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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)

CONNECTED TRANSACTION

**DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
KING'S CITY HOLDINGS LIMITED**

The Board announces that on 11 May 2011, Roe Investment, a wholly-owned subsidiary of the Company, and Cosmo Harvest entered into the Disposal Agreement pursuant to which Roe Investment has agreed to sell to Cosmo Harvest the King's City Sale Shares for a consideration of HK\$93,124,000. The King's City Sale Shares represent the entire issued share capital of King's City. King's City is a property company and its only asset of significance is its interest in the Hong Kong Property. After completion of the Disposal, the Company will no longer be interested in the equity capital of King's City and King's City will no longer be accounted for as a subsidiary of the Company.

Given that Cosmo Harvest is a company indirectly owned by Mr Or and his family, the Disposal constitutes a connected transaction for the Company. As each of the applicable percentage ratios in respect of the Disposal is more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE DISPOSAL AGREEMENT

Date: 11 May 2011

Parties to the Disposal Agreement:

- (1) Roe Investment, a wholly-owned subsidiary of the Company;
- (2) Cosmo Harvest, which is an investment holding company and is indirectly owned by Mr Or (a Director and the substantial shareholder of the Company) and his family. Cosmo Harvest is therefore an associate of a connected person of the Company and the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

The Disposal

Pursuant to the Disposal Agreement, Roe Investment has agreed to sell to Cosmo Harvest the King's City Sale Shares, representing the entire issued share capital in King's City. After completion of the

Disposal, the Company will no longer be interested in the equity capital of King's City and King's City will no longer be accounted for as a subsidiary of the Company.

King's City is a company incorporated in Hong Kong and its only asset of significance is its interest in the Hong Kong Property. The Hong Kong Property comprises a duplex apartment with a gross floor area of approximately 405 square metres and a roof area of approximately 126 square metres located at Duplex Flat A on 41st and 42nd Floor and the roof area, together with 17 car parks in the property known as "31 Robinson Road" at No. 31 Robinson Road, Hong Kong. Duplex Flat A on 41st and 42nd Floor and the roof area, together with 2 car parks are currently being licensed to Industries Polytex Limited, an investment holding company indirectly owned by Mr Or and his family, for use as residential quarters for a period of six months commencing from 1 December 2010 and ending on 31 May 2011. The monthly license fee under the License Agreement is HK\$217,950. As the total license fee receivable under the License Agreement is below 0.1% of the applicable ratios under Rule 14.07 of the Listing Rules, the License Agreement is exempted from the reporting, announcement and independent shareholders' requirements under Chapter 14A of the Listing Rules.

Based on the unaudited management accounts of King's City, the net asset value of King's City was approximately HK\$5,570,000 and the carrying value of the Hong Kong Property was approximately HK\$53,446,000 as at 31 March 2011. The before and after tax profit of King's City for the two years ended 31 December 2009 and 2010 were as follows:

	Year ended 31 December 2009	Year ended 31 December 2010
Profit before tax	HK\$293,800,058	HK\$2,705,383
Profit after tax	HK\$245,323,316	HK\$2,452,046

As at 31 March 2011, based on the unaudited management accounts, King's City had assets amounting to approximately HK\$5.8 million other than the Hong Kong Property, which were mainly cash and cash equivalents, and liabilities amounted to approximately HK\$53.7 million which represented mainly outstanding payables for construction work.

Consideration

The consideration for the Disposal is HK\$93,124,000. The consideration was determined after arm's length negotiations between the parties based on the net asset value of King's City adjusted to reflect the market value of the Hong Kong Property of HK\$141,000,000 as at 31 March 2011, based on a valuation report dated 9 May 2011 by an independent property valuer.

The consideration will be payable by Cosmo Harvest in cash in accordance with the following schedule:

- 10%, equivalent to HK\$9,312,400, will be payable by Cosmo Harvest upon the signing of the Disposal Agreement; and
- the balance of 90% of the consideration, equivalent to HK\$83,811,600, will be payable by Cosmo Harvest at completion.

Subject to audit, it is expected that the Group will realise a before-tax gain on disposal of approximately HK\$87.5 million. The Directors currently intend to apply the proceeds in connection with the Disposal as general working capital of the Company.

Conditions

Completion of the Disposal Agreement is conditional upon:

- (a) the compliance by the Company of all applicable requirements of the Listing Rules in relation to the transactions contemplated under the Disposal Agreement; and
- (b) if applicable, all consents, approvals and authorisations in relation to the transfer of the King's City Sale Shares have been obtained.

REASONS FOR THE TRANSACTION

The Group is principally engaged in property investment and development in Hong Kong, Macau and the PRC.

The Company considers that the Disposal is conducted in the ordinary and normal course of business of the Company as the consideration receivable is based on the adjusted net asset value of King's City after taking into effect the change in the fair value of the Hong Kong Property to the market value of HK\$141,000,000. The Disposal will provide the Company with a positive cashflow and, subject to audit, the Disposal is expected to realise a before-tax gain of approximately HK\$87.5 million for the Company. The Directors (including the Independent Non-executive Directors) are of the view that the terms of the Disposal Agreement were concluded after arm's length negotiations on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

GENERAL

Given that Cosmo Harvest is a company indirectly owned by Mr Or and his family, the Disposal constitutes a connected transaction for the Company. As each of the applicable percentage ratios in respect of the Disposal is more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr Or Wai Sheun, Ms Ng Chi Man and Mr Or Pui Kwan are considered to be interested in the Disposal and they have abstained from voting for the Board resolutions proposed to approve the Disposal.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Board”	the board of directors of the Company
“Company”	Kowloon Development Company Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Cosmo Harvest”	Cosmo Harvest Limited, a company incorporated in the British Virgin Islands and is indirectly owned by Mr Or and his family
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the King's City Sale Shares by Roe Investment to Cosmo Harvest pursuant to the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 11 May 2011 between Roe Investment and Cosmo Harvest in relation to the disposal of the King's City Sale Shares by the Group to Cosmo Harvest

“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 PRC
“Hong Kong Property”	the property located at Duplex Flat A on 41 st and 42 nd Floor and roof area together with 17 car parks located at the development known as “31 Robinson Road” located at No. 31 Robinson Road, Hong Kong
“King’s City”	King’s City Holdings Limited, a company incorporated in Hong Kong
“King’s City Sale Shares”	the entire issued share capital of King’s City
“License Agreement”	the license agreement dated 15 December 2010 between King’s City and Industries Polytex Limited in relation to the license of the use of the property located at Duplex Flat A on 41 st and 42 nd Floor and roof area together with 2 car parks located at the development known as “31 Robinson Road” located at No. 31 Robinson Road, Hong Kong to Industries Polytex Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr Or”	Mr Or Wai Sheun, an Executive Director and the substantial shareholder of the Company
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, Taiwan and Macau
“Roe Investment”	Roe Investment Limited, a company incorporated in Hong Kong, a wholly-owned subsidiary of the Company
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) 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, 11 May 2011

As at the date of this announcement, the Directors of the Company are 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.