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九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 34)

**LOSSES IN THE FINANCIAL INVESTMENT ACTIVITIES
OF THE GROUP
AND
UNUSUAL SHARE PRICE MOVEMENT
AND
RESUMPTION OF TRADING**

This announcement is made by Kowloon Development Company Limited pursuant to Rule 13.09(1) of the Listing Rules.

The Board informs the shareholders of the Company and potential investors that the results of the Group for the financial year ending 31 December 2008 will be affected by losses arising from its financial investment activities.

Polytec Holdings International Limited, the ultimate holding company of the Company and wholly owned by Or Family Trustee Limited Inc., a discretionary trust of which Mr. Or Wai Sheun, the chairman and an executive director of the Company, is a founder and beneficiary, has confirmed that it is firmly committed to continue its financial support to the Company in order to strengthen the financial and liquidity position of the Group.

The Board noted the recent decrease in the share price of the Company and wishes to state that, save as disclosed in this announcement, it is not aware of any other matter discloseable under the general obligations imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature, nor are there any negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

At the request of the Company, trading in the shares of the Company was suspended with effect from 9:30 a.m. on 24 October 2008 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the shares of the Company with effect from 9:30a.m. on 28 October 2008.

This announcement is made by Kowloon Development Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

OVER-THE-COUNTER CONTINGENT FORWARD TRANSACTIONS AND LOSSES IN THE FINANCIAL INVESTMENT ACTIVITIES OF THE GROUP

The board of directors of the Company (the “**Board**”) has noted that there was a newspaper article dated 23 October 2008 in relation to certain over-the-counter contingent forward agreements entered into by the Group to purchase and sell certain listed equity investments.

Over-the-counter contingent forward transactions

As disclosed in the Company’s interim report for the six months ended 30 June 2008, the Group entered into certain over-the-counter contingent forward agreements to purchase certain listed equity investments at a fixed price over a 52-week period from the date of the relevant agreements. According to the agreements, the purchase commitments of the Group will be terminated when the market price of the listed equity investments rises to a pre-determined price level.

It was also disclosed in the interim report that the Group also entered into certain over-the-counter contingent forward agreements to sell certain listed equity investments at a fixed price over a 52-week period from the date of the relevant agreements for the hedging of the Group’s exposures to equity price risk through its investments in equity investment and derivative financial instruments. According to the agreements, the sale commitments of the Group will be terminated when the market price of the listed equity investments drops to a pre-determined price level.

Losses in the financial investment activities of the Group

The Group’s financial investments portfolio consists of long-term and short-term investments. Owing to the recent uncertainty in the financial market, the Group has reviewed and assessed the market exposure of its investment portfolio and outstanding commitments under the over-the-counter contingent forward agreements. In order to reduce the risk associated with its financial investments and derivative financial instruments and contain its exposure to the market fluctuations, the Group has liquidated a majority of its financial investments and unwound a substantial portion of its forward agreements in October 2008.

The Board wishes to inform the shareholders of the Company and potential investors that the remaining financial investments were estimated to have a market value of approximately HK\$469 million as of 22 October 2008 and the Group’s aggregate maximum purchase commitments of the remaining forward agreements as at 22 October 2008 were estimated to be approximately HK\$856 million. The aggregate losses of the financial investment activities of the Group for the period from 1 January 2008 to 22 October 2008 were estimated to be approximately HK\$3.7 billion (including fair value changes in respect of the Group’s long-term financial investments) (the “**Losses**”), of which losses of HK\$21.1 million and losses of HK\$667 million have already been accounted for in the unaudited consolidated income statement of the Group (for short-term financial investments) and the fair value reserves (for long-term financial investments) respectively in the Group’s interim accounts for the six months ended 30 June 2008. Included in the Losses, amounts of approximately HK\$298 million are in relation to the

fair value losses of the remaining forward agreements. If the remaining forward agreements to purchase certain listed equity investments were unwound as of 22 October 2008, there would not have been any material adjustment to the Losses as reported above as the unwinding costs of these agreements are expected to approximate to the fair value losses. The unwinding of these forward agreements will cause a negative impact on the Group's cashflow but will have no material adverse impact to the Group's operations. Losses of approximately HK\$3 billion (including fair value changes of the Group's long-term financial investments as compared with 30 June 2008) are attributable for the period from 1 July 2008 to 22 October 2008. The Board confirms that the Group had no outstanding sale commitments for over-the-counter contingent forward agreements as at 22 October 2008. The results of the Group for the financial year ending 31 December 2008 will be affected by the Losses.

The Board wishes to confirm that, save for the forward agreements disclosed above, the Group does not have any other derivative financial instruments in place.

The management of the Company confirms that the overall operation of the Group as a whole remains sound and its financial position remains solid and other principal business activities of the Group will not be affected by the Losses. Based on the Group's unaudited interim report for the six months ended 30 June 2008, the Losses represent approximately 21.6% of the Group's unaudited net assets as at 30 June 2008 (of approximately HK\$15.1 per share) and after deducting the Losses from the unaudited net assets as at 30 June 2008, the unaudited net assets of the Group represent approximately HK\$11.8 per share.

This announcement is issued by the Company based on a preliminary estimate performed by the management of the Company and is not based on figures or information audited or reviewed by the Company's auditors.

Support of the controlling shareholder of the Company

Polytec Holdings International Limited ("PHIL"), the ultimate holding company of the Company and wholly owned by Or Family Trustee Limited Inc., a discretionary trust of which Mr. Or Wai Sheun, the chairman and an executive director of the Company, is a founder and a beneficiary, has confirmed that it is firmly committed to continue its financial support to the Company in order to strengthen the financial and liquidity position of the Group. It is confirmed that the outstanding loans and payable by the Group to PHIL amounted to be approximately HK\$2.5 billion as at 30 June 2008 and 733,130,124 shares of the Company held by Intellinsight Holdings Limited, which is wholly owned by PHIL, are free of any encumbrance of whatever nature as at the date of this announcement.

UNUSUAL SHARE PRICE MOVEMENT

The Board noted the recent decrease in the price of the shares of the Company and wishes to state that, save as disclosed in this announcement, it is not aware of any other matter discloseable under the general obligations imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature, nor are there any negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company was suspended with effect from 9:30 a.m. on 24 October 2008 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the shares of the Company with effect from 9:30a.m. on 28 October 2008.

Made by the order of the board of directors of the Company of which individually and jointly accept responsibility for the accuracy of this announcement.

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

Hong Kong, 27 October 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.