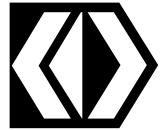


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**九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED**

(Incorporated in Hong Kong with limited liability)

(Stock code: 34)

**ANNOUNCEMENT IN RELATION TO THE ACQUISITION OF
SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED**

Reference is made to the Acquisition. The Company announces that the Arbitration Commission has ruled that the Sale and Purchase Agreement is legally binding and will continue to be of effect and the Sellers are required to continue to perform their obligations of selling their interests in Shenzhen Properties to the Purchaser. Pursuant to the arbitration award, the Purchaser should also perform its obligations of conducting a general offer on the remaining issued shares in Shenzhen Properties not already owned or contracted to be sold to the Purchaser before 30 June 2008, or otherwise the Sale and Purchase Agreement will be rescinded.

Reference is made to the announcement of Kowloon Development Company Limited (the “**Company**”) dated 6 April 2005, the circular of the Company dated 30 June 2005 (the “**Circular**”), the announcements of the Company dated 28 April 2006, 26 May 2006, 24 April 2007 and 25 April 2007 in respect of the acquisition (the “**Acquisition**”) by the Purchaser of an approximately 70.3% interest in Shenzhen Properties & Resources Development (Group) Limited (“**Shenzhen Properties**”), whose A-Shares and B-Shares are listed on the Shenzhen Stock Exchange. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

As announced by the Company on 24 April 2007, the Purchaser, an 85% owned subsidiary of the Company, had received a notice (the “**Notice**”) from the Sellers purporting to unilaterally terminate the Sale and Purchase Agreement. Since the receipt of the Notice, the Purchaser has actively sought protection of its interest and commenced arbitration proceedings against the Sellers.

The Company announces that the China International Economic and Trade Arbitration Commission (the “**Arbitration Commission**”) has on 25 October 2007 awarded in favour of the Purchaser and ruled that the Sale and Purchase Agreement is legally binding and will continue to be of effect and the Sellers are required to continue to perform their obligations of selling their interests in Shenzhen Properties to the Purchaser. Pursuant to the arbitration award, the Purchaser should also perform its obligations of conducting a general offer on the remaining issued shares in Shenzhen Properties not already owned or contracted to be sold to the Purchaser before 30 June 2008, or otherwise the Sale and Purchase Agreement will be rescinded. The Purchaser has also been awarded 50% of the arbitration cost. The arbitration award is final and shall be effective from the date of issue.

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

Hong Kong, 31 October 2007

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, Mr. Seto Gin Chung, John and Mr. David John Shaw as Independent Non-executive Directors.