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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 TRANSACTION**  
**FORMATION OF A JOINT VENTURE COMPANY**  
**ACQUISITION OF LAND IN FOSHAN**

The Board wishes to announce that the Company, together with CITIC South China, have successfully tendered for the Properties for RMB3,030 million (equivalent to approximately HK\$2,976 million). The Company and CITIC South China will form a joint venture company in equal shares to hold and develop the Properties.

The Acquisition of part interest in the Properties by the Company by way of the Tender constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. A circular containing, amongst other things, further details relating to the Acquisition of the Properties will be despatched to the Shareholders as soon as practicable.

**THE ACQUISITION**

**Date of the Tender**

21 September 2006

**Parties involved in the Tender**

- (1) the Land Exchange Centre;
- (2) CITIC South China; and
- (3) the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, each of the Land Exchange Centre, CITIC South China and its ultimate beneficial shareholder is an Independent Third Party.

### **Formation of the joint venture company**

On 30 August 2006, the Company and CITIC South China entered into the Joint Bid Agreement pursuant to which the parties agreed to contribute the price of the Properties in equal shares and jointly submit an application for the Tender to the Land Exchange Centre.

The Tender was confirmed by an auction confirmation signed by the Land Exchange Centre, the Company and CITIC South China dated 21 September 2006.

Pursuant to the terms of the Tender, the Company and CITIC South China have jointly acquired the Properties and will form a joint venture company in equal shares to take up the land use rights of the Properties.

The Company and CITIC South China are required to set up the joint venture company within 60 days from the date of confirmation of the Tender, and the newly set up joint venture company shall, within 10 days from the date of its establishment, sign the relevant land use right transfer agreement with the State Land Resources Bureau of Foshan (佛山市國土資源局).

### **Consideration**

The consideration for the Properties is an aggregate amount of RMB3,030 million (equivalent to approximately HK\$2,976 million), which is determined after a public bidding process and the Board considers that the consideration is fair and reasonable having taking into account the market price of low-rise building and estimated development costs together with location and development potential of the Properties.

CITIC South China has paid an earnest money of RMB300 million to the Land Exchange Centre, and such amount will be converted to down payment of the consideration as detailed below.

As the Company and CITIC South China have jointly acquired the Properties and will form a joint venture company in equal shareholding to hold and develop the Properties, the Company and CITIC South China both are required to finance in such percentage of shareholdings respectively. The Company's contribution will be satisfied by the internal resources of the Group. The total consideration of the Acquisition will be made by 3 installments as to RMB909 million (equivalent to approximately HK\$893 million and representing 30% of the total consideration) payable within 5 days after the execution of the relevant land use right transfer agreement, as to RMB909 million (equivalent to approximately HK\$893 million and representing 30% of the total consideration) payable within 210 days after the execution of the relevant land use right transfer agreement, and as to RMB1,212 million (equivalent to approximately HK\$1,190 million and representing 40% of the total consideration) payable within 540 days after the execution of the relevant land use right transfer agreement.

Within 10 days after execution of the relevant land use right transfer agreement, the joint venture company shall execute a compensation land use right contract with the local government and the joint venture company shall pay a land use fees of RMB62,409,200 (equivalent to approximately HK\$61,306,000) to the local government within one month after execution of such contract. The land use fees will be borne by the Company and CITIC South China equally. The Company will finance its share of land use fees by the internal resources of the Group.

## **The Properties**

The Properties consist of 7 pieces of land located in 佛山市南海區里水鎮和順美景水庫地段 (Heshun Meijing Shuiku Sector, Lishui Town, Nanhai District, Foshan, the PRC) with an aggregate area of approximately 4,020,743.192 square metres, details of which are set out as follows:

<b>Transaction no.</b>	<b>Area of the plot</b>	<b>Approved purposes of the relevant plot</b>	<b>Term of the land use rights granted</b>
2006-G0179	Approximately 1,335,590.10 square metres	Forest and park	50 years
2006-G0180	Approximately 1,045,152.15 square metres	Recreational, cultural and entertainment	50 years
2006-G0181	Approximately 233,333.53 square metres	Restaurants and hotels	40 years

<b>Transaction no.</b>	<b>Area of the plot</b>	<b>Approved purposes of the relevant plot</b>	<b>Term of the land use rights granted</b>
2006-G0182	Approximately 122,666.76 square metres	Commercial	40 years
2006-G0183	Approximately 1,194,000.37 square metres	Composite residential area for city and town	70 years for residential area 40 years for commercial area 50 years for others
2006-G0184	Approximately 80,000.25 square metres	Educational and ancillary	50 years
2006-G0185	Approximately 10,000.03 square metres	Sewage treatment plant	50 years

The Group intends to develop the Properties in accordance with their respective approved purposes as set out above.

The Group has no definite immediate financing plan for development of the Properties as the Group has not finalized details of the joint venture company with CITIC South China. If the contribution to the joint venture company to be made by the Group is higher than the consideration of the Properties to be contributed by the Group, the Company will comply with the Listing Rules requirements, if applicable.

### **Reason for the Transaction**

The Group is principally engaged in property development and investment, property management, financial services and investments in Hong Kong, Macau and the PRC as well as local and overseas financial investments.

The Board believes that the acquisition of part interest in the Properties will increase the land bank of the Group, enhance the Group's position in the PRC property market and provide the Group with a better opportunity for project development in Foshan, the PRC. The Directors (including the independent non-executive Directors) consider that the Acquisition has been made on normal commercial terms and that such terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the Acquisition is in the interest of the Company and the Shareholders as a whole.

## **GENERAL**

The Acquisition of part interest in the Properties by the Company by way of the Tender constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. A circular containing, amongst other things, further details relating to the Acquisition will be despatched to the Shareholders as soon as practicable.

## **DEFINITIONS**

In this announcement, the following expressions have the following meanings unless otherwise requires:

“Acquisition”	the formation of a joint venture company and the acquisition of the Properties pursuant to the Tender
“associates”	has the meanings ascribed thereto in the Listing Rules
“Board”	the board of directors of the Company
“CITIC South China”	中信華南（集團）有限公司 (CITIC South China (Group) Co., Ltd.), a domestic company incorporated in the PRC and an Independent Third Party. It is principally engaged in property development in the PRC
“Company”	Kowloon Development Company Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

“Independent Third Party”	an independent third party not connected with the Company or any of its subsidiaries or any of their respective directors, chief executive or substantial shareholders or any of their respective associates
“Joint Bid Agreement”	an agreement dated 30 August 2006 entered into between the Company and CITIC South China and pursuant to which the parties agreed to bid for the Properties subject to the terms and conditions therein
“Land Exchange Centre”	佛山市南海區土地交易中心 (Land Exchange Centre of Nanhai District, Foshan City)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Properties”	7 pieces of land located in Foshan, the PRC with a total area of approximately 4,020,743.192 square metres to be acquired jointly by the Company and CITIC South China pursuant to the Acquisition
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tender”	the tender for the Properties arranged by the Land Exchange Centre
“%”	per cent.

*For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at HK\$1.00 = RMB1.018.*

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

Hong Kong, 22 September 2006

*As at the date of this announcement, the Board comprises 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 and Mr. Seto Gin Chung, John as Independent Non-executive Directors.*

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