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九龍建業有限公司

KOWLOON DEVELOPMENT COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

PLACING OF EXISTING SHARES

AND

RESTORATION OF PUBLIC FLOAT

SOLE BOOKRUNNER AND LEAD MANAGER

CAZENOVE

Cazenove Asia Limited

Further to the announcement by the Company on 10 May 2002 in relation to the waiver application from strict compliance with Rule 8.08 of the Listing Rules, the Company announces that it has been informed that the Vendor has agreed to place, through Cazenove, 65 million Shares at a price of HK\$4.30 per Share to more than six independent third parties. The Placing Price represents a 4.4% discount to the closing price of HK\$4.50 per Share on 13 May 2002.

Immediately after completion of the Placing, the number of shares in the Company which will be owned and controlled by the Vendor and parties acting in concert with it will have decreased from 418,023,083 Shares to 353,023,083 Shares, representing approximately 72.97% of the issued share capital of the Company and the number of shares in the Company in public hands will have increased from 65,744,767 Shares to 130,744,767 Shares, representing approximately 27.03% of the issued share capital of the Company.

The Placing is effected in order to ensure that the Company is in compliance with the minimum prescribed percentage requirement set out in Rule 8.08 of the Listing Rules. It is expected that after completion of the Placing, the Company will be in compliance with that rule.

Placing Agreement dated 13 May 2002

- Vendor : Intellinsight Holdings Limited, the controlling shareholder of the Company, which is interested in approximately 86.37% of the issued share capital of the Company as at the date of this announcement
- Sole Bookrunner and Lead Manager : Cazenove, who is independent of and not connected with and not acting in concert with any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries, or an associate of any of them (as such terms are defined in the Listing Rules), has been appointed to act as the sole placing agent in respect of Placing Shares
- Number of Placing Shares : up to 65 million existing Shares, representing approximately 13.44% of the existing issued share capital of the Company, which will be placed through Cazenove on a best efforts basis. A further announcement will be made if the number of Shares placed through Cazenove is less than 65 million
- Placees : the Placing Shares will be placed to more than six institutional and professional investors who are independent of and not connected with and not acting in concert with any of the directors, chief executive or substantial shareholders of the Company or any of its

subsidiaries, or an associate of any of them (as such terms are defined in the Listing Rules). There are no Placees who will become substantial shareholders of the Company immediately after the completion of the Placing

Placing Price : HK\$4.30 per Placing Share, representing (a) an approximately 4.4% discount to the closing price of the Shares of HK\$4.50 as quoted on the Stock Exchange on 13 May 2002, (b) an approximately 5.8% discount to the average closing price of the Shares of HK\$4.565 as quoted on the Stock Exchange for the five trading days ended on 13 May 2002, and (c) an approximately 7.1% discount to the average closing price of the Shares of HK\$4.6275 as quoted on the Stock Exchange for the ten trading days ended on 13 May 2002

Rights of the Placing Shares : the Placing Shares will be sold free of any third parties rights. The placees will enjoy all rights attached to the Placing Shares on the date of the Placing Agreement (including the right to receive the final dividend of HK\$0.18 per Share proposed by the board of directors of the Company on 10 April 2002 and to be declared by the Company)

Lock up : the Vendor has undertaken to Cazenove that for the period of six months from the completion of the Placing:

- (i) it will not sell, transfer, encumber or grant any option or warrant over or otherwise dispose of any of its Shares; and
- (ii) it will procure that the Company will not allot or issue, or agree to allot or issue, any Shares (other than pursuant to any exercise of options granted under the Company's share option scheme or other conversion or subscription rights existing at the date of the Placing Agreement or pursuant to any scrip dividend scheme) or other securities or grant or agree to grant any options (other than options under the Company's share option scheme) warrants or other rights to subscribe for shares or other securities which are of the same class as any Shares or to repurchase any securities of the Company

in each case, unless the prior written consent of Cazenove to any disposal or grant shall have been obtained

Completion of the

Placing : completion of the Placing is expected to take place on or before 15 May 2002

Termination

: the Placing Agreement contains provisions entitling Cazenove to terminate the Placing Agreement by serving notice on the Vendor prior to 9:00 a.m. on the date of completion of the Placing on the occurrence of certain events at any time prior to the date of completion of the Placing. Such events include but are not limited to changes in national or international financial, political or economic conditions, breach of warranties by the Vendor and adverse change in the financial position of any member of the Group which is material in the context of the Placing

Reason for the Placing

The Placing is effected in order to ensure that the Company is in compliance with the minimum prescribed percentage requirement set out in Rule 8.08 of the Listing Rules

Definitions

In this announcement, the following expressions have the following meanings, unless the context otherwise requires:

"Cazenove"

Cazenove Asia Limited

"Company"

Kowloon Development Company Limited

"Group"

the Company and its subsidiaries within the meaning of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong

"Hong Kong"

the Hong Kong Special Administrative Region of the People's Republic of China

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Placing"	the placing of 65 million existing Shares by the Vendor through Cazenove pursuant to the Placing Agreement
"Placing Agreement"	a placing agreement between the Vendor and Cazenove dated 13 May 2002 in relation to the Placing of 65 million Shares
"Placing Shares"	up to 65 million Shares beneficially owned by the Vendor
"Polytec Holdings"	Polytec Holdings International Limited, a company incorporated in the British Virgin Islands with limited liability and ultimately wholly-owned by the family trust of the family of Mr Or Wai Sheun, the chairman of the board of directors of the Company
"Shares"	ordinary shares of HK\$0.10 each in the capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendor"	Intellinsight Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Polytec Holdings
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong

By order of the board
Or Wai Sheun
Chairman

Hong Kong, 13 May 2002

"Please also refer to the published version of this announcement in the Hong Kong i-mail & South China Morning Post"