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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 TRANSACTIONS

ACQUISITION OF TWO RESIDENTIAL UNITS AT POK FU LAM ROAD, DISPOSAL OF ONE COMMERCIAL UNIT AT MOUNT EAST AND ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL AND RELATED SHAREHOLDER'S LOAN OF MASS VENTURES INTERNATIONAL LIMITED

The First Acquisition

On 18 July 2012, Ever Cheer, a wholly-owned subsidiary of the Company, entered into the First Acquisition Agreement with Bold Team Investments pursuant to which Ever Cheer agreed to purchase the First Property from Bold Team Investments for HK\$4,900,000.

The Second Acquisition

On 18 July 2012, Ever Cheer entered into the Second Acquisition Agreement with Expert View Holdings pursuant to which Ever Cheer agreed to purchase the Second Property from Expert View Holdings for HK\$4,250,000.

The Disposal

On 18 July 2012, Bond Star Development, an indirect wholly-owned subsidiary of the Company, entered into the Disposal Agreement with Kromriver pursuant to which Bond Star Development agreed to sell the Third Property to Kromriver for HK\$9,400,000.

The Mass Ventures Acquisition

On 18 July 2012, Brilliant Idea, a wholly-owned subsidiary of the Company, entered into the Mass Ventures Acquisition Agreement with Partner Talent pursuant to which Brilliant Idea agreed to acquire the Mass Ventures Sale Share together with the assignment of the Sale Loan for an aggregate consideration of HK\$374,830,981. The Mass Ventures Sale

Share represents the entire issued share capital of Mass Ventures. Mass Ventures is an investment holding company and its only asset of significance is its interest in the Fourth Property.

Each of Bold Team Investments, Expert View Holdings, Kromriver and Partner Talent is beneficially wholly owned by PHIL, a company which is ultimately wholly owned by Mr Or and his family members. Accordingly, the transactions under the First Acquisition Agreement, the Second Acquisition Agreement, the Disposal Agreement and the Mass Ventures Acquisition Agreement constitute connected transactions for the Company. As the applicable ratios for the aggregate consideration under the First Acquisition Agreement, the Second Acquisition Agreement and the Mass Ventures Acquisition Agreement, and the consideration for the Disposal Agreement, are more than 0.1% but less than 5%, the transactions contemplated under the First Acquisition Agreement, the Second Acquisition Agreement, the Disposal Agreement and the Mass Ventures Acquisition Agreement are subject to the reporting and announcement requirements but exempt from the requirement of independent shareholders' approval under Chapter 14A of the Listing Rules.

THE FIRST ACQUISITION AGREEMENT

Date: 18 July 2012

Parties to the First Acquisition Agreement:

- (1) Ever Cheer, a wholly-owned subsidiary of the Company, as purchaser; and
- (2) Bold Team Investments, as vendor. Bold Team Investments is an investment holding company beneficially wholly owned by PHIL, which in turn is ultimately wholly owned by Mr Or and his family members. Mr Or is a Director and the controlling shareholder of the Company, Bold Team Investments is therefore an associate of a connected person of the Company and the First Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

The First Acquisition

Pursuant to the First Acquisition Agreement, Ever Cheer agreed to purchase from Bold Team Investments the First Property, which is a flat with a gross floor area of approximately 485 square feet located at Flat A on 4th Floor, Nos 49-51 Pok Fu Lam Road, Western District, Hong Kong.

Consideration

The consideration for the First Property is HK\$4,900,000, which was determined after arm's length negotiations based on the market value of the First Property in the amount of HK\$4,900,000 as at 30 June 2012, based on a property valuation report prepared by an independent property valuer.

The consideration will be payable by Ever Cheer in cash in accordance with the following schedule:

- 10%, equivalent to HK\$490,000, will be payable by Ever Cheer upon the signing of the First Acquisition Agreement; and
- the balance of 90%, equivalent to HK\$4,410,000, will be payable by Ever Cheer at completion.

The consideration of the First Acquisition will be funded by the Group's internal resources.

THE SECOND ACQUISITION AGREEMENT

Date: 18 July 2012

Parties to the Second Acquisition Agreement:

- (1) Ever Cheer, a wholly-owned subsidiary of the Company, as purchaser; and
- (2) Expert View Holdings, as vendor. Expert View Holdings is an investment holding company beneficially wholly owned by PHIL, which in turn is ultimately wholly owned by Mr Or and his family members. Mr Or is a Director and the controlling shareholder of the Company, Expert View Holdings is therefore an associate of a connected person of the Company and the Second Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

The Second Acquisition

Pursuant to the Second Acquisition Agreement, Ever Cheer agreed to purchase from Expert View Holdings the Second Property, which is a flat with a gross floor area of approximately 415 square feet located at Flat B on 3rd Floor, Nos 49-51 Pok Fu Lam Road, Western District, Hong Kong.

Consideration

The consideration for the Second Property is HK\$4,250,000, which was determined after arm's length negotiations based on the market value of the Second Property in the amount of HK\$4,250,000 as at 30 June 2012, based on a property valuation report prepared by an independent property valuer.

The consideration will be payable by Ever Cheer in cash in accordance with the following schedule:

- 10%, equivalent to HK\$425,000, will be payable by Ever Cheer upon the signing of the Second Acquisition Agreement; and
- the balance of 90%, equivalent to HK\$3,825,000, will be payable by Ever Cheer at completion.

The consideration of the Second Acquisition will be funded by the Group's internal resources.

Reasons for the First Acquisition and the Second Acquisition

The building located at Nos 49-51 Pok Fu Lam Road has 19 units, of which 15 are residential units and 4 are commercial units. The Group has already acquired 17 units out of the 19 units in that building. In addition, the Group has been acquiring properties at the adjoining buildings at Nos 53-55 Pok Fu Lam Road, Nos 57-59 Pok Fu Lam Road and Nos 61-65A Pok Fu Lam Road with a view to combining them into one site for redevelopment. The First Property and the Second Property were acquired by Bold Team Investments and Expert View Holdings in September 2008 and 2009 at a cost of approximately HK\$2,340,000 and HK\$2,510,000 respectively, before the Group's plan to redevelop such site and started to acquire properties there since 2011. The proposed acquisitions will facilitate the Group to complete its acquisition of all the units at Nos 49-51 Pok Fu Lam Road and move forward with its redevelopment plan with the adjoining buildings.

The Group is principally engaged in property development and investment and the holding of investments in Hong Kong, Macau and the PRC. The Company considers that the First Acquisition and the Second Acquisition are being conducted in the Group's ordinary and normal course of business of property development. Given that the acquisitions of the First Property and the Second Property were made after arm's length negotiations, on normal commercial terms and at prevailing market prices based on the valuation of such properties, the Directors (including the Independent Non-executive Directors) consider that the First Acquisition and the Second Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE DISPOSAL AGREEMENT

Date: 18 July 2012

Parties to the Disposal Agreement:

- (1) Bond Star Development, an indirect wholly-owned subsidiary of the Company, as vendor; and
- (2) Kromriver as purchaser. Kromriver is an investment holding company wholly owned by PHIL, which in turn is ultimately wholly owned by Mr Or and his family members. Mr Or is a Director and the controlling shareholder of the Company, Kromriver 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, Bond Star Development agreed to sell to Kromriver the Third Property, which is a commercial unit with a gross floor area of approximately 965 square feet located on the Ground Floor at Mount East, No 26 Ming Yuen Western Street, North Point, Hong Kong. The Third Property is developed by Bond Star Development, of which the occupation permit was obtained in February 2011.

The Third Property was vacant since the issue of the occupation permit until a licence agreement with a monthly licence fee of HK\$28,000 was entered into with Kromriver from January 2012 for a term of one year and will expire on 31 December 2012.

Consideration

The consideration for the Third Property is HK\$9,400,000, which was determined after arm's length negotiations based on the market value of the Third Property in the amount of HK\$9,400,000 as at 30 June 2012, based on a property valuation report prepared by an independent property valuer.

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

- 10%, equivalent to HK\$940,000, will be payable by Kromriver upon the signing of the Disposal Agreement; and
- the balance of 90%, equivalent to HK\$8,460,000, will be payable by Kromriver at completion.

The Third Property has a net book value of approximately HK\$5,868,000 as at 30 June 2012. There was no income since the occupation permit for the Third Property was obtained in February 2011 until the current licence agreement has been entered into for a term of one year from January 2012. Up to 30 June 2012, the total income received under the licence agreement amounted to HK\$168,000.

Subject to audit, it is expected that the Group will realise a before-tax gain of approximately HK\$3,532,000 for the Disposal. The Directors currently intend to apply the proceeds in connection with the Disposal as general working capital of the Company.

Reasons for the Disposal

The Third Property is located in a building developed by the Group. The Company considers that the Disposal is being conducted in the ordinary and normal course of business of the Group of property development. Given that the Disposal was made after arm's length negotiations, on normal commercial terms and at prevailing market price based on the valuation of such property, the Directors (including the Independent Non-executive Directors) consider that the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE MASS VENTURES ACQUISITION AGREEMENT

Date: 18 July 2012

Parties to the Mass Ventures Acquisition Agreement:

- (1) Brilliant Idea, a wholly-owned subsidiary of the Company, as purchaser; and
- (2) Partner Talent as vendor. Partner Talent is an investment holding company wholly owned by PHIL, which in turn is ultimately wholly owned by Mr Or and his family members. Mr Or is a Director and the controlling shareholder of the Company, Partner Talent is therefore an associate of a connected person of the Company and the Mass Ventures Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

The Mass Ventures Acquisition

Pursuant to the Mass Ventures Acquisition Agreement, Brilliant Idea agreed to purchase from Partner Talent the Mass Ventures Sale Share together with the assignment of the Sale Loan for an aggregate consideration of HK\$374,830,981.

Mass Ventures is a company incorporated in the British Virgin Islands with limited liability and beneficially wholly owned by Partner Talent. The only asset of significance of Mass Ventures is its interest in the Fourth Property, which is a site with a registered site area of approximately 8,400 square feet. The Fourth Property was acquired by Mass Ventures during March 2010 to March 2012 in the form of residential buildings with ground floor shops which were demolished in June 2012. Up to 30 June 2012, Mass Ventures has incurred aggregate cost and expenses on the Fourth Property amounted to HK\$272,511,463.

Based on the unaudited accounts of Mass Ventures, the net asset of Mass Ventures was approximately HK\$64,778,537 as at 30 June 2012, and the before and after tax profits of Mass Ventures for the two years ended 31 December 2010 and 2011 including HK\$51,922,928 and HK\$19,534,147 gains on the revaluation of the Fourth Property respectively were as follows:

	Year ended 31 December 2010	Year ended 31 December 2011
Profit before tax	HK\$50,397,451	HK\$17,689,293
Profit after tax	HK\$50,397,451	HK\$17,689,293

As at 30 June 2012, the amount of the shareholder's loan owed by Mass Ventures to Partner Talent was HK\$274,389,587, which will be assigned by Partner Talent to Brilliant Idea upon completion of the Mass Ventures Acquisition Agreement.

Consideration

The aggregate consideration for the Mass Ventures Acquisition is HK\$ 374,830,981, comprising the consideration for the Mass Ventures Sale Share in the sum of HK\$100,441,394 plus the face value of the Sale Loan in the sum of HK\$274,389,587. The consideration was determined after arm's length negotiations between the parties based on the net asset of Mass Ventures and the market value of the Fourth Property of HK\$380,000,000 as at 30 June 2012, based on a property valuation report prepared by an independent property valuer and the tax effect on the appreciation of the Fourth Property.

The consideration will be payable by Brilliant Idea in cash in accordance with the following schedule:

- 10%, equivalent to HK\$37,483,098, will be payable by Brilliant Idea upon the signing of the Mass Ventures Acquisition Agreement; and
- the balance of 90%, equivalent to HK\$337,347,883, will be payable by Brilliant Idea at completion.

The consideration of the Mass Ventures Acquisition will be funded by the Group's internal resources and/or bank financing.

Conditions

Completion of the Mass Ventures Acquisition Agreement is conditional upon:

- (a) the compliance by the Company of the requirements of the Listing Rules in relation to the transactions contemplated under the Mass Ventures Acquisition Agreement;
- (b) Brilliant Idea being satisfied with the results of the due diligence on the Mass Ventures Sale Share and the Sale Loan;
- (c) the receipt to the satisfaction of Brilliant Idea a valuation report on the Fourth Property with the appraised value of not less than HK\$380,000,000; and
- (d) if applicable, all other consents, approvals and authorisations in relation to the transactions contemplated under the Mass Ventures Acquisition Agreement have been obtained.

REASONS FOR THE MASS VENTURES ACQUISITION

The Fourth Property is located at 12-22 Fuk Chak Street, Tai Kok Tsui, Kowloon, Hong Kong with all the units having already been acquired by Mass Ventures during March 2010 to March 2012 and the buildings were demolished in June 2012 and is ready for the commencement of foundation works. The Mass Ventures Acquisition is in line with the business activities of the Group and will enable the Group to expand its portfolio of development projects in Hong Kong. The acquisition will also save substantial time and avoid potential risks and uncertainties associated with the assembly of the old building units where the Group may not be able to acquire all the units in a potential site within a short period of time and is thus beneficial to the Group. In addition, the presale of the units in the development is subject to Non-Consent Scheme and thus provide flexibility to the Group in proceeding with presale of the development. Based on current market conditions, the Directors (including the Independent Non-executive Directors) believe that the Group will earn a satisfactory return from this acquisition.

Given that the Mass Ventures Acquisition is being conducted in the Group's normal and ordinary course of business of property development, and that the acquisition was made after arm's length negotiations, on normal commercial terms and at prevailing market price based on the valuation of such property, the Directors (including the Independent Non-executive Directors) consider that the Mass Ventures Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

Each of Bold Team Investments, Expert View Holdings, Kromriver and Partner Talent is beneficially wholly owned by PHIL, a company which is ultimately wholly owned by Mr Or and his family members. Accordingly, the transactions under the First Acquisition Agreement, the Second Acquisition Agreement, the Disposal Agreement and the Mass Ventures Acquisition Agreement constitute connected transactions for the Company. As the applicable ratios for the aggregate consideration under the First Acquisition Agreement, the Second Acquisition Agreement and the Mass Ventures Acquisition Agreement, and the consideration for the Disposal Agreement, are more than 0.1% but less than 5%, the transactions contemplated under the First Acquisition Agreement, the Second Acquisition Agreement, the Disposal Agreement and the Mass Ventures Acquisition Agreement are subject to the reporting and announcement requirements but exempt from the requirement of independent shareholders' approval under Chapter 14A of the Listing Rules.

The Company has not entered into any transaction of a similar nature with Mr Or or his associates within the twelve months immediately preceding the date of the agreements of the transactions contemplated herein.

As each of Bold Team Investments, Expert View Holdings, Kromriver and Partner Talent is beneficially wholly owned by PHIL, a company which is ultimately wholly owned by Mr Or and his family members, Mr Or, Ms Ng Chi Man and Mr Or Pui Kwan are considered to be interested in the transactions contemplated under the First Acquisition Agreement, the Second Acquisition Agreement, the Disposal Agreement and the Mass Ventures Acquisition Agreement and they have abstained from voting for the Board resolutions proposed to approve the transactions under the First Acquisition Agreement, the Second Acquisition Agreement, the Disposal Agreement and the Mass Ventures Acquisition Agreement.

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
“Bold Team Investments”	Bold Team Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding and is beneficially wholly owned by PHIL
“Bond Star Development”	Bond Star Development Limited, a company incorporated in Hong Kong with limited liability which is principally engaged in property development and is an indirect wholly-owned subsidiary of the Company
“Brilliant Idea”	Brilliant Idea Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding and is a wholly-owned subsidiary 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
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the Third Property by the Group pursuant to the Disposal Agreement
“Disposal Agreement”	the agreement dated 18 July 2012 between Bond Star Development and Kromriver in relation to the Disposal
“Ever Cheer”	Ever Cheer Investment Limited, a company incorporated in Hong Kong with limited liability which is principally engaged in investment holding and is a wholly-owned subsidiary of the Company
“Expert View Holdings”	Expert View Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding and is beneficially wholly owned by PHIL
“First Acquisition”	the acquisition of the First Property by the Group pursuant to the terms of the First Acquisition Agreement

“First Acquisition Agreement”	the agreement dated 18 July 2012 between Ever Cheer and Bold Team Investments in relation to the First Acquisition
“First Property”	Flat A on 4th Floor, Nos 49-51 Pok Fu Lam Road, Western District, Hong Kong
“Fourth Property”	12-22 Fuk Chak Street, Tai Kok Tsui, Kowloon, Hong Kong
“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
“Kromriver”	Kromriver Limited, a company incorporated in Hong Kong with limited liability which is principally engaged in investment holding and is wholly owned by PHIL
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mass Ventures”	Mass Ventures International Limited, a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding and is beneficially wholly owned by Partner Talent as at the date of this announcement
“Mass Ventures Acquisition”	the acquisition of the Mass Ventures Sale Share by the Group and the assignment of the Sale Loan to the Group pursuant to the terms of the Mass Ventures Acquisition Agreement
“Mass Ventures Acquisition Agreement”	the agreement dated 18 July 2012 between Brilliant Idea and Partner Talent in relation to the Mass Ventures Acquisition
“Mass Ventures Sale Share”	1 share in the issued share capital of Mass Ventures, representing the entire issued share capital of Mass Ventures
“Mr Or”	Mr Or Wai Sheun, an Executive Director and the controlling shareholder of the Company
“PHIL”	Polytec Holdings International Limited, a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding and is ultimately wholly owned by a discretionary trust of which Mr Or is the founder and the discretionary objects of the trust include Mr Or and his family members (of which Ms Ng Chi Man and Mr Or Pui Kwan are also Directors of the Company)

“Partner Talent”	Partner Talent Limited, a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding and is wholly owned by PHIL
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, Taiwan and Macau
“Sale Loan”	the amount advanced by Partner Talent to Mass Ventures, which stands at HK\$274,389,587 as at 30 June 2012, and will be assigned to the Group pursuant to the terms of the Mass Ventures Acquisition Agreement
“Second Acquisition”	the acquisition of the Second Property by the Group pursuant to the terms of the Second Acquisition Agreement
“Second Acquisition Agreement”	the agreement dated 18 July 2012 between Ever Cheer and Expert View Holdings in relation to the Second Acquisition
“Second Property”	Flat B on 3rd Floor, Nos 49-51 Pok Fu Lam Road, Western District, Hong Kong
“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
“Third Property”	Ground Floor, Mount East, No 26 Ming Yuen Western Street, North Point, Hong Kong

By Order of the Board
Kowloon Development Company Limited
Lai Ka Fai
Executive Director

Hong Kong, 18 July 2012

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) 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.