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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)

**TERMINATION OF THE PROPOSED ACQUISITION OF SHENZHEN
PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED**

This announcement is made pursuant to Rule 14.36 of the Listing Rules.

On 2 April 2009, the Purchaser, an 85% owned subsidiary of the Company, entered into the Settlement Agreement with the Sellers' Group in relation to the Agreement. The proposed Acquisition will not proceed.

References are made to the Company's announcement dated 6 April 2005, circular dated 30 June 2005 and announcements dated 28 April 2006, 26 May 2006, 24 April 2007, 25 April 2007, 31 October 2007 and 2 July 2008 in relation to the proposed Acquisition by the Purchaser of an approximately 70.3% interest in Shenzhen Properties & Resources Development (Group) Limited (the "**Shenzhen Properties**"), whose A-Shares and B-Shares are listed on the Shenzhen Stock Exchange, which constitutes a very substantial acquisition for the Company under the Listing Rules. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as defined in the circular of the Company dated 30 June 2005.

On 2 April 2009, the Purchaser, an 85% owned subsidiary of the Company, entered into a Settlement Agreement (the "**Settlement Agreement**") with the Sellers and 深圳市投資控股有限公司 (Shenzhen Investment Holdings Limited) (collectively, the "**Sellers' Group**") under which the Sellers' Group shall, within 15 business days from the signing of the Settlement Agreement, pay to the Purchaser:

- (i) a sum of HK\$242,285,731.08, being deposit refund of HK\$216,309,700.00 and interest accrued thereon of HK\$25,976,031.08;
- (ii) a sum of RMB10,348,098.49 (equivalent to approximately HK\$11,759,202.83), being earnest money refund of RMB10,000,000.00 (equivalent to approximately HK\$11,363,636.36) and interest accrued thereon of RMB348,098.49 (equivalent to approximately HK\$395,566.47); and

(iii) a sum of HK\$21,936,276.33, being partial compensation for foreign exchange loss.

Pursuant to the Settlement Agreement, each of the parties agree to release the other parties from any claim including but not limited to arbitration, litigation, performance and compensation that any such party may have in connection with the sale and purchase of the Shenzhen Properties; and the proposed Acquisition will not proceed.

As announced in the Company's announcement dated 6 April 2005, the Purchaser entered into the Agreement dated 1 April 2005 with the Sellers. Pursuant to the Agreement, the Purchaser had agreed to acquire from the Sellers the Shenzhen Properties at a consideration of RMB458,576,423.93 (equivalent to approximately HK\$432,619,267.86 as at the date of the Agreement at the exchange rate of HK\$1.00 = RMB1.06). The Purchaser previously paid in aggregate HK\$345,742,772.35, of which HK\$120,000,000.00 was deposit placed with China Securities Depository and Clearing Corporation Limited for the possible general offer for the remaining interest of the Shenzhen Properties (which was fully refunded to the Purchaser in November 2008) and the balance was deposit and earnest money paid to the Sellers for the proposed Acquisition (which will be fully refunded pursuant to the Settlement Agreement). As disclosed in the Company's previous announcements, the proposed Acquisition has not been completed owing to, inter alia, the Sellers failure to perform its obligations under the Agreement. The Purchaser has taken necessary actions to request for specific performance by the Sellers. In view of the changes in economic environment and the property portfolio of the Shenzhen Properties since the date of the Agreement, the Company and the Purchaser consider that it is appropriate to enter into the Settlement Agreement. The Directors of the Company are of the opinion that termination of the proposed Acquisition will not have any material adverse impact on the Group's operation and business plan and it is in the best interest of the Company to reach a settlement.

This announcement is made pursuant to Rule 14.36 of the Listing Rules.

Unless otherwise specified, RMB has been translated into HK\$ at the exchange rate of HK\$1.00 = RMB0.88 for illustration purpose. Such translation should not be construed as a representation that any amounts in RMB or HK\$ have been, could have been, or could be, converted at the above rate or any other rates or at all.

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

Hong Kong, 2 April 2009

As at the date of this announcement, the Directors of the Company are 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.