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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)

**NOTIFICATION OF SETTLEMENT METHOD FOR THE CONSIDERATION
OF THE MAJOR TRANSACTION**

Reference is made to the First Announcement, the Circular and the Second Announcement in relation to the Acquisition and the establishment of the Joint Venture.

The Company has been notified by China Orient on 17 April 2008 that they have elected that the consideration of the Acquisition be satisfied by the issue of the Convertible Bonds.

The Convertible Bonds in the principal amount of HK\$2,413,773,720 will be issued to China Orient for the settlement of the consideration in the amount of RMB2,190,000,000, which is converted into Hong Kong dollar at the exchange rate of HK\$1 = RMB0.907293 as determined in accordance with the terms of the Assets Transfer Agreement. Assuming full conversion of the Convertible Bonds at the Conversion Price, an aggregate of 160,085,801 Shares will be issued, representing approximately 13.91% of the existing issued share capital of the Company and approximately 12.21% of the issued share capital of the Company as enlarged by the Conversion Shares.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may be issued pursuant to the conversion of the Convertible Bonds.

Reference is made to the announcement of the Company dated 29 August 2007 (the “**First Announcement**”), the circular of the Company dated 18 October 2007 (the “**Circular**”) and the announcement of the Company dated 1 April 2008 (the “**Second Announcement**”) in relation to the Acquisition and the establishment of the Joint Venture. Save as otherwise provided in this announcement, capitalised terms used herein shall have the same meanings as used in the Circular and the Second Announcement.

Pursuant to the terms of the Assets Transfer Agreement, the consideration in relation to the Acquisition will be satisfied by the Company in one of the following manners, as determined by China Orient:

- (a) by cash; or
- (b) by the issue of the Convertible Bonds; or
- (c) by the issue of the Consideration Shares.

The Company has been notified by China Orient on 17 April 2008 that they have elected that the consideration of the Acquisition be satisfied by the issue of the Convertible Bonds. The initial conversion price of HK\$15.078 per Share (the “**Conversion Price**”) was determined pursuant to the terms of the Assets Transfer Agreement. Please refer to the Circular for the detailed terms of the Convertible Bonds.

The Conversion Price of HK\$15.078 represents (i) a discount of about 7.50% to the closing price of HK\$16.30 per Share as quoted on the Stock Exchange on 22 August 2007, being the last trading day of the Shares prior to the release of the First Announcement; (ii) a discount of about 3.22% to the average closing price per Share of HK\$15.58 as quoted on the Stock Exchange for the last five trading days ended 22 August 2007, being the last trading day before the First Announcement, and (iii) a discount of about 5.53% to the closing price of HK\$15.96 per Share as quoted on the Stock Exchange on 17 April 2008, being the last trading day before the release of this announcement.

Convertible Bonds in the principal amount of HK\$2,413,773,720 will be issued to China Orient for the settlement of the consideration in the amount of RMB2,190,000,000, which is converted into Hong Kong dollar at the exchange rate of HK\$1 = RMB0.907293 as determined in accordance with the terms of the Assets Transfer Agreement. Assuming full conversion of the Convertible Bonds at the Conversion Price, an aggregate of 160,085,801 Shares will be issued, representing approximately 13.91% of the existing issued share capital of the Company and approximately 12.21% of the issued share capital of the Company as enlarged by the Conversion Shares.

The effect to the shareholding structure of the Company upon full conversion of the Convertible Bonds at the Conversion Price will be as follows:

Shareholders	Existing issued share capital of the Company		Issued share capital of the Company after the issue of the Conversion Shares	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Intellinsight	704,289,124	61.21	704,289,124	53.73
Directors (<i>Note 1</i>)	5,494,000	0.48	5,494,000	0.42
China Orient	—	—	160,085,801	12.21
Public shareholders (<i>Note 2</i>)	440,898,151	38.31	440,898,151	33.64
	<u>1,150,681,275</u>	<u>100.00</u>	<u>1,310,767,076</u>	<u>100.00</u>

Note:

1. These are the Shares held by the directors of the Company and its subsidiaries other than the Share interest attributable to three Directors (Mr. Or Wai Sheun, Ms. Ng Chi Man and Mr. Or Pui Kwan) by a discretionary trust which is the ultimate beneficiary owner of Intellinsight.
2. To the best of the Directors' knowledge, information and belief after making all reasonable enquiry, these Shares are not held by the Company's connected persons (as defined under the Listing Rules).

The Conversion Shares to be issued upon the exercise of the conversion rights attached to the Convertible Bonds will be issued under the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 26 April 2007.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may be issued pursuant to the conversion of the Convertible Bonds.

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

Hong Kong, 18 April 2008

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