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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 AND CONNECTED TRANSACTION
DISPOSAL OF 12% EQUITY INTEREST
IN
POLYTEC CITIC PROPERTY (TIANJIN) CO., LTD.**

The Board announces that on 29 July 2009, the Company, Flying and Tianjin CITIC entered into the Equity Transfer Agreement pursuant to which the Company has agreed to sell to Tianjin CITIC the Sale Interest, which represents a 12% interest in the registered capital of the Project Company, for a consideration of RMB49,500,000 (equivalent to approximately HK\$56,154,000). Pursuant to the Equity Transfer Agreement, Flying, an equity holder of the Project Company which is independent of the Company, has also agreed to sell to Tianjin CITIC its 9% interest in the registered capital of the Project Company.

After completion of the Disposal, the Company's interest in the registered capital of the Project Company will decrease from 51% to 39%, and the Project Company will no longer be accounted for as a subsidiary of the Company but will become an associated company of the Company.

The Disposal constitutes a discloseable transaction for the Company. As Tianjin CITIC is interested in 30% of the registered capital of the Project Company, it is a substantial shareholder in the Project Company and hence a connected person of the Company for the purposes of the Listing Rules. The entering of the Equity Transfer Agreement by the Company constitutes a non-exempted connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Tianjin CITIC is not interested in any Shares of the Company and to the best knowledge, information and belief of the Directors, no Shareholder is interested in the Equity Transfer Agreement and is required to abstain from voting for the resolution to approve the Disposal, the Company has applied to the Stock Exchange for a waiver from the requirement to hold a general meeting in accordance with Rule 14A.43 of the Listing Rules on the basis of a written certificate given by Intellinsight, which is beneficially interested in 802,830,124 Shares, representing approximately 69.77% of the issued share capital of the Company, to approve the Disposal.

A circular containing, amongst other things, further details relating to the Disposal, the letter from the Independent Board Committee and the advice from the independent financial adviser will be despatched to the Shareholders as soon as practicable.

As completion of the Equity Transfer Agreement is subject to the fulfilment of a number of conditions, which may or may not be satisfied, the Equity Transfer Agreement may or may not complete. Shareholders and public investors are reminded to exercise caution when dealing in the securities of the Company.

THE EQUITY TRANSFER AGREEMENT

Date: 29 July 2009

Parties to the Equity Transfer Agreement:

- (1) The Company;
- (2) Flying, which is currently interested in 9% of the registered capital of the Project Company. Flying is principally engaged in, among other things, investment and development of real estate in the PRC, particularly in Tianjin. To the best knowledge of the Directors, after having made due enquiry, Flying and its ultimate beneficial owner are independent of and not connected with the Company or any of its connected persons; and
- (3) Tianjin CITIC, which is currently interested in 30% of the registered capital of the Project Company, is a connected person of the Company for the purposes of the Listing Rules. Tianjin CITIC is principally engaged in, among other things, investment and development of real estate in the PRC. It is wholly-owned by 中信華南(集團)有限公司 (CITIC South China (Group) Co. Ltd. (“**CITIC South China**”)), which is a 50% joint venture partner of the Company in CITIC Polytec Property (Foshan) Company Limited, a 50% owned jointly controlled entity of the Company. Upon completion of the Equity Transfer Agreement, each of Tianjin CITIC and CITIC South China will no longer be a connected person of the Company under the Listing Rules.

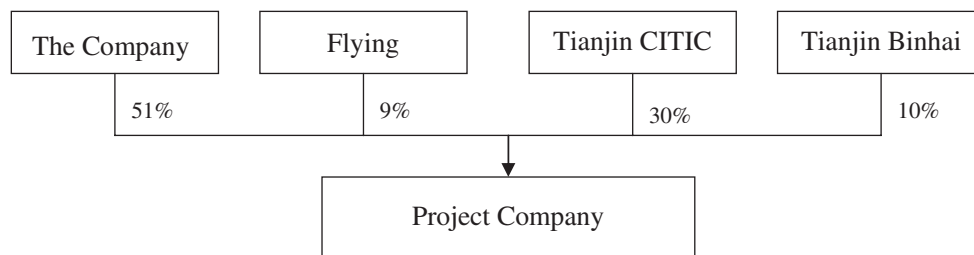
The Company and Tianjin CITIC have not entered into transactions of a similar nature in the past 12 months that would need to be aggregated with the Equity Transfer Agreement pursuant to Rule 14.22 of the Listing Rules.

The Disposal

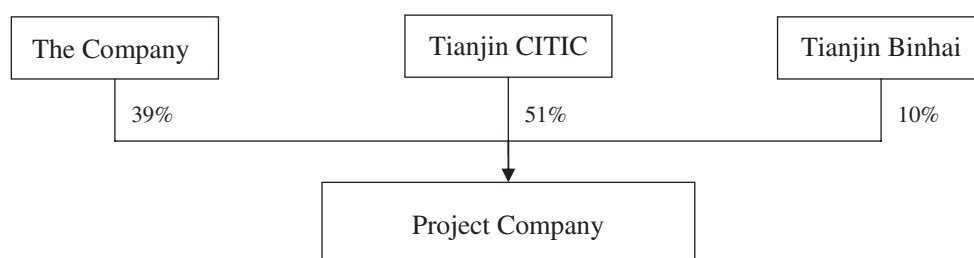
Pursuant to the Equity Transfer Agreement, the Company has agreed to sell to Tianjin CITIC the Sale Interest, representing a 12% interest in the registered capital of the Project Company, and Flying has agreed to sell to Tianjin CITIC a 9% interest in the registered capital of the Project Company.

The changes to the shareholding structure of the Project Company before and immediately after completion of the Equity Transfer Agreement are as follows:

Before completion



Immediately after completion



After completion of the Disposal, the board of directors of the Project Company will consist of 7 members, of which the Company will have the right to appoint 2 directors, Tianjin CITIC will have the right to appoint 4 directors (including the chairman) and Tianjin Binhai will have the right to appoint 1 director.

The Project Company is a company incorporated in the PRC and is a 51% owned subsidiary of the Company. As at the date of this announcement, the registered capital of the Project Company injected by the Company was US\$25,245,000 (equivalent to approximately RMB191,231,000 or HK\$216,938,000). After completion of the Disposal, the Company's equity interest in the Project Company will be reduced to 39% and the Project Company will no longer be accounted for as a subsidiary of the Company but will become an associated company of the Company and the results and assets and liabilities of the Project Company will be incorporated in the financial statements of the Company on consolidation using the equity method of accounting.

The Project Company is a Sino-foreign equity joint venture enterprise established in 2007 to develop the Property, which is a site located in the Hedong District of Tianjin. The Property has a site area of approximately 137,940 square metres and will be developed into a composite residential and commercial complex comprising residential, office, hotel and retail elements with total gross floor area of approximately 930,000 square meters. As at the date of this announcement, site clearance work is underway.

The net asset value of the Project Company was approximately RMB248,388,000 (equivalent to approximately HK\$281,779,000) as at 31 December 2008. A total amount paid by the parties to Tianjin Binhai as part payment of the Initial Price in relation to the acquisition of the Property was RMB1,500,000,000 (equivalent to approximately HK\$1,701,645,000) as at the date of this announcement. There was no profit and loss before and after tax of the Project Company per the audited accounts for the two years ended 31 December 2007 and 31 December 2008, which were prepared in accordance with the generally accepted accounting principles in the PRC, as all incomes and expenses incurred had been capitalized. The net operating expenses (mainly administrative expenses), which represents operating expenses less income, capitalized up to 31 December 2008 was approximately RMB1,016,000 (equivalent to approximately HK\$1,153,000). The net operating expenses had been charged to profit and loss account on the Group's consolidated accounts which were prepared in accordance with the generally accepted accounting principles in Hong Kong.

Consideration

The consideration for the Disposal is RMB49,500,000 (equivalent to approximately HK\$56,154,000). The consideration was determined after arm's length negotiations between the parties having considered the following factors:—

- (a) the registered capital injected by the Company in proportion to the Sale Interest of approximately RMB44,996,000 (equivalent to approximately HK\$51,045,000);
- (b) the market value of the Property as at 30 June 2009 was approximately RMB4,290,000,000 (equivalent to approximately HK\$4,866,704,000) based on a property valuation report prepared by an independent valuer;
- (c) the further receipt in relation to downward adjustment in the Company's contribution to the Initial Price hereinafter described; and
- (d) the reduction in commitment, resulting from the reduction of the Company's proportionate contribution, to pay the remaining Initial Price upon completion of the Equity Transfer Agreement by approximately RMB240,000,000 (equivalent to approximately HK\$272,263,000).

The consideration will be payable by Tianjin CITIC within 7 days from the registration of the transfers with the relevant PRC administrative bureau for industry and commerce. In addition to the consideration, as a result of the Disposal, the Company will further receive an amount of approximately RMB221,877,000 (equivalent to approximately HK\$251,704,000) including the portion of the contribution in the amount of approximately RMB179,494,000 (equivalent to approximately HK\$203,623,000) already made by the Company to the Initial Price. The difference of the two amounts represents gain to the Company.

The total proceeds on the Disposal together with further receipt as described above amount to approximately RMB271,377,000 (equivalent to approximately HK\$307,858,000). Subject to audit, it is expected that based on the audited accounts of the Project Company as at 31 December 2008, the

Group will realise an overall gain before tax and exchange differences of approximately RMB47,009,000 (equivalent to approximately HK\$53,328,000) which is calculated mainly by comparing the total proceeds with the related portion of registered capital and the contribution made by the Company to the Initial Price. The Directors currently intend to apply the proceeds in connection with the Disposal for property development projects in the PRC and as general working capital of the Company with allocation to be determined.

Conditions

Completion of the Equity Transfer Agreement is conditional upon:

- (a) the approval of the Equity Transfer Agreement by the shareholders of the Company and the shareholders of Tianjin CITIC;
- (b) the other equity holder in the Project Company, Tianjin Binhai, having consented to the transfers contemplated under the Equity Transfer Agreement;
- (c) the entering into of the amended articles of association and amended joint venture contract of the Project Company by the parties thereto and the appointment of new directors, chairman and supervisors of the Project Company;
- (d) the Project Company having passed resolutions to approve the transactions contemplated under the Equity Transfer Agreement, the amendments to the article of association and joint venture contract and the appointment of new directors, chairman and supervisors;
- (e) the transactions contemplated under the Equity Transfer Agreement, the amendments to the articles and association and joint venture contract of the Project Company having been approved by the PRC approval authority; and
- (f) the transactions contemplated under the Equity Transfer Agreement, the amendments to the articles and association and joint venture contract of the Project Company, and the appointment of the new directors, chairman and supervisors having been registered with the relevant PRC administrative bureau for industry and commerce.

EFFECT ON THE SUPPLEMENTAL AGREEMENT AND THE COOPERATION AGREEMENT

As disclosed by the Company in its circular dated 7 June 2007 (the “**Circular**”), at present each of the Company, Tianjin CITIC and Flying is responsible for 61%, 30% and 9% of the Initial Price and is entitled to the profits generated by and bear the losses incurred by the Project Company in the same proportion under the Supplemental Agreement and the Cooperation Agreement. Upon payment of the Initial Price in full, Tianjin Binhai will transfer its 10% equity interest in the Project Company to the Company and the Project Company will then be held as to 61% by the Company, 30% by Tianjin CITIC and 9% by Flying.

As a result of the Disposal, Flying will cease to have any rights and obligations in the Project Company, and the Company and Tianjin CITIC's proportional contribution to the Initial Price will be adjusted to reflect the transfer of the Sale Interest by the Company to Tianjin CITIC and the increased equity interest of Tianjin CITIC in the Project Company. With respect to the Initial Price, the Company's contribution already made will be adjusted down and hence a portion of which will be received by the Company, while the Company and Tianjin CITIC will be respectively responsible for 49% and 51% of the remaining Initial Price. The Project Company will be accounted for on consolidation by the Company using equity method of accounting and the Company will share 49% of the profit and loss of the Project Company thereafter.

REASONS FOR THE TRANSACTION

The Group is principally engaged in property investment and development in Hong Kong, Macau and the PRC and financial investments.

In view of the good co-operation relationship between the Company and CITIC South China that had been built in the Foshan property development project and the solid experience of CITIC South China in property development, the Directors are of the view that by leveraging on the resources and expertise of Tianjin CITIC and their active management involvement as a result of its increase in equity interest in the Project Company, it will accelerate the development of the Property. As a result of Disposal, the relevant proceeds and the receipt can be utilised to finance the Group's other projects.

The Directors, including the non-executive Directors, are of the view that the terms of the Equity Transfer Agreement were concluded after arm's length negotiations under normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

GENERAL

The Disposal constitutes a discloseable transaction for the Company. As Tianjin CITIC is interested in 30% of the registered capital of the Project Company, it is a substantial shareholder in the Project Company and hence a connected person of the Company for the purposes of the Listing Rules. The entering into the Equity Transfer Agreement by the Company constitutes a non-exempted connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Tianjin CITIC is not interested in any Shares of the Company and to the best knowledge, information and belief of the Directors, no Shareholder is interested in the Equity Transfer Agreement and is required to abstain from voting for the resolution to approve the Disposal, the Company has applied to the Stock Exchange for a waiver from the requirement to hold a general meeting in accordance with Rule 14A.43 of the Listing Rules on the basis of a written certificate given by Intellinsight, which is beneficially interested in 802,830,124 Shares, representing approximately 69.77% of the issued share capital of the Company, to approve the Disposal.

A circular containing, amongst other things, further details relating to the Disposal, the letter from the Independent Board Committee and the advice from the independent financial adviser will be despatched to the Shareholders as soon as practicable. None of the members of the Independent Board Committee has any material interest in the Disposal.

As completion of the Equity Transfer Agreement is subject to the fulfilment of a number of conditions, which may or may not be satisfied, the Equity Transfer Agreement may or may not complete. Shareholders and public investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Agreement”	the cooperation agreement dated 13 December 2006 entered into between the Company and Tianjin Binhai in relation to the investment in the Project Company, and has the meaning ascribed to it in the Circular
“Board”	the board of directors of the Company
“Company”	Kowloon Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Cooperation Agreement”	the cooperation agreement dated 15 May 2007 entered into between the Company, Tianjin CITIC and Flying in relation to the investment in the Project Company, and has the meaning ascribed to it in the Circular
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the Sale Interest by the Company to Tianjin CITIC pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the sale and purchase agreement dated 29 July 2009 between the Company, Flying and Tianjin CITIC in relation to the disposal of the Sale Interest by the Company to Tianjin CITIC and the disposal of a 9% interest by Flying to Tianjin CITIC

“Flying”	天津翔達投資發展有限公司 (Tianjin Flying Investment Development Co., Ltd.), a limited liability company established in the PRC and a 9% equity holder in the Project Company as at the date of this announcement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors appointed by the Board to advise the Shareholders in relation to the Disposal
“Initial Price”	the aggregate consideration of RMB3,500,000,000 (equivalent to approximately HK\$3,970,505,000) payable to Tianjin Binhai under the Agreement
“Intellinsight”	Intellinsight Holdings Limited, a company incorporated in the British Virgin Islands, the controlling shareholder of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China and for the purpose of this announcement, exclude Taiwan, Hong Kong and the Macau Special Administrative Region
“Project Company”	保利達中信地產(天津)有限公司 (Polytec CITIC Property (Tianjin) Co., Ltd.), a Sino-foreign equity joint venture enterprise established in the PRC and is a 51%-owned subsidiary of the Company as at the date of this announcement
“Property”	Lot No. Jin Dong Liu 2004-066, intersection of Shiyijing Road and Liuwei Road, Hedong District, Tianjin, the PRC
“RMB”	Renminbi, the lawful currency of the PRC

“Tianjin Binhai”	天津濱海快速交通發展有限公司 (Tianjin Binhai Mass Transit Development Co., Ltd.), a limited liability company established in the PRC and a 10% equity holder in the Project Company as at the date of this announcement
“Tianjin CITIC”	天津中信地產投資有限公司 (Tianjin CITIC Real Estate Investment Co., Ltd.), a limited liability company established in the PRC and is a 30% equity holder in the Project Company as at the date of this announcement
“Sale Interest”	12% interest of the registered capital of the Project Company
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental cooperation agreement dated 15 May 2007 entered into between the Company, Tianjin Binhai, Tianjin CITIC and Flying in relation to investment in the Project Company, and has the meaning ascribed to it in the Circular

Unless otherwise specified, RMB has been translated into HK\$ at the exchange rate of HK\$1.00 = RMB0.8815 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, 30 July 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.