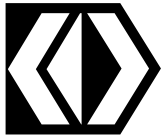


The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents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

On 15 October 2004, the Purchaser and the Company 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.

Under the Listing Rules, the Company was required to despatch a circular in relation to the Acquisition to the Shareholders on or before 15 November 2004. The Company has subsequently made further announcements on 1, 9 and 15 of November 2004, and 15 December 2004 in relation to the transaction. After consultation with the Company's legal advisers, the Purchaser has filed a Statement of Claim in the High Court of the Hong Kong Special Administrative Region Court of First Instance against Mexan as the defendant on 2 June 2005.

Shareholders and investors should note that the legal action against Mexan may or may not be successful. Shareholders and investors should exercise caution when dealing in the Shares.

The Directors refer to the announcement of the Company dated 21 October 2004 in relation to the Acquisition ("Announcement") and further announcements dated 1, 9 and 15 of November 2004, and 15 December 2005. Terms used in this announcement shall have the same meanings as defined in the Announcement. On 15 October 2004, the Purchaser and the Company 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. The Property Co's principal asset is the 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.

Pursuant to the Agreement, the conditions precedent to Completion included, among others, (1) that Mexan must satisfy any and all requirements of the Stock Exchange; (2) Mexan satisfying all relevant requirements of the Listing Rules; and (3) Mexan obtaining all necessary consents of the holders of all outstanding convertible notes of Mexan to the Agreement. The Company received notification from Mexan on 13 December 2004 that (1) the Stock Exchange has stated that Mexan will need to comply with the requirements of Rule 14.92 of the Listing Rules in respect of restrictions on disposal of assets by Mexan; and (2) the holders of convertible notes of Mexan have notified Mexan that they will not provide their consent to the Agreement. Mexan has notified the Company that in its opinion the Agreement is no

longer of any force and effect since three of the conditions have not been fulfilled. Since then, Mexan has returned the deposit of HK\$134,000,000 to the Company. However, the Directors consider that the Agreement remains in force and valid. Consequently, after extensive consultation with the Company's legal advisers, the Purchaser has filed a Statement of Claim in the High Court of the Hong Kong Special Administrative Region Court of First Instance against Mexan as the defendant on 2 June 2005 claiming specific performance of the Agreement and other remedies. The grounds of the Purchaser's claims are as follows:

Mexan has by its conducts over the course of the subject transaction evinced a clear intention not to be bound by the Agreement pertaining to the Property, and has wrongfully failed and refused, and continues to neglect and refuse to take any steps towards completion of the Agreement. The Company and the Purchaser have at all material times and are still ready and willing to fulfill their obligations under the Agreement.

Shareholders and investors should note that the legal action against Mexan may or may not be successful. Shareholders and investors should exercise caution when dealing in the Shares.

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.

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

Hong Kong, 2 June 2005

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