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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 AND CONNECTED TRANSACTION

**ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF EACH OF
BEST AWARD AND HIGH CHEER
TOGETHER WITH ASSIGNMENT OF RELATED SHAREHOLDER'S LOANS**

The Board announces that on 13 August 2009, the Company entered into the Agreement with the Vendor for the acquisition of the entire issued share capital of each of Best Award and High Cheer together with the assignment of related shareholder's loans at an aggregate consideration of HK\$856,506,000.

Upon completion of the Acquisition, the Group through its shareholding in Best Award and High Cheer will have development and investment projects in respect of the Hong Kong Property (comprising a site area of approximately 706 square metres and is planned to be developed into a composite residential building with total gross floor area of approximately 5,706 square metres) and the Shenyang Property (comprising three parcels of land of approximately 171,339 square metres for composite residential and commercial use with total planned gross floor area of approximately 578,561 square metres).

The Vendor is a substantial shareholder of the Company, indirectly holding 69.77% of the issued share capital of the Company, and hence a connected person. Therefore, the Acquisition constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Acquisition also constitutes a discloseable transaction. CIMB Securities (HK) Limited has been appointed as independent financial adviser to advise the Independent Board Committee and independent Shareholders in relation to the Acquisition.

EGM will be convened and held to consider and, if thought fit, to approve the Acquisition. A circular containing, among other things, further details relating to the Acquisition, the letter from the Independent Board Committee, the advice from the independent financial adviser and a notice convening the EGM will be dispatched to the Shareholders as soon as possible.

1. THE ACQUISITION

Pursuant to the Agreement, the Vendor has agreed to sell and the Company has agreed to purchase the entire issued share capital of each of Best Award and High Cheer and the Vendor has also agreed to assign the related shareholder's loans to the Company.

Date : 13 August 2009

Parties : the Company, as purchaser
Polytec Holdings International Limited, as vendor

Information on Best Award and the Hong Kong Property

Best Award, a wholly-owned subsidiary of the Vendor, is an investment holding company. Its sole asset of significance is 100% shareholding in Bond Star, which holds and develops the Hong Kong Property. The Hong Kong Property is located in North Point, Hong Kong with a site area of approximately 706 square metres and is planned to be developed into a composite residential building known as Mount East with total gross floor area of approximately 5,706 square metres. As at the date of this announcement, foundation works completed.

In the books of Best Award Group, the carrying value of the Hong Kong Property as at 31 July 2009 based on the management accounts was approximately HK\$186,019,000 which represents the cost incurred by the Vendor. The unaudited net liabilities of Best Award Group were approximately HK\$49,140,000 as at 31 July 2009. As Best Award was set up in July 2009, there were no operating results for it for the last two years. The audited net loss before and after tax of Bond Star for the two years ended 31 December 2007 and 31 December 2008 were HK\$854,000 and HK\$2,711,000 respectively.

As at 31 July 2009, the amount of shareholder's loan owed by Best Award Group to the Vendor was HK\$235,765,337, which will be assigned to the Company upon Completion.

As at the date of this announcement, Bond Star, being the developer of the Hong Kong Property, has appointed a subsidiary of the Company as its sole and exclusive agent to provide project management services (including construction management works, marketing, promotion and pre-sale of the Hong Kong Property) on normal commercial terms. The applicable percentage ratios as defined in the Listing Rules for the project management services are less than 0.1% and falls within a de minimis continuing connected transaction which shall be exempted from the reporting, announcement and independent Shareholders' approval requirements.

Information on High Cheer and the Shenyang Property

High Cheer is a wholly-owned subsidiary of the Vendor. The principal business activities of High Cheer Group are property development and investment holding. It holds and develops the Shenyang Property. The Shenyang Property is located in Hun Nan Xin District of Shenyang City, the PRC. The site area is approximately 171,339 square metres and is for composite residential and commercial use, with total planned gross floor area of approximately 578,561 square metres. As at the date of this announcement, foundation work of the first phase of the development is in progress.

In the books of High Cheer Group, the carrying value of the Shenyang Property as at 31 July 2009 based on the management accounts was approximately RMB392,720,000 (equivalent to approximately HK\$445,473,000) which represents the cost incurred by the Vendor. The unaudited consolidated net assets value of High Cheer Group was approximately HK\$32,306,000 as at 31 July 2009. The unaudited consolidated net loss before and after tax of High Cheer Group for the two years ended 31 December 2007 and 31 December 2008 were HK\$361,000 and HK\$5,922,000 respectively.

As at 31 July 2009, the amount of shareholder's loan owed by High Cheer Group to the Vendor was HK\$387,302,560, which will be assigned to the Company upon Completion.

Consideration and payment

The aggregate consideration for the Acquisition is HK\$856,506,000, detailed below:

- (a) HK\$235,765,345 for Best Award, of which HK\$235,765,337 as the price for assignment of related shareholder's loan and the balance as the price for the transfer of shares; and
- (b) HK\$620,740,655 for High Cheer, of which HK\$387,302,560 as the price for assignment of related shareholder's loan and the balance as the price for the transfer of shares.

The consideration will be satisfied by internal resources of the Group upon Completion in the following manner:

- (a) HK\$90,000,000 will be paid in cash; and
- (b) the balance of the consideration will be settled by the issue of a promissory note in the principal amount of HK\$766,506,000. The promissory note shall not bear any interest or charges and be payable in full on, or at the option of the Company, before the first anniversary of the Completion.

The consideration was determined after arm's length negotiation between the parties with reference to the potential of the development projects and the appraised market value of the underlying properties detailed in the section headed "Reasons for the Acquisition".

Conditions

The Completion is conditional upon:

- (a) all necessary approvals, consents and authorisations in respect of the Agreement and the transactions contemplated therein required by the Vendor and/or the Company having been obtained, including compliance by the Company with all applicable disclosure and shareholders' approval requirements under the Listing Rules;
- (b) there having been no breach by the Vendor of any obligations, undertakings, representations and warranties under the Agreement; and
- (c) there having been no breach by the Company of any obligations, undertakings, representations and warranties under the Agreement.

Completion of the Agreement shall take place within ten days following the satisfaction or waiver of the conditions referred to above. If these conditions are not satisfied by 31 December 2009, or such other date as may be agreed by the parties, the Acquisition will terminate and cease to be of any effect save for any antecedent breach.

After the Completion, Best Award Group and High Cheer Group will become wholly-owned subsidiaries of the Group.

Reasons for the Acquisition

The consideration payable on acquisition of Best Award is HK\$235,765,345, representing a purchase price of approximately HK\$41,319 per square metre (which is based on the gross floor area) for the Hong Kong Property. As the market value in existing state of the Hong Kong Property as at 31 July 2009 was HK\$295,000,000 (which is based on a valuation by an independent valuer), the consideration represents a 20.1% discount of its market value.

The consideration payable on acquisition of High Cheer is HK\$620,740,655, representing a purchase price of approximately HK\$1,073 per square metre (which is based on the planned gross floor area) for the Shenyang Property. As the market value on the assumption that all relevant legal title documentation of the Shenyang Property has been obtained as at 31 July 2009 was RMB871,000,000 (equivalent to approximately HK\$987,999,000) (which is based on a valuation by an independent valuer), the consideration represents a 37.2% discount of its market value. The higher discount percentage as compared with the Hong Kong Property is due to the PRC land appreciation tax and corporate income tax which are substantially higher than that of Hong Kong.

The Acquisition is in line with business activities of the Group. The Hong Kong Property will be developed into a multi-storey high-end residential building with retail and recreational facilities. The Shenyang Property is for composite residential and commercial use and the Company intends to develop the Shenyang Property into a residential, apartment, commercial, hotel and office complex. In light of the value of these properties, the Acquisition enables the Company to expand its portfolio of development projects and improve its revenue base.

Having regard to the above, the Directors (excluding the Independent Board Committee members who will express their views in the circular after considering the advice from the independent financial adviser) believe that the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2. IMPLICATIONS UNDER THE LISTING RULES

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

The Vendor is a substantial shareholder of the Company and hence a connected person. Therefore, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios as defined in the Listing Rules exceed 5% but less than 25%, the Acquisition also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The Acquisition is subject to the reporting, announcement and the approval of independent Shareholders.

The Vendor is ultimately and wholly-owned by a discretionary family trust, of which the Company's executive directors namely Mr Or Wai Sheun, Ms Ng Chi Man (his wife) and Mr Or Pui Kwan (his son) and their family members are beneficiaries. As at the date of this announcement, the Vendor is interested in 802,830,124 shares of the Company, representing approximately 69.77% of the issued share capital of the Company. The Vendor and its beneficial owners and their associates (as defined in the Listing Rules) including Mr Or and his family members will abstain from voting at the EGM in relation to the Acquisition.

3. GENERAL

The Independent Board Committee of the Company has been constituted to make recommendations to the independent Shareholders in relation to the Acquisition. None of the members of the Independent Board Committee has any material interest in the Acquisition. CIMB Securities (HK) Limited has been appointed as independent financial adviser to advise the Independent Board Committee and the independent Shareholders in relation to the Acquisition.

EGM will be convened and held for the independent Shareholders to consider and, if thought fit, to approve the Acquisition. A circular containing, among other things, further details relating to the Acquisition, the letter from the Independent Board Committee, the advice from the independent financial adviser and a notice convening the EGM will be dispatched to the Shareholders as soon as possible.

Completion of the Acquisition is subject to conditions, which may or may not be fulfilled. Shareholders should exercise caution in dealing in the securities of the Company.

4. DEFINITIONS

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

“Acquisition”	the proposed purchase of the Acquisition Shares and the assignment of related shareholder's loans pursuant to the Agreement
“Acquisition Shares”	being the entire issued share capital of each of Best Award and High Cheer
“Agreement”	the agreement dated 13 August 2009 between the Company and the Vendor in relation to the sale and purchase of the Acquisition Shares and the assignment of related shareholder's loans
“Best Award”	Best Award Investments Limited, a limited liability company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Vendor
“Best Award Group”	Best Award and its subsidiary
“Board”	the board of directors of the Company
“Bond Star”	Bond Star Development Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Best Award

“Company”	Kowloon Development Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed in the main board of the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for approving the Acquisition
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“High Cheer”	High Cheer Investments Limited, a limited liability company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Vendor
“High Cheer Group”	High Cheer and its subsidiaries
“Hong Kong Property”	24-32 Ming Yuen Western Street, North Point, Hong Kong
“Independent Board Committee”	the independent committee of the Board, comprising all independent non-executive Directors, appointed by the Board to advise the independent Shareholders in relation to the Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, Taiwan and Macau
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Shenyang Property”	three parcels of land (Hun Nan Xin District Central District Lot Nos. D3/D4/D9) located at the northern side of Hun Nan Er Road, Hun Nan Xin District, Shenyang City, Liaoning Province, the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Polytec Holdings International Limited, a limited liability company incorporated in the British Virgin Islands

Unless otherwise specified, RMB has been translated into HK\$ at the exchange rate of HK\$1.00 = RMB0.88158 for illustration purpose. Such translation should not be construed as a representation that any amounts in RMB or HK\$ have been, could have been, or could be, converted at the above rate or any other rates or at all.

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

Hong Kong, 13 August 2009

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.