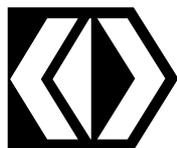


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九龍建業有限公司

**KOWLOON DEVELOPMENT COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 34)**

**VERY SUBSTANTIAL ACQUISITION**

**ACQUISITION OF SHENZHEN PROPERTIES &  
RESOURCES DEVELOPMENT (GROUP) LIMITED  
AND RESUMPTION OF TRADING**

The Group has entered into the Agreement to acquire an approximately 70.3% of the issued shares of Shenzhen Properties for an aggregate cash consideration of RMB458,576,423.93 (or approximately HK\$432,619,267.86).

Shenzhen Properties is a company listed on the Shenzhen Stock Exchange and principally engaged in real estate development and investment and property management.

The Acquisition represents a major step for the Group in pursuing a strategy in expanding into the China property market. Shenzhen Properties possesses a portfolio of quality investment and development properties in prime locations with a few located in Shenzhen that comprise both residential and commercial properties and a team of professional management familiar with the property market and property development in China, enabling the Group to speed up its development in the China market in a safe and healthy manner. The Group intends to maintain the listing status of Shenzhen Properties and utilise it as the flagship entity for developing the China property market and other investments in China.

The Group intends to finance the Acquisition and the related undertakings from internal resources and bank borrowings.

The Purchaser intends to apply to the CSRC for a waiver from the obligation to make a general offer for the remaining shares in Shenzhen Properties. If the CSRC does not grant the waiver by way of a no comment letter, the Purchaser will be obliged to make a general offer for the shares in Shenzhen Properties other than those to be acquired by the Purchaser. A further announcement will be made by the Company upon the decision by the CSRC on whether the waiver of the general offer obligation has been granted.

The Acquisition constitutes a very substantial acquisition of the Company under the Listing Rules and is therefore subject to approval by the Shareholders.

Trading in the Shares of the Company was suspended as from 2:30 p.m. on 1 April 2005 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 7 April 2005.

## THE AGREEMENT

### 1. Date: 1 April 2005

### 2. Parties:

Purchaser : Brilliant Idea Investments Limited

Sellers : 深圳市建設投資控股公司 (Shenzhen Construction Investment Holdings)

深圳市投資管理公司 (Shenzhen Investment Management Corporation)

Shenzhen Construction Investment Holdings and Shenzhen Investment Management Corporation are together, the controlling shareholders of Shenzhen Properties.

Both Shenzhen Construction Investment Holdings and Shenzhen Investment Management Corporation are State-owned enterprises owned by the Shenzhen Municipal Government and administered by the State-owned Assets Supervision and Administration Commission of Shenzhen.

As at the date of the Agreement, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Sellers and their ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules).

### 3. The assets to be acquired

- (i) 323,747,713 State-owned promoter shares in Shenzhen Properties held by Shenzhen Construction Investment Holdings; and
- (ii) 57,113,899 domestic legal person shares in Shenzhen Properties held as to 485,899 shares by Shenzhen Construction Investment Holdings and the remainder by Shenzhen Investment Management Corporation.

Shenzhen Properties is a joint stock limited company incorporated in the PRC with a registered capital of RMB571,799,175. The shares to be acquired by the Group represent approximately 70.3% of the issued capital of Shenzhen Properties. As at 31 December 2004 (being the date of the latest published financial statements), to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Shenzhen Properties had in issue an aggregate of (a) 323,747,713 State-owned promoter shares; (b) 65,200,850 domestic legal person shares; (c) 91,355,000 listed ordinary shares; (d) 61,459,312 domestic listed foreign shares; and (e) 36,300 non-transferable shares held by senior executives of Shenzhen Properties. Apart from the 36,300 non-transferable shares held by senior executives of Shenzhen Properties and 2,516,800 shares held by a labour union of a subsidiary of Shenzhen Properties, the remainder of shares in Shenzhen Properties are held by independent shareholders. The shares to be acquired by the Purchaser are not listed and are transferable subject to approval of relevant PRC authorities.

The following financial information has been extracted from the audited financial statements of Shenzhen Properties as at 31 December 2004 and 2003 prepared under PRC accounting principles and applicable financial regulations:

	<b>2004</b>	<b>2003</b>
	<i>RMB million</i>	<i>RMB million</i>
Total revenue	<b>1,326.3</b>	1,079.5
Profits before tax	<b>126.2</b>	121.7
Profits after tax	<b>90.4</b>	77.0
Total assets	<b>2,302.9</b>	2,437.2
Shareholders' equity	<b>567.1</b>	474.2
Earnings per share ( <i>RMB</i> )	<b>0.167</b>	0.142
NAV per share ( <i>RMB</i> )	<b>1.047</b>	0.875

#### 4. The property portfolio of Shenzhen Properties

The following are the principal property interests of Shenzhen Properties as at 31 December 2004:

Land held for development:	<p>Huangguang Land: located in Huanggang Port in Shenzhen which can be built into residential and commercial properties with a gross floor area of 177,100 sq.m.</p> <p>Haidian Island Site: located in Haikou City in Hainan Island which can be built into residential properties with a gross floor area of 28,900 sq.m.</p> <p>Donggualing Site: located in Shenzhen which can be built into residential properties with a gross floor area of 26,400 sq.m.</p>
Projects under development:	<p>皇御苑(Huang Yu Yuan) District C: a residential development located in Huanggang Port in Shenzhen with a total gross floor area of 131,500 sq.m. and expected to be completed in 2007.</p> <p>風和日麗(Fenghe Rili) Group B: a residential development located in Longhua Town in Shenzhen with a total gross floor area of 88,200 sq.m. and expected to be completed in 2007.</p>
Stock of completed development projects:	<p>皇御苑(Huang Yu Yuan) District A &amp; B: residential units with gross floor area of 47,000 sq.m.</p> <p>皇城廣場(Huang Cheng Square): a residential and commercial project located in Huanggang Port with a total gross floor area of 35,300 sq.m.</p>

田園都市 (Shanghai Pastoral City) Phase 5: a residential development located in Minhang District in Shanghai with a gross floor area of 800 sq.m.

俊峰麗舍 (Junfeng Lishe Garden): a residential development in Shenzhen with a gross floor area of 34,000 sq.m.

Investment properties:

Shenzhen International Trade Center: located in Luohu District in Shenzhen, has a total retail area of approximately 22,100 sq.m. and total office area of 8,500 sq.m.

Guomau Commercial Building: located in Luohu District in Shenzhen, has a total office area of approximately 17,700 sq.m.

Tianan International Building: A 50% interest in this property which is located in Luohu District in Shenzhen with a total retail area of approximately 21,700 sq.m. and total office area of 8,400 sq.m.

## 5. Consideration

RMB458,576,423.93 (equivalent to approximately HK\$432,619,267.86) or approximately RMB1.204 per share in Shenzhen Properties.

The consideration per share of RMB1.204 represents a discount of 74.3% and 48.8% respectively to the closing price of the A-shares (of RMB4.69) and B-shares (of RMB2.35) on 31 March 2005 (being the last trading date prior to suspension of trading in such shares) and a discount of 72.6% and 47.0% respectively to the average of the closing prices of the A-shares of RMB4.39 and of the B-shares of RMB2.27, as quoted on the Shenzhen Stock Exchange for the last 30 trading days ended on 31 March 2005.

The terms of the Agreement including the consideration have been reached and determined on an arm's length basis, with reference to the prevailing market conditions in the PRC and the underlying net asset value as at 31 December 2004 of each share in Shenzhen Properties of approximately RMB1.047 per share. 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.

## 6. Payment Terms

- (i) An earnest money in the sum of RMB20,000,000 was paid before signing of the Agreement.
- (ii) A deposit representing 50% of the aggregate consideration shall be payable within 5 working days of the date of the Agreement. Within 5 working days of receiving this amount, half of the earnest money shall be repaid by the Sellers to the Purchaser. The remainder of the earnest money shall be treated as a performance bond in relation to certain future undertakings of the Group in

relation to the potential acquisition by Shenzhen Properties of attractive investment projects as mentioned below;

- (iii) The balance of the consideration shall be paid by the Purchaser to the Sellers within 5 working days of the issue by the Sellers of a notice for payment. Such notice shall be issued after relevant PRC regulatory approval(s) has been obtained, and the waiver being obtained from the CSRC or upon completion of the obligations of the Purchaser to make a general offer for the shares of Shenzhen Properties.

## **7. Regulatory approvals**

Pursuant to the Agreement, the Agreement will become effective on the date, and subject to, the necessary regulatory approvals being obtained. According to the opinion of the legal advisers of the Company on the PRC law, approvals are required to be obtained from the State Ministry of Commerce, the State Council State-owned Assets Supervision and Administration Commission, the PRC State Administration of Foreign Exchange, the waiver of the takeover obligation obtained from the CSRC and registration with the Shenzhen Administration for Industry and Commerce. Applications will be made to the relevant PRC regulatory authorities as soon as possible after the release of this announcement. Save for the aforesaid, the Agreement does not contain any other conditions precedent. Part of the consideration is required to be paid before the necessary regulatory approvals have been obtained. Shareholders should note that there is no certainty that the necessary regulatory approvals can be obtained. Accordingly, there is no certainty that the Acquisition will be completed.

## **8. Financial support and undertakings**

The Purchaser has undertaken that within 6 months of the date of the Completion, it will procure that Shenzhen Properties will be provided with working capital in the amount of RMB500 million. The working capital will be provided for the purpose of strengthening the financial position of Shenzhen Properties and enable it to pursue its development activities at an enhanced pace. In the event that this undertaking cannot be fulfilled, administrative penalty may be applied by the relevant regulatory authority in the PRC as it considers fit.

In addition, the Purchaser has undertaken that it will identify attractive investment projects in the PRC to be acquired by Shenzhen Properties with a gross value of not less than RMB500 million within 12 months of the date of the Completion.

Pursuant to the Agreement, the Purchaser has undertaken to hold the shares in Shenzhen Properties acquired pursuant to the Agreement for a period of not less than 3 years.

Pursuant to the Agreement, the Purchaser and the Company has undertaken to give a guarantee in the amount of RMB20 million in favour of an affiliated financial institution of the Seller against borrowings of Shenzhen Properties to replace a comparable guarantee currently provided by one of the Sellers. Under the Agreement, no other security is required to be provided by the Company in this regard.

Each of the Company and the administrator of the Sellers undertakes to the other that in the event that the Purchaser and the Sellers cannot fulfill their obligations under the Agreement, the Company and the administrator of the Sellers will fulfill such rights and obligations.

Pursuant to the Agreement, if the Agreement is terminated without cause by any party to the Agreement, such party shall be liable to pay a penalty to the other party of approximately RMB22.9 million plus any losses or damages incurred by the other party. However, if the Agreement is terminated due to any party's failure to perform its obligations under the Agreement, the defaulting party shall be responsible for any losses or damages incurred as a result thereof. If both the Purchaser and the Seller are in default, each defaulting party shall be responsible for its own liabilities arising therefrom. Further, if the Purchaser fails to pay the consideration contemplated under the Agreement for a period exceeding 30 days, the Sellers are entitled to terminate the Agreement and the Purchaser is also liable to pay a penalty of not exceeding approximately RMB22.9 million to the Sellers. The amount of RMB22.9 million has been determined based on 5% of the aggregate consideration under the Agreement no other penalty is applicable in the event of default. Subject to the above, if the Agreement is terminated, other amounts constituting part of the consideration under the Agreement will be refunded to the Company (without interest).

## **9. Takeover obligations**

As the A-shares and B-shares of Shenzhen Properties are listed on the Shenzhen Stock Exchange, upon all necessary regulatory approvals being obtained for the Acquisition, the Purchaser will be obliged to make a general offer for the remaining shares in Shenzhen Properties other than those to be acquired by the Purchaser. The Purchaser intends to apply to the CSRC for a waiver from the obligation to make a general offer for the remaining shares in Shenzhen Properties. In the event that the waiver is not granted by the CSRC by way of a no comment letter, the Purchaser will be obliged to make a general offer for the remaining shares in Shenzhen Properties. On the basis of the closing prices of the shares in Shenzhen Properties on 31 March 2005, the Directors estimate that such general offer will result in additional cash expenditure of approximately RMB524.9 million if all shareholders accept the offer.

A further announcement will be made by the Company upon the decision by the CSRC on whether the waiver is being granted.

## **10. Source of funding for the Acquisition and financing undertaking**

The Group intends to finance the Acquisition from internal resources and bank borrowings. In the event that the Group is required to provide RMB500 million for the working capital of Shenzhen Properties or make a general offer for the shares in Shenzhen Properties as mentioned above, such funds (amounting to a maximum of RMB1.5 billion) shall be financed by internal resources or bank borrowings of the Group. No detailed plans as to the allocation of such amounts among internal resources and bank borrowings have been determined by the Board.

## **11. Reasons for and benefits of the Acquisition**

The Directors are optimistic on the long-term prospects of the property market in China. The Acquisition represents a major step for the Group in pursuing a strategy in expanding into the China property market. Shenzhen Properties possesses a portfolio of quality investment and development properties in prime locations with a few located in Shenzhen that comprise both residential and commercial properties and a team of professional management familiar with the property market and property development in China, enabling the Group to speed up its development in the China market in a

safe and healthy manner. The Group intends to maintain the listing status of Shenzhen Properties and utilise it as the flagship entity for developing the China property market and other investments in China.

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.

## **12. Information on the Company and the Purchaser**

The Group is principally engaged in property development and investment, property management, financial services and investments in Hong Kong and Macau as well as local and overseas securities trading. The Purchaser is an 85% owned subsidiary of the Company. The 15% interest in the Purchaser is held by an independent third party not connected with the Group. All considerations paid by the Purchaser relating to the Acquisition (including the financing undertakings and expenditure for the general offer) shall be financed proportionately between the shareholders of the Purchaser pro rata to their shareholding interests. Save for the entering into of the Agreement, the Purchaser does not have other material assets.

## **13. Information on the Sellers**

The Sellers are State-owned enterprises owned by the Shenzhen Municipal Government and administered by the State-owned Assets Supervision and Administration Commission of Shenzhen.

## **14. General**

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Pursuant to Rule 14.49 of the Listing Rules, the Acquisition is subject to the approval by the Shareholders in general meeting. No Shareholder is required to abstain from voting in respect of any resolution that would be proposed to approve the Acquisition in general meeting. The Circular containing further information on the Acquisition and Shenzhen Properties and financial information on the Company will be sent to Shareholders as soon as possible. A notice convening an extraordinary general meeting to consider the Acquisition will be included in the Circular.

## **15. Directors of the Company**

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

## **16. Suspension and resumption of trading**

At the request of the Company, trading in the Shares of the Company was suspended with effect from 2:30 p.m. on 1 April 2005 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 7 April 2005.

## 17. Definitions

“Acquisition”	:	The proposed acquisition by the Purchaser of an approximately 70.3% equity interest in Shenzhen Properties in accordance with the terms and conditions of the Agreement
“Agreement”	:	The sale and purchase agreement dated 1 April 2005 in connection with the Acquisition
“Circular”	:	The circular with further details of the Acquisition that will be dispatched to the Shareholders in accordance with the Listing Rules
“Company”	:	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
“CSRC”	:	China Securities Regulatory Commission
“Directors”	:	Directors of the Company
“Group”	:	The Company and its subsidiaries
“HK\$”	:	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	:	The Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	:	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	:	The People’s Republic of China
“Purchaser”	:	Brilliant Idea Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an 85% owned subsidiary of the Company
“RMB”	:	Renminbi, the lawful currency of PRC
“Shares”	:	Ordinary shares of HK\$0.10 each in the issued capital of the Company
“Shareholders”	:	Holder(s) of Shares
“Shenzhen Properties”	:	深圳市物業發展（集團）股份有限公司 (Shenzhen Properties & Resources Development (Group) Limited), a joint stock limited company incorporated in the PRC

“Sq.m.” : Square meter

“Stock Exchange” : The Stock Exchange of Hong Kong Limited

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

Hong Kong, 6 April 2005

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