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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)

DISCLOSEABLE TRANSACTION
CORPORATE GUARANTEE FOR A JOINT VENTURE COMPANY

On 2 January 2009, the Company entered into the Guarantee Agreement with the Lender pursuant to which the Company agreed to provide a proportional guarantee of up to RMB190 million of the loan principal amount and relevant interests, fees and expenses thereon in favour of the Lender in respect of a RMB380 million term loan facility extended by the Lender to the Joint Venture.

The provision of the Guarantee by the Company constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Rule 14.33 of the Listing Rules.

The Board of the Company announces that on 2 January 2009, the Company entered into the Guarantee Agreement with the Lender pursuant to which the Company agreed to provide a proportional guarantee of up to RMB190 million of the loan principal amount and relevant interests, fees and expenses thereon in favour of the Lender in respect of a RMB380 million term loan facility extended by the Lender to the Joint Venture.

THE GUARANTEE AGREEMENT

Date

2 January 2009

Parties:

- (1) The Company, as the guarantor; and
- (2) Bank of China Limited, Foshan Branch (中國銀行股份有限公司佛山分行), as the lender. The Lender is a state-owned commercial bank in the PRC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Lender is a third party independent of the Company and any of its connected persons. There are no transactions between the Company and the Lender that would be subject to aggregation with the Guarantee in accordance with Rule 14.22 of the Listing Rules.

Guarantee

Pursuant to the Guarantee Agreement, the Company, as a shareholder holding a 50% interest in the Joint Venture, will provide a proportional guarantee of up to RMB190 million of the loan principal and relevant interests, fees and expenses thereon in favour of the Lender in respect of a RMB380 million term loan facility extended by the Lender to the Joint Venture. In the event of defaults by the Joint Venture for any outstanding principal amounts or interests and fees thereon under the Loan, the Company will be jointly liable with the Joint Venture to repay the outstanding amounts under the Loan, subject to the Company's maximum liability under the Guarantee of up to RMB190 million in respect of the loan principal, equivalent to 50% of the loan principal, and relevant interests, fees and expenses thereon.

CITIC South China, as the other shareholder holding a 50% interest in the Joint Venture, will provide a separate proportional guarantee under the same terms as the Guarantee to the Lender to guarantee the other 50% of the outstanding amounts under the Loan.

The Loan

The Loan is a term loan facility extended by the Lender to the Joint Venture in the amount of RMB380 million for the Joint Venture's development of a project in Nanhai District, Foshan, the PRC. The Loan has a term of 36 months from the date of the first loan drawdown and bears interest at the prevailing market rate. Certain land use rights owned by the Joint Venture have been provided as security (the "Security") for the Loan.

REASONS FOR THE TRANSACTION

The purpose of the Guarantee is to enable the Joint Venture to release the Security given under the Loan from the Lender for its normal business operation of property development in Foshan, the PRC. The project was acquired by the Joint Venture in 2006 and the presale of the first phase of the residential development of this project is expected to commence soon.

The Company is of the view that the terms of the Guarantee are similar to those required by other banks for financing facilities and reflect normal banking practices in the PRC. The Directors (including the independent non-executive Directors) are of the view that (i) the terms of the Guarantee are on normal commercial terms and (ii) CITIC South China has also provided a corresponding guarantee under the same terms, the Guarantee is fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The provision of the Guarantee by the Company to the Joint Venture constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

CITIC South China is a holding company of Tianjin CITIC Real Estate Investment Co., Ltd., a substantial shareholder holding 30% interest of Polytec CITIC Property (Tianjin) Co., Ltd., a 51% owned subsidiary of the Company. It is also a shareholder holding a 50% interest in the Joint Venture and is a connected person of the Company. As the Guarantee is being provided by the Company on a several basis with CITIC South China and that CITIC South China is providing a corresponding guarantee to the Lender in respect of the remaining 50% of the outstanding amounts under the Loan, the provision of the Guarantee by the Company is exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(3) of the Listing Rules.

As disclosed in the announcement of the Company dated 24 July 2008, the Company has already provided a joint and several guarantee to the Joint Venture to guarantee a term loan of the Joint Venture in the amount of RMB200 million with a PRC financial institution. The Guarantee would thus need to be aggregated with this previous guarantee in accordance with Rule 14.22 of the Listing Rules. As the relevant percentage ratios in respect of the Guarantee, when aggregated with the guarantee already provided by the Company to the Joint Venture in respect of the other term loan facility are less than 25%, the provision of the Guarantee by the Company, after aggregation with the previous guarantee provided, still constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Rule 14.33 of the Listing Rules.

GENERAL

The Group is principally engaged in real estate investment and development in Hong Kong, Macau and the PRC. The Joint Venture is a Sino-foreign equity joint venture established in the PRC by the Company and CITIC South China for the purposes of developing 7 plots of land located in Nanhai District, Foshan, the PRC. It is 50% owned by the Company and 50% owned by CITIC South China and is accounted for as a jointly-controlled entity of the Company.

DEFINITIONS

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

“Board”	the board of directors of the Company
“CITIC South China”	中信華南(集團)有限公司 (CITIC South China (Group) Co., Ltd.), a limited liability company incorporated in the PRC which is principally engaged in property development and is a shareholder holding a 50% interest in the Joint Venture
“Company”	Kowloon Development Company Limited, a company incorporated in Hong Kong, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guarantee”	the 50% proportional guarantee to be provided by the Company pursuant to the Guarantee Agreement in favour of the Lender in respect of the Loan
“Guarantee Agreement”	the agreement entered into between the Company and the Lender on 2 January 2009 in respect of the Guarantee
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Joint Venture”	中信保利達地產(佛山)有限公司(CITIC Polytec Property (Foshan) Company Limited), a Sino-foreign equity joint venture company established in the PRC and is owned as to 50% by the Company and as to 50% by CITIC South China
“Lender”	中國銀行股份有限公司佛山分行(Bank of China Limited, Foshan Branch), the lender of the Loan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a term loan facility extended by the Lender to the Joint Venture in the principal amount of RMB380 million
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 2 January 2009

As at the date of this announcement, the Board comprises four Executive Directors, being Mr. Or Wai Sheun (Chairman), Ms. Ng Chi Man, Mr. Lai Ka Fai and Mr. Or Pui Kwan; three non-Executive Directors, Mr. Keith Alan Holman (Deputy Chairman), Mr. Tam Hee Chung and Mr. Yeung Kwok Kwong, and four Independent Non-executive Directors, Mr. Li Kwok Sing, Aubrey, Mr. Lok Kung Chin, Hardy, Mr. Seto Gin Chung, John and Mr. David John Shaw.