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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)

**PLACING OF EXISTING SHARES AND
SUBSCRIPTION FOR NEW SHARES
AND RESUMPTION OF TRADING**

CAZENOVE

Cazenove Asia Limited

Sole Bookrunner and Placing Agent

On 15 September 2006, the Vendor, the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Placing Agent has agreed to place, on a best-efforts basis, up to 58,000,000 existing Shares at a price of HK\$13.25 per Share on behalf of the Vendor, with an option exercisable at the election of the Placing Agent to place, also on a best-efforts basis, up to another 29,000,000 existing Shares at the same price. The Placing Shares, including those subject to the Placing Agent's option, represent approximately 12.79% of the existing issued share capital of the Company and approximately 11.34% of the issued share capital of the Company as enlarged by the Subscription assuming that the Placing Agent exercises its option and all the Placing Shares including the Additional Placing Shares under the Placing Agent's option are successfully placed.

The Placing Shares will be placed by the Placing Agent to not less than six independent professional, institutional and/or individual investors who will be independent of the directors, chief executive or substantial shareholders of the Company or its subsidiaries or their respective associates within the meaning of the Listing Rules, not connected persons of the Company within the meaning of the Listing Rules, and not acting in concert with the Vendor in relation to the control of the Company within the meaning of the Takeovers Code. The Placing is conditional on certain termination events upon the occurrence of which the Placing will not proceed to completion unless waived by the Placing Agent.

The Vendor has conditionally agreed under the Placing Agreement to subscribe for such number of new Shares as is equal to the number of Placing Shares successfully placed by the Placing Agent at the Placing Price.

Completion of the Subscription is conditional upon:

- (1) completion of the Placing; and
- (2) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subscription Shares.

The shareholding of the Vendor and its concert parties in the issued share capital of the Company will be reduced from approximately 57.2% to approximately 48.67% upon completion of the Placing assuming that the Placing Agent does not exercise its option in respect of the Additional Placing Shares but all the Base Placing Shares are successfully placed and the Subscription has not yet been completed and will be increased from approximately 48.67% to approximately 52.71% of the enlarged issued share capital after the allotment of the Subscription Shares following completion of the Placing.

The shareholding of the Vendor and its concert parties in the issued share capital of the Company will be reduced from approximately 57.2% to approximately 44.41% upon completion of the Placing assuming that the Placing Agent exercises its option in respect of the Additional Placing Shares and all the Placing Shares including such Additional Placing Shares are successfully placed but the Subscription has not yet been completed and will be increased from approximately 44.41% to approximately 50.71% of the enlarged issued share capital after the allotment of the Subscription Shares following completion of the Placing.

The Placing and the Subscription are effected to enable the Company to raise funds. The Company intends to use the estimated net proceeds of the Subscription of approximately HK\$1,133 million (assuming that the Placing Agent exercises its option in respect of the Additional Placing Shares and all the Placing Shares including such Additional Placing Shares are successfully placed) for expansion of its property investment and development business in the PRC. The gross proceeds will be HK\$1,153 million and the estimated expenses (including placing commission, legal fees, printing fees and other costs and expenses) will be HK\$20 million. In the event that the Placing Agent does not exercise its option in respect of the Additional Placing Shares but all the Base Placing Shares are successfully placed the estimated net proceeds will amount to approximately HK\$755 million. The gross proceeds will be HK\$769 million and the estimated expenses (including placing commission, legal fees, printing fees and other costs and expenses) will be HK\$14 million.

As the Placing and Subscription are subject to the fulfillment of a number of conditions and may or may not proceed to completion, Shareholders and prospective investors are advised to exercise caution when dealing in the Shares of the Company.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 15 September 2006 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 18 September 2006.

PLACING AGREEMENT

Date: 15 September 2006

Vendor: Intellinsight Holdings Limited, the controlling shareholder of the Company which is wholly and beneficially owned by Mr. Or's family trust. Mr. Or is the chairman of the Company and an executive Director. As at the date of this announcement, the Vendor is interested in 388,838,083 Shares, representing approximately 57.17% of the existing issued share capital of the Company. The concert parties of the Vendor control another 192,000 Shares, representing approximately 0.028% of the existing issued share capital of the Company. The Vendor and its concert parties are therefore interested in an aggregate of 389,030,083 Shares or 57.2% of the existing issued share capital of the Company.

Placing agent: Cazenove Asia Limited, which is independent of the directors, chief executive or substantial shareholders of the Company or its subsidiaries or their respective associates within the meaning of the Listing Rules, not a connected person of the Company within the meaning of the Listing Rules, and not acting in concert with the Vendor in relation to the control of the Company within the meaning of the Takeovers Code.

Company: The Company.

Number of Shares to be Placed

Up to 58,000,000 existing Shares, representing (i) about 8.53% of the existing issued share capital of the Company, and (ii) about 7.86% of the issued share capital as enlarged by the Subscription without any exercise by the Placing Agent of the option mentioned below and assuming all such Shares are successfully placed.

The Placing Agent has an option for up to another 29,000,000 existing Shares, representing (i) about 4.26% of the existing issued share capital of the Company, and (ii) about 3.78% of the issued share capital as enlarged by the Subscription assuming all such Shares subject to the Placing Agent's option are also successfully placed.

The aggregate 87,000,000 existing Shares represents about 12.79% of the existing issued share capital of the Company and about 11.34% of the issued share capital as enlarged by the Subscription assuming all such Shares are successfully placed.

The Placing Shares are to be placed by the Placing Agent on a best-efforts basis to the placees.

Placing Price

The Placing Price of HK\$13.25 per Share represents (i) a discount of 6.56% to the closing price of HK\$14.18 per Share as quoted on the Stock Exchange on 14 September 2006, the last trading day prior to the release of this announcement, (ii) a discount of approximately 7.99% to the average closing price of HK\$14.40 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 14 September 2006, and (iii) a discount of approximately 8.24% to the average closing price of HK\$14.44 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 14 September 2006. The Placing Price was determined after arm's length negotiation between the Vendor and the Placing Agent. The Directors (including the independent non-executive Directors) consider that the Placing Price to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole with reference to the discount rate usually adopted for this type of placing, the market price of the Shares and current market conditions.

Rights

The Placing Shares will be sold free of all liens, charges and encumbrances, and together with all rights attaching thereto as at the date of the Placing Agreement, including the right to receive all dividends or other distributions declared, made or paid on or after the date of the Placing Agreement including, for the avoidance of doubt, the interim dividend of HK\$0.13 per Share declared by the Company prior to this announcement which is payable on 6 October 2006 to holders of Shares registered as at 27 September 2006. The books closure period for such dividend is from Monday 25 September 2006 to Wednesday 27 September 2006 (both dates inclusive). The placees will pay to the Vendor in respect of each Placing Share a total amount of HK\$13.38 comprising (i) HK\$13.25 as the Placing Price for each Placing Share and (ii) a payment of HK\$0.13 representing the interim dividend for such Placing Share to which the Vendor was originally entitled.

Independence of the Placees

The Placing Shares will be placed by the Placing Agent to not less than six independent professional, institutional and/or individual investors. Some of the placees are existing shareholders but it is not expected that any placee will become a substantial shareholder of the Company as a result of the Placing. The placees to be procured by the Placing Agent will be independent of the directors, chief executive or substantial shareholders of the Company or its subsidiaries or their respective associates within the meaning of the Listing Rules, not connected persons of the Company within the meaning of the Listing Rules, and not acting in concert with the Vendor in relation to the control of the Company within the meaning of the Takeovers Code.

Termination Events

The Placing Agent may have the right to terminate the Placing upon the occurrence of certain events such as any material breach of, or any event rendering untrue, incorrect or breached in any material respect, any of the representations, warranties or undertakings referred to in the Placing Agreement or any material breach of any of the other obligations of the Company or the Vendor under the Placing Agreement which are required to be performed at or before completion.

If the Placing Agent exercises such right the Placing and the Subscription will not proceed. **Shareholders and investors are therefore advised to exercise caution when dealing in Shares.**

Completion of the Placing

The parties expect that the Placing will be completed on 20 September 2006 (or such other date as the Vendor and the Placing Agent may agree in writing). The Company will make a further announcement after completion of the Subscription to provide further details of the number of Placing Shares successfully placed.

SUBSCRIPTION OF NEW SHARES

Number of new Shares to be subscribed

The Vendor has agreed to subscribe for the Subscription Shares. The actual number of Shares to be subscribed shall be the same as the actual number of Placing Shares successfully placed by the Placing Agent.

Subscription Price

The Subscription Price per new Share is equivalent to the Placing Price of HK\$13.25 per Share. 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 proceeds of the Placing from the date of completion of the Placing to the date of completion of the Subscription will be for the benefit of the Company.

If the Placing Agent does not exercise its option in respect of the Additional Placing Shares but all the Base Placing Shares are successfully placed, then the Subscription Shares will have a market value of HK\$822 million, based on the closing price of HK\$14.18 on 14 September 2006, the last trading day in the Shares prior to this announcement, and the net price of the Subscription will be about HK\$13.02 per Share. If the Placing Agent exercises its option in respect of the Additional Placing Shares and all the Placing Shares including such Additional Placing Shares are successfully placed, then the Subscription Shares will have a market value of HK\$1,234 million, based on the closing price of HK\$14.18 on 14 September 2006, the last trading day in the Shares prior to this announcement, and the net price of the Subscription will be about HK\$13.02 per Share.

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription are fair and reasonable under the current market condition and in the interest of the Company and the Shareholders as a whole.

General mandate to issue the Subscription Shares

The Subscription Shares will be issued under the general mandate granted by the Shareholders to the Directors pursuant to the resolution of the Shareholders passed in the general meeting held on 8 May 2006. The Company has not previously issued any Shares in exercise of such mandate. The total number of Shares permitted to be issued under such mandate is 113,353,570 Shares.

Ranking of the Subscription Shares

The Subscription Shares will, after they are issued, allotted and fully paid up, rank pari passu in all respects with the Shares in issue on the completion date of the Subscription including the right to any dividends or distributions after the date of completion of the Subscription. As the Subscription Shares will only be issued, allotted and fully paid on a date after 27 September 2006, which is the record date for the interim dividend of HK\$0.13 per Share declared by the Company prior to this announcement which is payable on 6 October 2006, the holder of the Subscription Shares will not be a Shareholder registered as at 27 September 2006, and will not accordingly be entitled to participate in such interim dividend.

Conditions of the Subscription

The Subscription is conditional upon:

- (1) completion of the Placing; and
- (2) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subscription Shares.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Completion of the Subscription

Completion of the Subscription will take place upon the fulfillment of all conditions listed above, and after 27 September 2006 which is the record date for the interim dividend of HK\$0.13 per Share declared by the Company prior to this announcement so that the holder of the Subscription Shares shall not be entitled to participate in such dividend, and in any event not later than 29 September 2006 being the date fourteen days from the date of the Placing Agreement (or such later date, subject to the approval of the Stock Exchange, as may be agreed between the parties). If the above conditions are not satisfied by such date or completion does not occur by such date the Placing Agreement will terminate. Under the Listing Rules, the Subscription Shares are required to be issued to the Vendor within fourteen days of the date of the Placing Agreement.

EFFECT OF THE PLACING AND THE SUBSCRIPTION ON SHAREHOLDING

The shareholding structure of the Company before and after the Placing and the Subscription will be as follows, assuming that the Placing Agent does not exercise its option in respect of the Additional Placing Shares but all the Base Placing Shares are successfully placed:

Shareholders	Current		Immediately after completion of the Placing but before the Subscription		Immediately after completion of the Placing and the Subscription	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
The Vendor and its concert parties	389,030,083	57.20%	331,030,083	48.67%	389,030,083	52.71%
Directors	1,243,000	0.18%	1,243,000	0.18%	1,243,000	0.17%
Other Shareholders	289,847,767	42.62%	347,847,767	51.15%	347,847,767	47.12%
Total	<u>680,120,850</u>	<u>100.00%</u>	<u>680,120,850</u>	<u>100.00%</u>	<u>738,120,850</u>	<u>100.00%</u>

The shareholding structure of the Company before and after the Placing and the Subscription will be as follows, assuming that the Placing Agent exercises its option in respect of the Additional Placing Shares and all the Placing Shares including such Additional Placing Shares are successfully placed:

Shareholders	Current		Immediately after completion of the Placing but before the Subscription		Immediately after completion of the Placing and the Subscription	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
The Vendor and its concert parties	389,030,083	57.20%	302,030,083	44.41%	389,030,083	50.71%
Directors	1,243,000	0.18%	1,243,000	0.18%	1,243,000	0.16%
Other Shareholders	289,847,767	42.62%	376,847,767	55.41%	376,847,767	49.13%
Total	<u>680,120,850</u>	<u>100.00%</u>	<u>680,120,850</u>	<u>100.00%</u>	<u>767,120,850</u>	<u>100.00%</u>

USE OF PROCEEDS OF THE SUBSCRIPTION

The directors of the Company consider the Placing and the Subscription will provide an opportunity to raise capital for the Company whilst broadening the shareholder base and the capital base of the Company.

The Company intends to use the estimated net proceeds of the Subscription of approximately HK\$1,133 million (assuming that the Placing Agent exercises its option in respect of the Additional Placing Shares and all the Placing Shares including such Additional Placing Shares are successfully placed) for expansion of its property investment and development business in the PRC. The gross proceeds will be HK\$1,153 million and the estimated expenses (including placing commission, legal fees, printing fees and other costs and expenses) will be HK\$20 million. In the event that the Placing Agent does not exercise its option in respect of the Additional Placing Shares, but all the Base Placing Shares are successfully placed, the estimated net proceeds will amount to approximately HK\$755 million. The gross proceeds will be HK\$769 million and the estimated expenses (including placing commission, legal fees, printing fees and other costs and expenses) will be HK\$14 million.

CAPITAL-RAISING ACTIVITIES DURING PAST 12 MONTHS

Apart from the capital raising activities mentioned below, the Company has not carried out other capital raising activities during the 12 months immediately preceding the date of this announcement. The actual use of proceeds of approximately HK\$1,377 million raised by the Company from the capital raising activities during the 12 months immediately preceding the date of this announcement are summarized below, which is in line with the intended use of proceeds as disclosed in the relevant announcements of the Company:

Date of Announcement	Capital Raising Activity	Net Proceeds Raised	Actual Use of Proceeds
8 May 2006	Top-up placing of 113,353,000 Shares	Approximately HK\$1,377 million	HK\$970 million was used to fund the subscription of shares in Polytec Asset Holdings Limited, the details of which have been summarized in the Company's announcement dated 8 May 2006 and the circular dated 23 May 2006. The remainder of HK\$407 million was used for business development and expansion.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries are principally engaged in property development and investment, property management, financial services, investment in Hong Kong, Macau and the PRC as well as local and overseas financial investments.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 15 September 2006 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 18 September 2006.

DEFINITIONS

“Additional Placing Shares”	Up to 29,000,000 existing Shares
“Base Placing Shares”	Up to 58,000,000 existing Shares
“Company”	Kowloon Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Or”	Mr. Or Wai Sheun, the chairman and a director of the Company
“Placing”	the placement of the Placing Shares to investors at the Placing Price described in this announcement
“Placing Agent”	Cazenove Asia Limited, a corporation licensed to carry on Types 1, 4, 6 and 9 of the regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Placing Agreement”	the placing agreement dated 15 September 2006 between the Vendor, the Company and the Placing Agent in respect of the Placing
“Placing Price”	the placing price of HK\$13.25 per Share
“Placing Shares”	The Base Placing Shares and (if the Placing Agent exercises its option in respect of the Additional Placing Shares) the Additional Placing Shares

“PRC”	the People’s Republic of China, excluding Taiwan and the Special Administrative Regions of Hong Kong and Macau
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Vendor
“Subscription Price”	the subscription price of HK\$13.25 per Share
“Subscription Shares”	Such number of new Shares as is equal to the number of Placing Shares successfully placed by the Placing Agent
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	Intellinsight Holdings Limited, a company incorporated in the British Virgin Islands and wholly and beneficially owned by Mr. Or’s family trust

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

Hong Kong, 15 September 2006

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

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