will likely remain challenging in the remainder of the year, the Group will abide by its prudent approach to the investment opportunities that may arise under such environment.

I would like to take this opportunity to express my gratitude to my fellow directors for their valuable advice and all staff for their dedication and hard work.



## **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 2008, save for code provision A.2.1.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate 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 2008.

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

The Register of Members of the Company will be closed from Wednesday, 19 November 2008 to Thursday, 20 November 2008, both days inclusive. To qualify for interim dividend payable on 27 November 2008, 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, 18 November 2008.

## **Corporate Citizenship**

The Group is committed to enhance corporate citizenship and was awarded 2008 pearl member by the World Wide Fund For Nature Hong Kong, to further recognize 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](http://www.kdc.com.hk) and Hong Kong Exchanges and Clearing Limited at [www.hkex.com.hk](http://www.hkex.com.hk). The Company's 2008 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 2008.

## 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 2008 together with the comparative figures of 2007 as follows:

### Consolidated Income Statement

		<b>Six months ended 30 June</b>	
		<b>2008</b>	2007
		<b>(unaudited)</b>	<i>(unaudited)</i>
	<i>Note</i>	<b>HK'000</b>	<i>HK'000</i>
<b>Turnover</b>	2	<b>4,829,354</b>	3,180,113
Cost of sales		<b>(3,917,656)</b>	(2,540,740)
Other revenue		<b>12,041</b>	6,407
Other net (expenses)/income	3	<b>(267,114)</b>	235,209
Depreciation and amortization		<b>(5,020)</b>	(5,102)
Staff costs		<b>(32,719)</b>	(29,187)
Fair value changes on investment properties		<b>408,400</b>	128,438
Other operating expenses		<b>(30,509)</b>	(23,825)
<b>Profit from operations</b>	2	<b>996,777</b>	951,313
Finance costs	4	<b>(18,700)</b>	(57,200)
Share of profits of associated companies		<b>16</b>	1,161
Share of profits less losses of jointly controlled entities		<b>8,273</b>	6,208
<b>Profit before taxation</b>		<b>986,366</b>	901,482
Income tax	5	<b>(79,706)</b>	(130,893)
<b>Profit for the period</b>		<b><u>906,660</u></b>	<u>770,589</u>
<b>Attributable to:</b>			
Shareholders of the Company		<b>854,076</b>	711,746
Minority interests		<b>52,584</b>	58,843
<b>Profit for the period</b>		<b><u>906,660</u></b>	<u>770,589</u>
<b>Earnings per share – Basic</b>	6(a)	<b><u>HK\$0.74</u></b>	<u>HK\$0.67</u>
<b>Dividend per share</b>	7	<b><u>HK\$0.19</u></b>	<u>HK\$0.17</u>

## Consolidated Balance Sheet

	At 30 June 2008		At 31 December 2007	
	(unaudited)	(unaudited)	(audited)	(audited)
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>				
Fixed assets				
		<b>5,400,990</b>		4,991,830
		<b>249,227</b>		252,492
		<b>38,970</b>		39,710
		<b>5,689,187</b>		5,284,032
		<b>12,421,803</b>		12,013,954
		<b>1,217,318</b>		1,072,470
		<b>7,394</b>		7,378
		<b>1,300,704</b>		148,329
		<b>19,198</b>		27,654
		<b>69,687</b>		9,028
		<b>20,725,291</b>		18,562,845
<b>Current assets</b>				
		<b>4,602,810</b>		4,331,389
	8	<b>3,244,952</b>		2,935,869
		<b>47,391</b>		47,708
		<b>687,745</b>		608,480
		<b>284,436</b>		40,335
		<b>2,078,003</b>		1,603,789
		<b>667,480</b>		582,473
		<b>467,117</b>		907,961
		<b>12,079,934</b>		11,058,004

		At 30 June 2008		At 31 December 2007	
		(unaudited)	(unaudited)	(audited)	(audited)
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Current liabilities</b>					
Trade and other payables	9	1,562,650		1,413,068	
Amount due to ultimate holding company		705		2,662	
Amounts due to minority shareholders		456,755		333,305	
Derivative financial instruments		711,069		216,978	
Bank loans		721,000		623,000	
Current taxation		470,816		368,927	
		<u>3,922,995</u>		<u>2,957,940</u>	
<b>Net current assets</b>			<u>8,156,939</u>		<u>8,100,064</u>
<b>Total assets less current liabilities</b>			<u>28,882,230</u>		<u>26,662,909</u>
<b>Non-current liabilities</b>					
Other payables		1,700,161		1,508,000	
Loan from ultimate holding company		1,586,268		495,964	
Amount payable to ultimate holding company		884,308		902,020	
Bank loans		1,643,200		1,141,700	
Deferred tax liabilities		825,561		795,941	
			<u>6,639,498</u>		<u>4,843,625</u>
<b>NET ASSETS</b>			<u>22,242,732</u>		<u>21,819,284</u>
<b>CAPITAL AND RESERVES</b>					
Share capital			115,068		115,068
Reserves			<u>17,231,000</u>		<u>16,992,195</u>
<b>Total equity attributable to the shareholders of the Company</b>			<u>17,346,068</u>		<u>17,107,263</u>
Minority interests			<u>4,896,664</u>		<u>4,712,021</u>
<b>TOTAL EQUITY</b>			<u>22,242,732</u>		<u>21,819,284</u>

## Notes

### 1 Basis of preparation

The interim financial report has been prepared on a basis consistent with the accounting policies adopted in the 2007 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 2008. 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 2008				
	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>4,829,354</u>	<u>629,596</u>	<u>127,986</u>	<u>4,047,274</u>	<u>24,498</u>
Contribution from operations	604,891	492,236	128,318	(18,617)	2,954
Fair value changes on investment properties	408,400	-	408,400	-	-
Unallocated group expenses	<u>(16,514)</u>				
Profit from operations	996,777				
Finance costs	(18,700)				
Share of profits of associated companies	16	-	-	-	16
Share of profits less losses of jointly controlled entities	<u>8,273</u>	(1,814)	10,087	-	-
Profit before taxation	986,366				
Income tax	<u>(79,706)</u>				
Profit for the period	<u>906,660</u>				

	Six months ended 30 June 2007				
	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>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><u>770,589</u></u>				

(b) *Geographical segments*

	Group turnover		Group profit from operations	
	Six months ended 30 June		Six months ended 30 June	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Hong Kong	<b>4,401,114</b>	2,965,190	<b>761,002</b>	805,412
People's Republic of China	<b>2,211</b>	750	<b>(3,777)</b>	(6,947)
Macau	<b>240,176</b>	164,447	<b>221,966</b>	137,926
North America	<b>179,570</b>	42,309	<b>13,596</b>	7,553
Others	<b>6,283</b>	7,417	<b>3,990</b>	7,369
	<u><b>4,829,354</b></u>	<u>3,180,113</u>	<u><b>996,777</b></u>	<u>951,313</u>

### 3 Other net (expenses)/income

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

### 4 Finance costs

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	27,294	49,711
Interest on loan from/amount payable to ultimate holding company	18,912	53,061
<i>Less:</i> Amount capitalized	<u>(27,506)</u>	<u>(45,572)</u>
	<u><b>18,700</b></u>	<u><b>57,200</b></u>

### 5 Income tax

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
<b>Current tax</b> – Hong Kong	103,314	98,226
– Overseas	<u>3,812</u>	<u>3,067</u>
	107,126	101,293
<b>Deferred tax</b>	<u>(27,420)</u>	<u>29,600</u>
	<u><b>79,706</b></u>	<u><b>130,893</b></u>

The provision for Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2007: 17.5%) on the estimated assessable profits of the period. In February 2008, the Hong Kong SAR Government enacted a reduction in the profits tax rate from 17.5% to 16.5% for the fiscal year 2008/09.

Overseas tax is calculated at the applicable tax rates ruling in the respective jurisdictions.



## 6 Earnings per share

- (a) The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK\$854,076,000 (six months ended 30 June 2007: HK\$711,746,000) and weighted average number of ordinary shares in issue during the period of 1,150,681,275 (six months ended 30 June 2007: 1,065,307,711).
- (b) No diluted earnings per share for the six months ended 30 June 2007 and 2008 has been presented as the Company had no dilutive potential ordinary shares for both periods.

## 7 Dividends

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Interim dividend declared after the interim period of HK\$0.19 (2007: HK\$0.17) per share	<u>218,629</u>	<u>195,616</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
	2008	2007
	HK\$'000	HK\$'000
Current	863,936	1,331,699
Less than 3 months past due	5,468	20,979
3 months to 6 months past due	497	637
More than 6 months past due	<u>10,076</u>	<u>9,181</u>
Amounts past due	<u>16,041</u>	<u>30,797</u>
	<u>879,977</u>	<u>1,362,496</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:

	<b>At 30 June 2008 HK\$'000</b>	At 31 December 2007 HK\$'000
Not yet due or on demand	<b>606,996</b>	487,083
Within 3 months	<b>24,469</b>	35,197
3 months to 6 months	<b>658</b>	658
More than 6 months	<b>–</b>	272
	<b><u>632,123</u></b>	<b><u>523,210</u></b>

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

Hong Kong, 24 September 2008

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