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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)

MAJOR AND CONNECTED TRANSACTION

THE ACQUISITION

On 22 June 2018, the Purchaser, a direct wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement in relation to the Acquisition at a consideration of HK\$2,110,242,000.

Upon completion of the Acquisition, the Target Company will be wholly-owned by the Purchaser and will become a subsidiary of the Company. The financial results of the Target Group will be consolidated into the financial statements of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company is indirectly owned as to approximately 70.61% by the Vendor through Intellinsight. The Vendor is therefore a controlling shareholder and a connected person of the Company. As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition when aggregated with the PAH Acquisitions exceeds 25% but less than 100%, the Acquisition when aggregated with the PAH Acquisitions constitutes a major and connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules which is subject to the reporting, announcement, circular and independent Shareholders' approval requirements.

GENERAL

An independent board committee comprising all the independent non-executive Directors will be formed to advise the independent Shareholders on the terms of the Acquisitions.

An independent financial adviser will be appointed to advise the independent board committee and the independent Shareholders regarding, among other things, the terms of the Acquisitions.

As additional time is required to prepare and finalise the financial information in the circular, a circular containing, among other things, (i) further details about the Acquisitions; (ii) the recommendations of the independent board committee in relation to the Acquisitions; (iii) a letter of advice from the independent financial adviser to the independent board committee and the independent Shareholders in relation to the Acquisitions; (iv) valuation reports of the Projects; and (v) the notice convening the EGM, will be dispatched to the Shareholders on or before 28 September 2018.

Shareholders and potential investors should note that completion of the Acquisition is subject to the fulfilment of the conditions precedent set out in the Agreement and therefore may or may not occur. As the Acquisition may or may not proceed to completion, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

THE ACQUISITION

On 22 June 2018, the Purchaser, a direct wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement in relation to the Acquisition at a consideration of HK\$2,110,242,000. The principal terms of the Agreement are set out below:

Subject matter

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 1) the Target Share, representing the entire equity interest in the Target Company; and 2) the Sale Loan, representing the obligations, liabilities and debts owing or incurred by the Target Company to the Vendor as at 31 May 2018, amounted to approximately HK\$1,367,692,000.

Consideration

The consideration for the Acquisition is HK\$2,110,242,000, which shall be apportioned as to HK\$742,550,000 for the Target Share and as to HK\$1,367,692,000 for the Sale Loan, and shall be payable in cash by the Purchaser to the Vendor in the following manner:

- (1) an amount of HK\$527,561,000 (representing 25% of the consideration for the Acquisition) has been paid upon signing the Agreement (the “**Deposit**”); and
- (2) the remaining balance of an amount of HK\$1,582,681,000 will be payable on the Completion Date.

Upon completion of the Acquisition, the Deposit shall be credited towards the consideration for the Acquisition. In the event that completion of the Acquisition does not occur for any reason, the Vendor shall within five (5) Business Days refund the Deposit without deduction, withholding or interest to the Purchaser.

The consideration for the Acquisition was determined by the parties after arm’s length negotiations with reference to, among other factors:

- (1) unaudited net asset value of the Target Group as of 31 May 2018;

- (2) appreciation of the Properties based on the preliminary valuation as of 31 May 2018, after the tax effect to be assumed;
- (3) the prevailing property market conditions in the PRC;
- (4) the aggregate sum of the Sale Loan; and
- (5) benefits to the Company following completion of the Acquisition.

The Company intends to fund the Acquisition by its internal financial resources and/or bank financing and/or loans from the ultimate holding company under normal commercial terms.

Conditions precedent

Completion of the Agreement is conditional upon satisfaction or waiver of the following conditions:

- (a) the Purchaser having been satisfied with the results of such enquiries, investigations and due diligence reviews of the business, affairs, operations and financial position of the Target Group by the Purchaser or any of its officers, employees, agents, professional advisers or other agents;
- (b) the Company having obtained the independent Shareholders' approval of the Agreement and the transactions contemplated under it as required under the Listing Rules;
- (c) a valuation report of the Projects having been delivered to the Purchaser and the valuation of the Projects as at 31 May 2018 set out in such report being not less than RMB3,300,000,000 (equivalent to approximately HK\$4,036,500,000**);
- (d) the warranties made by the Vendor remaining true and accurate in all respects and not misleading in any respect as of the Completion Date;
- (e) no notice, order, judgement, action or proceeding of any court, arbitrator, authority, statutory or regulatory body having been served, issued or made which restrains, prohibits or makes unlawful any transaction contemplated by the Agreement or which is reasonably likely to materially and adversely affect the right of the Purchaser to own the legal and beneficial title to the Target Share and the Sale Loan, free from encumbrances, following the Completion Date;
- (f) the dismantlement of houses and/or fixtures on the Properties have been completed; and
- (g) all consents of any government or regulatory authority or of any other person that are required to be obtained in connection with the consummation of the transactions contemplated by the Agreement shall have been duly obtained and effective as of the Completion Date.

The Purchaser may at any time waive in whole or in part and conditionally or unconditionally any of the foregoing conditions precedent (other than condition (b) above) in writing to the Vendor.

If the condition precedent (b) above is not satisfied on or before the Long-Stop Date or any of the other conditions precedent is not satisfied or waived on or before the Completion Date, the Purchaser may terminate the Agreement by notice in writing to the Vendor, provided however that (a) the surviving provisions as stipulated under the Agreement shall continue in force following the lapse of the Agreement; and (b) the termination of the Agreement shall be without prejudice to the rights and liabilities of any party to the Agreement accrued prior to such termination.

Completion

Subject to the satisfaction or waiver of the foregoing conditions precedent, completion of the Acquisition shall take place on the Completion Date. Completion of the Acquisition is not inter-conditional upon completion of the PAH Acquisitions. Upon completion of the Acquisition, the Target Company will be wholly-owned by the Purchaser and will become a subsidiary of the Company. The financial results of the Target Group will be consolidated into the financial statements of the Company.

INFORMATION ON THE PARTIES

The Vendor

The Vendor is principally engaged in investment holding.

The Purchaser and the Company

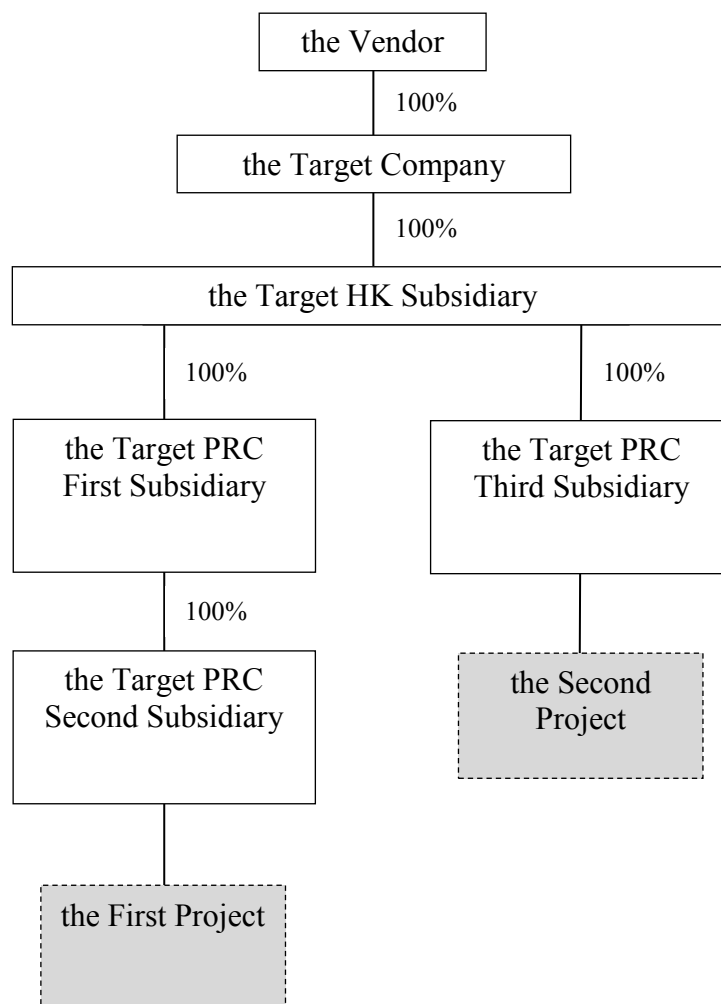
The Purchaser is a direct wholly-owned subsidiary of the Company, and is principally engaged in investment holding.

The Group is principally engaged in investment holding, property development, property investment, property management and oil production.

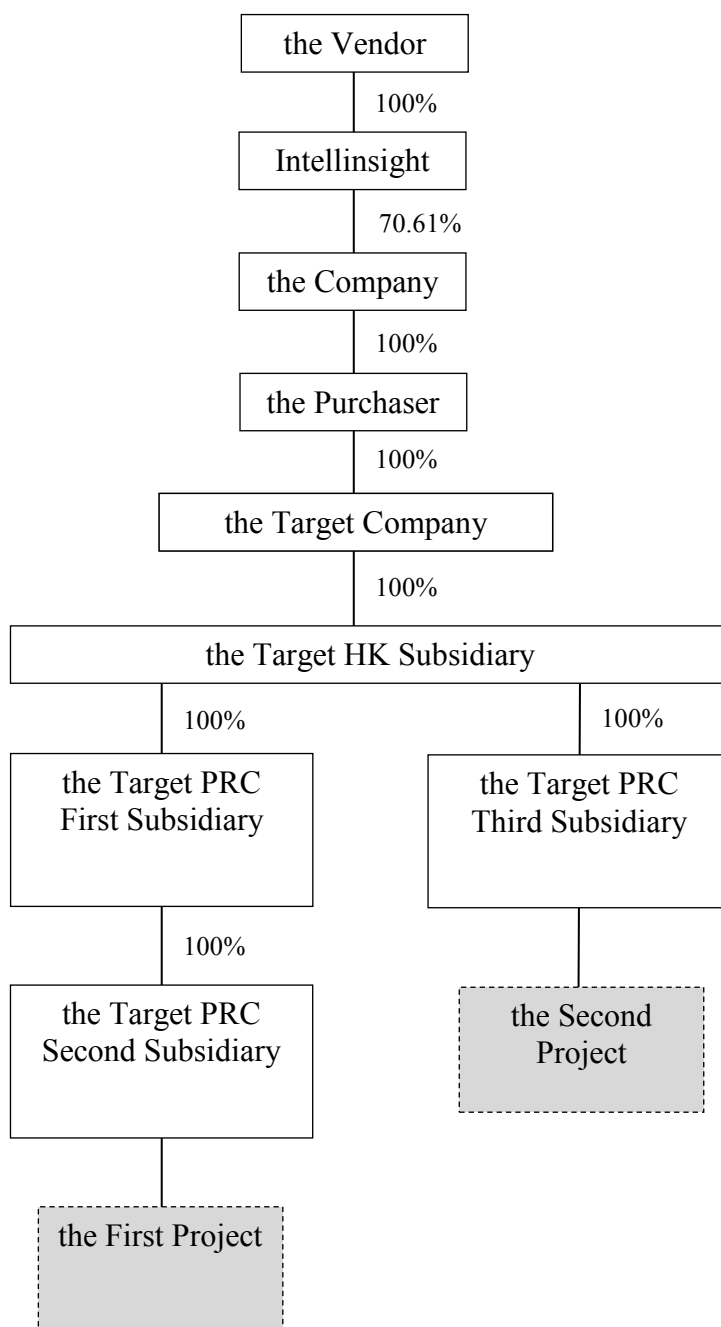
INFORMATION ON THE TARGET GROUP

Set out below are the shareholding structures of the Target Group before and after completion of the Acquisition:

Before completion of the Acquisition



Upon completion of the Acquisition



FINANCIAL INFORMATION OF THE TARGET GROUP

THE TARGET GROUP

The Target Company, the Target HK Subsidiary and the Target PRC First Subsidiary are principally engaged in investment holding. As at the date of this announcement, save for the equity interests and project related expenses in the Target HK Subsidiary and the Target PRC Subsidiaries, each of the Target Company, the Target HK Subsidiary and the Target PRC First Subsidiary does not have any material assets.

According to the unaudited consolidated financial statements of the Target Group which are prepared on a basis consistent with the Hong Kong Generally Accepted Accounting Principles, its consolidated financial results for each of the years ended 31 December 2016 and 31 December 2017 are as follows:

	For the year ended 31 December	
	2016	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net loss before tax	1,392	2,308
Net loss after tax	1,392	2,308

As at 31 May 2018, the adjusted net asset value of the Target Group was HK\$742,550,000 based on the unaudited financial statements of the Target Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company indirectly holds the Projects which are designated for residential and/or commercial uses. The Acquisition allows the Company to enhance its landbank in the PRC. The board of the Company considers that the Acquisition is a good investment opportunity with great development potential in view of the physical locations of the Projects, local policy support, demand in properties in the vicinities and the outlook of the property market and economic development in the regions in general. The board of the Company believes that the Company will benefit from the sale and leasing of the Properties and the anticipated growth in the value of the Properties.

Based on the factors as disclosed above, the Directors (excluding the independent non-executive Directors who will express their views after considering the advice from the independent financial adviser) consider that the terms of the Agreement and the Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company is indirectly owned as to approximately 70.61% by the Vendor through Intellinsight. The Vendor is therefore a controlling shareholder and a connected person of the Company. As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition when aggregated with the PAH Acquisitions exceeds 25% but less than 100%, the Acquisition when aggregated with the PAH Acquisitions constitutes a major and connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules which is subject to the reporting, announcement, circular and independent Shareholders' approval requirements.

“Acquisitions”	the Acquisition and the PAH Acquisitions;
“Agreement”	the sale and purchase agreement dated 22 June 2018 entered into between the Purchaser and the Vendor in relation to the Acquisition;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Business Days”	means a day on which commercial banks are open for business in Hong Kong (excluding Saturdays, Sundays, public holidays and any weekday on which Typhoon Signal No. 8 or higher is hoisted or a black rain storm warning is given in Hong Kong at any time during 9:00 a.m. to 5:00 p.m.);
“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 (stock code: 34);
“Completion Date”	the date of completion of the Agreement;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Acquisitions;
“First Project”	the property development project located at East of Siping Road, North of Dalian Road, Yangpu District, Shanghai, the PRC* (中國上海市楊浦區四平路東, 大連路北) with a total gross floor area of approximately 94,763 sq m (including underground gross floor area of approximately 39,035 sq m) and a total site area of approximately 15,133 sq m;
“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;

“Intellinsight”	Intellinsight Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and the parent company of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long-Stop Date”	31 December 2018, or such other date as may be agreed between the Purchaser and the Vendor in writing;
“Mr. Lam Yung Hei”	Mr. Lam Yung Hei, an executive Director and the son-in-law of Mr. Or and Ms. Ng, the brother-in law of Mr. Or Pui Kwan and the husband of Ms. Or Pui Ying, Peranza;
“Mr. Or”	Mr. Or Wai Sheun, an executive Director and the chairman of the Company, the husband of Ms. Ng, the father of Mr. Or Pui Kwan and Ms. Or Pui Ying, Peranza and the father-in-law of Mr. Lam Yung Hei;
“Mr. Or Pui Kwan”	Mr. Or Pui Kwan, an executive Director and the son of Mr. Or and Ms. Ng, the brother of Ms. Or Pui Ying, Peranza and the brother-in-law of Mr. Lam Yung Hei;
“Ms. Ng”	Ms. Ng Chi Man, a non-executive Director and the wife of Mr. Or, the mother of Mr. Or Pui Kwan and Ms. Or Pui Ying, Peranza and the mother-in-law of Mr. Lam Yung Hei;
“Ms. Or Pui Ying, Peranza”	Ms. Or Pui Ying, Peranza, the daughter of Mr. Or and Ms. Ng, the sister of Mr. Or Pui Kwan and the wife of Mr. Lam Yung Hei;
“PAH Acquisitions”	as defined in the joint announcement of the Company and Polytec Asset Holdings Limited dated 22 June 2018;
“Purchaser”	Future Star International Limited, a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of the Company as at the date of this announcement;
“PRC”	the People’s Republic of China;
“Projects”	the First Project and the Second Project;

“Properties”	the lands located at (i) East of Siping Road, North of Dalian Road, Yangpu District, Shanghai, the PRC* (中國上海市楊浦區四平路東，大連路北) and (ii) Part 14/7, 176 Jiefang, Siping Road, Yangpu District, Shanghai, the PRC* (中國上海市楊浦區四平街道 176 街坊 14/7 丘);
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Loan”	HK\$1,367,692,000, being the aggregate amount of loans, interests (if any) and other sums and indebtedness due by the Target Company to the Vendor;
“Second Project”	the property development project located at Part 14/7, 176 Jiefang, Siping Road, Yangpu District, Shanghai, the PRC* (中國上海市楊浦區四平街道 176 街坊 14/7 丘) with a total gross floor area of approximately 18,883 sq m and a total site area of 6,294 sq m;
“Share(s)”	ordinary share(s) in the capital of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“sq m”	square meter;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Rideon Limited (威鞍有限公司), a company incorporated in the British Virgin Islands with limited liability;
“Target Group”	the Target Company and its subsidiaries (being the Target HK Subsidiary and the Target PRC Subsidiaries);
“Target HK Subsidiary”	Parawin Limited (百利榮有限公司), a company incorporated in Hong Kong with limited liability;
“Target PRC First Subsidiary”	Shenyang Zhixin Assets Management Co., Ltd.* (瀋陽智信資產管理有限公司), a company established in the PRC with limited liability;
“Target PRC Second Subsidiary”	Shanghai Yangye Real Estate Development Co., Ltd.* (上海揚業房地產開發有限公司), a company established in the PRC with limited liability;

“Target PRC Third Subsidiary”	Shanghai Chengyu Real Estate Co., Ltd.* (上海城昱置業有限公司), a company established in the PRC with limited liability;
“Target PRC Subsidiaries”	the Target PRC First Subsidiary, the Target PRC Second Subsidiary and the Target PRC Third Subsidiary;
“Target Share”	One (1) ordinary share of the Target Company, representing the entire issued share capital of the Target Company;
“Vendor”	Polytec Holdings International Limited, a company incorporated in the British Virgin Islands with limited liability and the ultimate holding company of the Company; and
“%”	per cent.

By Order of the Board
Kowloon Development Company Limited
Lee Kuen Chiu
Company Secretary

Hong Kong, 22 June 2018

As at the date of this announcement, the Directors are Mr. Or Wai Sheun (Chairman), Mr. Lai Ka Fai, Mr. Or Pui Kwan and Mr. Lam Yung Hei as executive Directors; Ms. Ng Chi Man 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.

* *For identification purpose only*

** *For the purpose of this announcement, the conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.00=HK\$1.2232.*