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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
SUBSCRIPTION FOR NEW SHARES**

Sole Bookrunner and Lead Manager

CAZENOVE

Cazenove Asia Limited

On 13 January 2004, the Placing and Subscription Agreement was entered into by, among others, the Company, the Vendor and the Sole Bookrunner and Lead Manager pursuant to which (i) the Sole Bookrunner and Lead Manager has agreed to use its best efforts to place the Placing Shares held by the Vendor to not less than six independent places at the Placing Price; and (ii) the Vendor has agreed to subscribe for and the Company has agreed to allot and issue to the Vendor the New Shares at the Subscription Price subject to, among other things, the granting of the listing of, and permission to deal in, the New Shares by the Listing Committee and completion of the Placing.

The Vendor is the controlling shareholder of the Company. Prior to the Placing, it holds approximately 72.9% of the Company's existing issued share capital. Immediately after completion of the Placing, but before the Subscription, the combined shareholding of the Vendor and parties acting in concert with it will be reduced from approximately 73.0% to approximately 55.8% of the existing issued share capital of the Company. Assuming the maximum number of Placing Shares are placed to the places and the maximum number of New Shares are subscribed by the Vendor, the Vendor and parties acting in concert with it will together hold a total of approximately 62.3% of the issued share capital of the Company as enlarged by the allotment of the New Shares immediately after completion of the Placing and the Subscription.

The Directors consider that the Placing and the Subscription will strengthen the capital base and broaden the shareholder base of the Company. Assuming the maximum number of 83,000,000 Shares are subscribed by the Vendor, the net proceeds from the Subscription are estimated to amount to approximately HK\$556.5 million. It is the current intention of the Directors to use 50% of the net proceeds from the Subscription for the repayment of short-term revolving loans and the balance of 50% as general working capital of the Group. As at the date of this announcement, no specific investment project has been identified by the Group.

PLACING UNDER THE PLACING AND SUBSCRIPTION AGREEMENT DATED 13 JANUARY 2004

- Vendor:** Intellinsight Holdings Limited, a company incorporated in the British Virgin Islands, which is ultimately wholly-owned by a family trust of the Or family, the objects of which include Mr. Or Wai Sheun, the Chairman and an executive Director, Ms. Ng Chi Man, an executive Director, and their family members.
- Number of Placing Shares:** A maximum of 83,000,000 Shares, representing approximately 17.2% of the existing issued share capital of the Company and approximately 14.6% of the issued share capital as enlarged by the issue of the New Shares (assuming the maximum number of Placing Shares are placed to the placees and the maximum number of New Shares are subscribed by the Vendor).
- Placing Price:** HK\$6.85 per Share, which represents a discount of approximately 9.9% to the closing price of HK\$7.60 per Share quoted on the Stock Exchange on 13 January 2004, the latest trading day prior to the date of the Placing and Subscription Agreement and a discount of approximately 3.9% to the average closing price of the Shares of approximately HK\$7.13 per Share over the last 5 consecutive trading days up to and including 13 January 2004. The Placing Price has been determined after arms' length negotiations between the Vendor, the Company and the Sole Bookrunner and Lead Manager.
- Rights:** The Placing Shares will be sold free of any encumbrances and third-party rights. The placees will receive all dividends and distributions declared, made or paid after the date of the Placing and Subscription Agreement.

Places:	The Sole Bookrunner and Lead Manager has agreed to use its best efforts to procure that there will be not less than six independent placees (which will be professional or institutional investors).
Sole Bookrunner and Lead Manager:	Cazenove.
Independence of placees and the Sole Bookrunner and Lead Manager:	Each of the placees (and their beneficial owners) and the Sole Bookrunner and Lead Manager are not connected persons (as defined in the Listing Rules) of the Company. None of the placees will become substantial shareholders (as defined in the Listing Rules) of the Company as a result of their acquisition of Shares pursuant to the Placing.
Completion of the Placing:	Completion of the Placing is expected to take place on 16 January 2004 or such later date as may be agreed by the Vendor and the Sole Bookrunner and Lead Manager.
Force Majeure:	The Sole Bookrunner and Lead Manager is entitled, on the occurrence of certain events (including a material breach of any of the undertakings, representations and warranties set out in the Placing and Subscription Agreement, and material adverse change in the financial position of the Company), to terminate the Placing and Subscription Agreement by giving notice to the Company and the Vendor at any time prior to completion of the Placing.
Commission fee:	A commission fee of 2% of the aggregate Placing Price in respect of the placed Shares is payable to the Sole Bookrunner and Lead Manager which will be borne by the Company.

SUBSCRIPTION UNDER THE PLACING AND SUBSCRIPTION AGREEMENT DATED 13 JANUARY 2004

Subscriber: The Vendor

Issuer: The Company

Number of New Shares: The Company has agreed to allot and issue to the Vendor and the Vendor has agreed, conditionally as referred to below, to subscribe for the New Shares at the Subscription Price.

Assuming the maximum number of New Shares are subscribed by the Vendor, the New Shares represent approximately 17.2% of the existing issued share capital of the Company and approximately 14.6% of the issued share capital of the Company as enlarged by the issue of the New Shares. The number of New Shares to be subscribed by the Vendor will be the same as the number of Placing Shares placed by the Sole Bookrunner and Lead Manager.

Subscription Price: HK\$6.85 per Share, which is equivalent to the Placing Price.

All the commission, costs, and expenses incurred in relation to the Placing and the Subscription will be borne by the Company and interest accrued on the net Placing proceeds from the date of completion of the Placing to the date of completion of the Subscription will be for the benefit of the Company.

General mandate to issue New Shares: The New Shares will be issued under the general mandate granted to the Directors pursuant to a resolution passed by the shareholders of the Company on 21 May 2003.

Ranking: The New Shares, when fully paid, will rank pari passu with all the existing Shares of the Company in issue as at the date of issue of the New Shares.

Conditions and completion of the Subscription: The Subscription by the Vendor of the New Shares is conditional upon the satisfaction of the following conditions by not later than 26 January 2004 (or such later date as may be agreed between the Sole Bookrunner and Lead Manager, the Vendor and the Company):

- (i) completion of the Placing; and
- (ii) the granting of the listing of, and permission to deal in, the New Shares by the Listing Committee.

Completion of
the Subscription:

The Subscription is expected to be completed on or before 27 January 2004, being the date falling fourteen days from the date of the Placing and Subscription Agreement. In the event that the Subscription is not completed within fourteen days from the date of the Placing and Subscription Agreement, the Company will fully comply with the requirements of Chapter 14 of the Listing Rules.

Lock-up:

Pursuant to the Placing and Subscription Agreement, each of the Vendor and Mr. Or Wai Sheun has undertaken to the Sole Bookrunner and Lead Manager that, prior to the expiry of the period of six months from the date of the Placing and Subscription Agreement, it will not and will procure that none of its nominees will sell or otherwise dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the New Shares but excluding the Placing Shares) or any interests therein, without the prior written consent of the Sole Bookrunner and Lead Manager.

Pursuant to the Placing and Subscription Agreement, the Company has undertaken to the Sole Bookrunner and Lead Manager that, prior to the expiry of the period of six months from the date of the Placing and Subscription Agreement, it will not allot or issue or agree to allot or issue (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares, except for (i) the New Shares to be allotted and issued to the Vendor pursuant to the Subscription or (ii) Shares or interests in Shares issued pursuant to the exercise of the options which may be granted under the share option scheme of the Company from time to time in force or an issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association of the Company, without the prior written consent of the Sole Bookrunner and Lead Manager.

EFFECT OF THE PLACING AND THE SUBSCRIPTION

The effects on the shareholding structure of the Company pursuant to the Placing and the Subscription are as follows:

	As at the date of this Announcement		Immediately after completion of the Placing but before the subscription*		Immediately after completion of the Placing and the subscription**	
	<i>Number of Shares (000)</i>	<i>%</i>	<i>Number of Shares (000)</i>	<i>%</i>	<i>Number of Shares (000)</i>	<i>%</i>
Vendor and parties acting in concert with it	353,023	73.0%	270,023	55.8%	353,023	62.3%
Other Directors	1,350	0.3%	1,350	0.3%	1,350	0.2%
Placees***	0	0.0%	83,000	17.2%	83,000	14.6%
Public	129,395	26.7%	129,395	26.7%	129,395	22.9%
Total	<u>483,768</u>	<u>100.0%</u>	<u>483,768</u>	<u>100.0%</u>	<u>566,768</u>	<u>100.0%</u>

* Assuming the maximum number of Placing Shares are placed to the placees.

** Assuming the maximum number of Placing Shares are placed to the placees and the maximum number of New Shares are subscribed by the Vendor.

*** The placees will be regarded as public as none will become a substantial shareholder of the Company.

REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider that the Placing and the Subscription will strengthen the capital base and broaden the shareholder base of the Company. The Directors estimate that assuming the maximum number of New Shares are subscribed by the Vendor, the net proceeds of the Subscription will amount to approximately HK\$556.5 million. It is the current intention of the Directors to use 50% of the net proceeds from the Subscription for the repayment of short-term revolving loans and the balance of 50% as general working capital of the Group. As at the date of this announcement, no specific investment project has been identified by the Group.

The Company did not have any equity fund raising activities in the past 12 months .

GENERAL

The Group is principally engaged in property development and investment, construction, property management, financial services and investments in Hong Kong, worldwide film distribution as well as local and overseas securities trading.

Application will be made to the Listing Committee for the granting of the listing of, and permission to deal in, the New Shares.

DEFINITIONS

“Cazenove” or “Sole Bookrunner and Lead Manager”	Cazenove Asia Limited, a deemed licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the Sole Bookrunner and Lead Manager of the Placing
“Code”	the Hong Kong Code on Takeovers and Mergers
“Company”	Kowloon Development Company Limited
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Shares”	up to a maximum of 83,000,000 new Shares to be subscribed by the Vendor at the Subscription Price under the Placing and Subscription Agreement and which shall be the same as the number of Placing Shares placed under the Placing and Subscription Agreement
“Placing”	the placing of the Placing Shares by the Sole Bookrunner and Lead Manager, on behalf of the Vendor pursuant to the Placing and Subscription Agreement
“Placing and Subscription Agreement”	the placing and subscription agreement entered into on 13 January 2004 between the Vendor, Mr. Or. Wai Sheun, the Company and the Sole Bookrunner and Lead Manager in relation to the Placing and the Subscription
“Placing Price”	HK\$6.85 per Placing Share
“Placing Shares”	up to a maximum of 83,000,000 Shares currently owned by the Vendor
“PRC”	the People’s Republic of China
“SFC”	Securities and Futures Commission of Hong Kong
“Share(s)”	share(s) of nominal value of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription”	the subscription for the New Shares by the Vendor at the Subscription Price pursuant to the Placing and Subscription Agreement
“Subscription Price”	HK\$6.85 per New Share
“Vendor”	Intellinsight Holdings Limited, a company incorporated under the laws of the British Virgin Islands which is ultimately wholly-owned by a family trust of the Or family, the objects of which include Mr. Or Wai Sheun, the Chairman of the Company and an executive Director, Ms. Ng Chi Man, an executive Director, and their family members.

By Order of the Board
Wai Yuk Hing, Monica
Company Secretary

Hong Kong, 13 January 2004

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