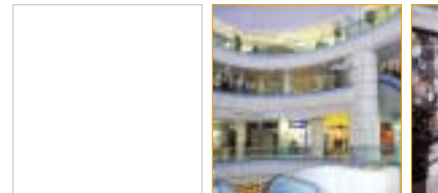


Chairman's Statement



Group Results and Dividends

The Board of Directors of Kowloon Development Company Limited (the "Company") is pleased to report that profit of the Company and its subsidiaries (the "Group") attributable to shareholders of the Company for the year ended 31 December 2004 was HK\$303 million (2003: HK\$202 million), an increase of 50% over that of 2003. Based on the weighted average number of 562,685,882 shares in issue during the year (2003: 483,767,850 shares), earnings per share rose 29% to 53.9 HK cents (2003: 41.7 HK cents), outperforming the target of delivering an annual earnings growth rate of 20% per share laid down by the Company in January 2004. The net asset value per share at 31 December 2004 was HK\$7.5 (31 December 2003: HK\$6.8).

The Board of Directors recommends the payment of a final dividend of 25 HK cents per share (2003: 22 HK cents per share) which is expected to be paid on 6 May 2005 to shareholders registered as at 5 May 2005 following approval at the Annual General Meeting to be held on 5 May 2005. The final dividend, together with the interim dividend of 7 HK cents per share (2003: 6 HK cents per share) paid on 29 October 2004, gives an aggregate dividend of 32 HK cents per share for 2004 (2003: 28 HK cents per share) and represents an increase of 14% over 2003. Total dividend for 2004 amounts to HK\$181 million which is 18% over last year's figure of HK\$154 million.

The Register of Members of the Company will be closed from Thursday, 28 April 2005 to Thursday, 5 May 2005, both dates inclusive. To qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 27 April 2005.

Business Review

Against the background of gradual economic recovery, expanded tourism from mainland China and buoyant property market, business environment and market sentiment have improved during the year.

The Group continued to grow and expand during the year under review. The results of our principal business activities, including property sales and leasing, were satisfactory with improvements recorded. In anticipation of a faster expansion, the Group issued 83 million new shares at the beginning of the year under review to provide for flexibility in development under a stronger capital base. After taking into account for the new issue, earnings per share grew by 29% on the weighted average number of 562,685,882 shares in issue during 2004.

In January 2004, recognising the promising prospects of Macau's economy, we acquired an 80% interest in the large-scale Macau residential property development project, La Baie Du Noble. With market oriented design and all rounded facilities, overwhelming interest has been received since commencement of the pre-sale of La Baie Du Noble, and about 80% of the residential units have been pre-sold.

In the first half of 2004, we acquired at a total consideration of HK\$152 million two commercial properties in Tsim Sha Tsui East to further strengthen our portfolio of investment properties and hence our recurrent income base. Both the office and retail sectors of the Group's portfolio have generally registered rising rents and improved occupancy rates during the year.

The Group achieved growth in profit from property sales in 2004 riding on the tide of appreciation in property prices. While income from rental activities still accounted for a significant portion of the Group's total profit, a more balanced contribution from property sales and rental activities has been achieved.



Prospects

Prices of investment properties and land in Hong Kong have soared rapidly during the past year, which has led to a general reduction in investment opportunities with attractive profit margin. In this connection, the Group has adjusted its strategy and reduced the pace of sales of development properties while leaving the Group's business development and earnings growth unaffected.

Our development projects are progressing well as planned and they will be released to the market in the appropriate time which will hopefully maximize profits and further strengthen our foundation for future development. La Baie Du Noble in Macau will be completed by the end of this year and is expected to make a significant contribution to the Group's results of 2005. The Group is now studying the feasibility of participating in a number of development projects and is confident in adding new development projects in 2005.

In light of the persistent high price of oil and rising interest rate, we will adopt prudent but proactive strategy in our pursuit of investment opportunities with reasonable return in order to build a sound foundation for continuous business expansion and earnings growth.

Finally, I would like to take this opportunity to express my gratitude to my fellow Directors for their guidance; and to all the staff for their diligence and dedication.

Or Wai Sheun
Chairman

Hong Kong, 30 March 2005

