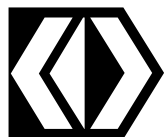


The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 34)

MAJOR TRANSACTION

**ACQUISITION OF ALL THE ISSUED SHARES OF
WINSWORLD PROPERTIES LIMITED
AND THE SALE LOAN**

The Purchaser and the Company have entered into the Agreement under which the Purchaser is to acquire all of the issued shares of the Property Co and the Sale Loan for a cash consideration of HK\$1,342,000,000 and the Company shall act as the guarantor of the Purchaser's obligations under the Agreement. The Seller Guarantor shall act as the guarantor of the obligations under the Agreement of the Property Co and the Seller respectively. The principal asset of the Property Co is the Property. The Property is the commercial and car park complex of a building known as the "Elizabeth House", located in Causeway Bay, Hong Kong and comprises a 7-storey commercial podium, various advertising signages on the exterior walls, roof and canopies of the podium plus 175 car parking spaces. The Acquisition is subject to certain conditions mentioned below and due diligence.

The Purchaser has the option to acquire the Property directly for the same consideration. The Acquisition constitutes a major transaction of the Company and is therefore subject to approval by the Shareholders. No Shareholder is required to abstain from voting if the Company were to convene a general meeting. The Company has obtained the written approval of the Acquisition from Intellinsight, which as at the date of this announcement, holds approximately 62.25% of the issued Shares and voting rights in a general meeting of the Company. The interest of Intellinsight in the Acquisition is no different to that of all other Shareholders. Accordingly, subject to Rule 14.44 of the Listing Rules, approval of the Acquisition will be obtained by way of the written approval in lieu of holding a general meeting.

Shareholders and investors should note that the Acquisition is subject to conditions, including that the parties satisfying all relevant requirements of the Listing Rules. The Stock Exchange has indicated concern as to whether Mexan can comply with the requirements of Rule 14.92 in respect of restrictions on disposal of assets by Mexan. Accordingly, the Acquisition may or may not complete. Shareholders should exercise caution when dealing in the Shares.

Trading in the shares of the Company was suspended as from 9:30 a.m. on 18 October 2004 at the request of the Company pending the issue of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on Monday, 25 October 2004.

The Provisional Sale and Purchase Agreement

1. Date: 15 October 2004

2. Parties:

Purchaser	:	Town House Development Limited
Purchaser Guarantor	:	Kowloon Development Company Limited
Seller	:	All Victory Holdings Limited
Seller Guarantor	:	Mexan Limited
Property Co	:	Winsworld Properties Limited

As at the date of the Agreement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Seller, the Seller Guarantor and its ultimate beneficial controlling shareholder is a third party independent of the Company and connected persons (as defined in the Listing Rules). As disclosed in the public documents of the Seller Guarantor, its ultimate beneficial controlling shareholder is Mr. Lau Kan Shan.

3. The assets to be acquired

- (i) The entire issued share capital of the Property Co; and
- (ii) The Sale Loan as at the date of Completion.

Pursuant to the Agreement, the Seller Guarantor shall procure the sale of the entire issued share capital of the Property Co by the Seller. The Property Co is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Seller and a subsidiary of the Seller Guarantor as defined under the Companies Ordinance, Chapter 32 of the Laws of Hong Kong. As at 31 March 2004, the Property Co had an aggregate of 100 issued shares of US\$1 each. The Property Co's only principal asset is the Property and is not engaged in any other business other than the holding of the Property.

Based on the unaudited management accounts as at 31 March 2004, the Property Co had total assets of HK\$1,668.8 million and net liabilities of HK\$282.7 million and the Property had a book value of HK\$1,620 million. On such date, the amount owing to the Seller Guarantor amounted to HK\$1,310.9 million. Audited financial information on the Property Co has not been made available and the Seller Guarantor has made various announcements on the delay of release of its audited results for the year ended 31 March 2004.

The Property Co recorded an aggregated rental income of approximately HK\$90.4 million for the year ended 31 March 2004 and HK\$76.6 million for the year ended 31 March 2003. For the year ended 31 March 2003, the Property Co recorded audited loss before taxation of HK\$352.5 million and audited loss after taxation of HK\$354.1 million. For the year ended 31 March 2004, the Property Co recorded unaudited profits before taxation of HK\$129.1 million and profits after taxation of HK\$120.9 million.

Pursuant to the Agreement, the Seller Guarantor shall discharge all debts or liabilities of the Property Co (if any) upon the date of Completion except the Sale Loan.

4. The Property

A commercial property being the commercial and car park complex of a building known as the “Elizabeth House” located at numbers 250 to 254 of Gloucester Road, Causeway Bay, Hong Kong. The Property comprises the 7-storey commercial podium, various advertising signages on the exterior walls, roof and canopies of the podium plus 175 car parking spaces. The Property was completed in 1978 and has a total gross floor area of approximately 21,803.42 sq.m. (234,692 sq.ft.) excluding the car parking spaces, advertising signages, roof and canopies areas.

On 20 June 2003, the Property Co entered into a management agreement with Verywell Services Limited (“Verywell”), whereby Verywell agreed to provide management services in respect of the Property. Verywell was a former subsidiary of the Seller Guarantor. Verywell is a property management company engaged to manage the Property and the tenancies of the Property and, together with its current ultimate beneficial owner, are independent third parties not connected with the Seller, the Seller Guarantor and the Company and their respective connected persons. Under the management agreement, Verywell also provides a guarantee to the Property Co that the annual rental income to be generated from the Property will not be less than HK\$78 million per annum, with any income in excess of that amount to be retained by Verywell. The management agreement covers a period of 3 years up to June 2006.

Accordingly, after deducting the amount paid to Verywell pursuant to the management agreement, the Property currently generates a total annual rental of approximately HK\$78 million. The rental income contributed from the Property represents an annual yield of approximately 5.8% on the basis of the consideration. The Seller Guarantor advised that the Property is 99.6% let as at October 2004. Based on existing tenancies, in the event that the management agreement is terminated, the Property would generate an annual rental of approximately HK\$87.6 million.

5. Consideration

HK\$1,342,000,000.

The terms of the Agreement including the consideration were reached and determined on an arm’s length basis with reference to the prevailing market conditions in Hong Kong and other property sale and purchase transactions involving larger scale commercial complexes with multi-storey retail centres in the last 12 months. The Directors consider that the consideration is fair and reasonable to the Company and the Acquisition is in the interests of the Shareholders as a whole.

A valuation report of the Property to be prepared by an independent property valuer will be sent along with the Circular to the Shareholders.

6. Payment Terms

- (i) An initial deposit in the sum of HK\$50,000,000 was paid by the Purchaser to the Seller’s solicitors as escrow agent upon execution of the Agreement. The Seller’s solicitors shall release the said initial deposit to the Seller Guarantor only if (a) the Seller’s solicitors have proved to the Purchaser’s solicitors that the Property Co has a good title to the Property and (b) the Seller’s solicitors have produced proof to the Purchaser’s solicitors that the balance of the purchase price is sufficient to redeem the Property from the existing mortgage to which the Property is subject.

- (ii) A further deposit in the sum of HK\$84,200,000 is to be paid by the Purchaser to the Seller's solicitors as escrow agent upon the signing of the formal sale and purchase agreement. The Seller's solicitors shall release the said further deposit to the Seller Guarantor only upon fulfillment of the conditions (a) and (b) in sub-paragraph (i) above.
- (iii) The balance of the consideration of HK\$1,207,800,000 is to be paid by the Purchaser to the Seller Guarantor upon Completion.

7. Conditions of the Acquisition

Completion of the Acquisition is subject to the satisfaction of the following conditions:—

- (i) the Purchaser Guarantor and the Seller Guarantor (as the case may be) have satisfied all relevant requirements of the Listing Rules;
- (ii) the Seller Guarantor has satisfied any and all requirements of the Stock Exchange;
- (iii) the Seller Guarantor has obtained all necessary consents from its lenders to the Agreement; and
- (iv) the Seller Guarantor has obtained all necessary consents of the holders of all outstanding convertible notes to the Agreement.

A formal sale and purchase agreement shall be executed by the parties on or before 5 November 2004. Prior to execution of the formal sale and purchase agreement, the Seller Guarantor shall use its best endeavours to negotiate the termination of a management agreement entered into between the Property Co and Verywell on 20 June 2003 in relation to the Property. The Purchaser intends to engage the management services provider within the Group to provide the property management services for the Property upon Completion. In the event that by 1 March 2005 (or such later date as the Seller Guarantor and the Purchaser shall agree) (i) any one or more of the conditions is not satisfied, the Seller Guarantor shall repay to the Purchaser the Deposits without any interest and none of the parties to the Agreement shall have any claim against the other save as aforesaid or save for any antecedent breaches; or (ii) all the conditions are satisfied but the Purchaser fails to proceed to complete the transaction with the Seller, then the Seller Guarantor shall be entitled to forfeit and retain the Deposits and, save as aforesaid, all liability of the parties shall cease and determine.

Shareholders and investors should note that the Acquisition is subject to conditions, including that the parties satisfying all relevant requirements of the Listing Rules. The Stock Exchange has indicated concern as to whether Mexan can comply with the requirements of Rule 14.92 in respect of restrictions on disposal of assets by Mexan. Accordingly, the Acquisition may or may not complete. Shareholders should exercise caution when dealing in the Shares.

8. Completion Date

Subject to the fulfillment of all the conditions of the Agreement set out in paragraph 7 above and proof of a good title to the Property in accordance with section 13 of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong), Completion shall take place on or before the later of 25 January 2005 and within 7 days following satisfaction of the conditions and in any event not later than 1 March 2005.

9. Option for the Purchase of the Property

Due to the limited time available to perform the necessary financial and legal due diligence on the Property Co, the Seller Guarantor has granted the Purchaser the option to acquire the Property directly but not the issued shares of the Property Co and the Sale Loan under the same terms and conditions (including the consideration) as contained in the Agreement. The Purchaser may exercise this option within 10 working days from the date of the Agreement (i.e. by 1 November 2004) by serving a written notice on the Seller to such effect. In the event that the option is not exercised, the Purchaser will proceed with the acquisition of all the issued shares in the Property Co and the Sale Loan. In the event that the option is exercised, the Purchaser agrees to purchase the Property subject to its existing tenancies and licenses and such tenancies and licenses shall be assigned to the Purchaser upon Completion. Pursuant to Rule 14.77, a further announcement will be made by the Company whether or not this option is exercised.

10. Source of funding for the Acquisition

The Group intends to finance the Acquisition using internal resources and bank financing. The Directors have not decided the exact proportion of the source of financial resources applied for the Acquisition and will consider the relevant amounts taken into account the working capital position of the Group at the time of Completion.

11. Financial effect of the Acquisition

Based on the unaudited management accounts of the Property Co as at 31 March 2004, the Property generated an aggregate rental income of approximately HK\$90.4 million for the year ended 31 March 2004. Such rental income represented approximately 13.4% and 50.4% respectively of the total turnover and recurrent rental income of the Group for the year ended 31 December 2003 of HK\$673.8 million and HK\$179.3 million.

12. Reasons for and benefits of the Acquisition

The Directors are optimistic on the long-term prospects of the property market in Hong Kong and in particular, large scale retail complexes with prime location. The Group has been actively searching for attractive opportunities in retail properties. The Directors believe that the Acquisition represents a good opportunity for the Group to build upon its retail property portfolio at a reasonable price. The Directors intend to work towards the improvement in the rental performance of the Property through proactive tenancy management. The income from the Property will further enhance the recurrent income base of the Group and contributes towards the long-term planning of the investment and development property portfolios of the Group.

The terms of the Agreement were negotiated on an arm's length basis and were made on normal commercial terms. The Directors consider that the terms of the Agreement are fair and reasonable to the Company and in the interests of the Shareholders as a whole.

13. Information on the Company and the Purchaser

The Group is principally engaged in property development and investment, construction, property management, financial services and investments as well as world-wide film distribution. The Purchaser is a wholly owned subsidiary of the Company. Save for the entering into of the Agreement, the Purchaser does not have other material assets.

14. Information on the Seller

The Seller is a company incorporated in the British Virgin Islands with limited liability and an indirect wholly owned subsidiary of the Seller Guarantor as defined under the Companies Ordinance, Chapter 32 of the Laws of Hong Kong. Its principal asset is the entire shareholding of the Property Co and it does not have other material assets or business.

15. Information on Mexan

Mexan is a company incorporated in Bermuda with limited liability and listed on the Stock Exchange. It is currently engaged in property development and investment, securities investment and trading, hotel ownership and investment holding.

16. General

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Pursuant to Rule 14.40 of the Listing Rules, the Acquisition is conditional on its approval by the Shareholders. No Shareholder is required to abstain from voting in respect of any resolution that would be proposed to approve the Acquisition in general meeting. A written certificate has been obtained from Intellinsight, which holds approximately 62.25% of the issued Shares, approving the Acquisition. The interest of Intellinsight in the Acquisition is no different to that of all other Shareholders. Accordingly, subject to Rule 14.44 of the Listing Rules, approval of the Acquisition will be obtained by way of the written approval in lieu of holding a general meeting. The Circular containing further information on the Acquisition along with a valuation report with respect to the Property from an independent valuer and financial information on the Company will be sent to Shareholders as soon as possible.

17. Directors of the Company

At the date of this announcement, the Directors are Mr. Or Wai Sheun, Mr. Keith Alan Holman, Ms. Ng Chi Man, Mr. Lai Ka Fai, the non-executive Directors are Mr. Tam Hee Chung, Mr. Yeung Kwok Kwong and the independent non-executive Directors are Mr. Chau Cham Son, Mr. Li Kwok Sing, Aubrey, Mr. Lok Kung Chin, Hardy and Mr. Szeto Gin Chung, John.

18. Suspension and resumption of trading

At the request of the Company, trading in the shares of the Company was suspended with effect from 9:30 a.m. on 18 October 2004 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the shares of the Company with effect from 9:30 a.m. on Monday, 25 October 2004.

19. Definitions

“Acquisition”	: the proposed acquisition by the Purchaser of (a) all the issued shares of the Property Co and the Sale Loan owing by the Property Co to the Seller Guarantor, or (b) the Property from the Property Co in accordance with the terms and conditions of the Agreement
“Agreement”	: the legally binding provisional sale and purchase agreement dated 15 October 2004 in connection with the Acquisition, as supplemented by a supplemental agreement dated 19 October 2004
“All Victory” or “ Seller”	: All Victory Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Mexan as defined under the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Circular”	: a circular with further details of the Acquisition that will be dispatched to the Shareholders in accordance with the Listing Rules
“Company” or “Purchaser Guarantor”	: Kowloon Development Company Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange
“Completion”	: Completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Deposits”	: The aggregate of the initial deposit and further deposit payable under the Agreement
“Directors”	: Directors of the Company
“Group”	: the Company and its subsidiaries
“HK\$”	: Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	: The Hong Kong Special Administrative Region of the People’s Republic of China
“Intellinsight”	: Intellinsight Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and holding approximately 62.25% of the issued Shares and which in turn is ultimately wholly-owned by a discretionary trust of which Mr. Or Wai Sheun (the Chairman of the Company), Ms. Ng Chi Man (an executive Director), and their family members are beneficiaries. Ms. Ng is the spouse of Mr. Or
“Listing Rules”	: The Rules Governing the Listing of Securities on the Stock Exchange

“Mexan” or “Seller Guarantor”	: Mexan Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange
“Property”	: means the commercial and car park complex of a building known as the Elizabeth House as detailed in the sub-paragraph headed “The Property” in this announcement
“Property Co”	: Winsworld Properties Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Seller and a subsidiary of Mexan as defined under the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Purchaser”	: Town House Development Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Sale Loan”	: The rights and interest of all the outstanding advances owing from the Property Co to the Seller Guarantor as at Completion, which as at 31 March 2004 amounted to HK\$1,310.9 million
“Shareholders”	: Holder(s) of Shares
“Shares”	: Ordinary shares of HK\$0.10 each in the issued capital of the Company
“Stock Exchange”	: The Stock Exchange of Hong Kong Limited

By Order of the Board
KOWLOON DEVELOPMENT COMPANY LIMITED
Or Wai Sheun
Chairman

Hong Kong, 21 October 2004

Please also refer to the published version of this announcement in the South China Morning Post.