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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  
IN RELATION TO THE COMPANY'S UNDERTAKING**

**AND**

**INSIDE INFORMATION – LETTER OF INTENT  
IN RELATION TO A POSSIBLE ACQUISITION**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

**THE COMPANY'S UNDERTAKING**

The Board announces that on 24 July 2015, at the request of the Developer, to fulfill the requirements of the Government on the Proposed Land Exchange, the Company has given the Company's Undertaking to the Government and the Director of Lands for taking up the liability of carrying out some road works and constructing, managing and maintaining the Footbridges in the event the Owner fails to do so.

Under the Heads of Agreement, the Owner granted to the Developer, certain rights which include the carrying out of road works and constructing, managing and maintaining the Footbridges. As such, the Developer has an interest in the Company's Undertaking.

The Company's Undertaking constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements. The Company's Undertaking however is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **THE DEED OF INDEMNITY**

The Board further announces that on 24 July 2015, the Developer and Polytec Holdings provided the Deed of Indemnity to the Company which commences on the date of the Company's Undertaking throughout the term of 50 years under the Land Grant and the extension(s) (if any) of the term of the Land Grant in favour of the Company. Under the Deed of Indemnity, while the Developer agrees to pay a Yearly Fee to the Company in consideration of the Company's Undertaking, both the Developer and Polytec Holdings will provide unconditional and irrevocable back-to-back undertaking and act as the joint and several indemnifiers of the Company.

The Deed of Indemnity constitutes a continuing connected transaction, however is fully exempt from the reporting, announcement, circular, independent shareholders' approval and annual review requirements pursuant to Rule 14A.90 and Rule 14A.76(1) of the Listing Rules.

## **LETTER OF INTENT**

The Board further announces that on 24 July 2015, the Company entered into a Letter of Intent with the Developer regarding the Possible Acquisition. The Letter of Intent is not legally binding save as to certain general terms such as termination, costs, exclusivity, confidentiality, binding effect and governing law and jurisdiction.

The Letter of Intent will automatically terminate 12 months after it has been signed or when the Developer in writing confirms that it will not acquire the New Lot (whether directly or indirectly), whichever is earlier.

**As the Possible Acquisition may or may not proceed, the Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the Heads of Agreement, where the Owner, an independent third party, granted to the Developer, a connected person, certain rights in relation to the development of the site comprising all those pieces and parcels of land registered in the Land Registry as the Lots or such part or parts thereof on the terms and conditions as more particularly set out therein. In exercising the rights, the Developer intends to procure the Owner to carry out the Proposed Land Exchange. Under the Proposed Land Exchange, the Owner is required to carry out some road works at its own costs and expenses including, *inter alia*, to build, manage and maintain the Footbridges. Further, the Developer has the right to acquire the New Lot once the Proposed Land Exchange has been completed.

## I. THE COMPANY'S UNDERTAKING

The Board announces that on 24 July 2015, at the request of the Developer, to fulfill the requirements of the Government on the Proposed Land Exchange, the Company has given the Company's Undertaking to the Government and the Director of Lands for taking up the liability of carrying out some road works and constructing, managing and maintaining the Footbridges in the event the Owner fails to do so.

The specific terms of the Company's Undertaking are set out below:-

Date	24 July 2015
Parties	The Company in favour of:- (1) the Government; and (2) the Director of Lands
Term	Throughout the term of 50 years under the Land Grant and the extension(s) (if any) of the term of the Land Grant

The Company undertakes, covenants and agrees, *inter alia*, as follows:-

- (a) Throughout the term of the Land Grant and the extension(s) (if any) of the term of the Land Grant, the Company shall take all possible and necessary steps to procure and realise the due performance by the Owner of its obligations to carry out the road works and to construct, manage and maintain the Footbridges at its own costs and expenses.
- (b) In case the Owner shall fail to carry out the road works or to observe and perform the construction, management or maintenance of the Footbridges, the Company shall on written demand of the Government at the Company's own costs and expenses take up such liability of the road works and the construction, management and maintenance of the Footbridges.
- (c) The Company indemnifies and shall keep the Government, its agents and officers indemnified from and against all claims, damages, liabilities, costs and expenses in whatsoever nature which the Government may suffer or incur as a result of the Owner's non-observance and non-performance of the obligations on the road works and the obligations on the construction, management and maintenance of the Footbridges or any of the said obligations under the Land Grant.
- (d) The Company shall pay all costs, fees and expenses of the Government of and incidental to the Company's Undertaking within 14 days from the date of the demand in writing by the Government and cause the Company's Undertaking to be registered at the Land Registry against the Lots and the New Lot if and when so required by the Director of Lands in his sole and absolute discretion. Should the Company fails to pay the Government any sums so demanded within the said period, the Company shall pay interest on the outstanding amount from the day when the amount is due to the day on which the payment is made at 2% per annum above the average prevailing best lending rate announced by the current note-issuing banks in Hong Kong, namely, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited and Bank of China (Hong Kong) Limited.

- (e) As security for the Owner's performance of all the obligations set out in the Company's Undertaking, the Company shall within 14 days upon demand by the Government procure the Bond which shall remain valid for 50 years from the date of the Land Grant and such extension(s) (if any) of the term of the Land Grant to secure the performance of the obligations under the Company's Undertaking and under the Land Grant and the extension(s) (if any) of the term of the Land Grant including all claims, damages, costs, charges, expenses, liabilities and interests whatsoever which may be incurred by the Government in connection therewith or in relation thereto, in association therewith or as a result thereof. The Company shall, prior to the date of expiry of such Bond or of the Bond as extended or renewed or of any new bond as the case may be, upon demand by the Government, procure and secure the extension or renewal of such Bond and of the Bond as extended or renewed for such period as required by the Government in its sole and absolute discretion or procure and secure a new bond for such sum and period as required by the Government in its sole and absolute discretion until such time when the Government notifies the Developer in writing that the Government is of the opinion that such Bond is no longer required by the Government. Should the Company fails to procure and secure the same as aforesaid the Government shall have the absolute right to demand payment from the Company to the Government under the Bond or the Bond as extended or renewed or any new bond, as the case may be, of the amount which the Government considers as being required to meet the Owner's obligations under the Company's Undertaking and under the Land Grant and any extension(s) (if any) of the term of the Land Grant.
- (f) The Company shall duly and punctually pay all premiums, costs and charges required to maintain the Bond so that the same shall be and remain valid.
- (g) The Company indemnifies and shall keep indemnified the Government and any of its officers from and against all and any actions (including judicial reviews), liabilities, demands, claims, expenses, costs and losses arising out of or in connection with the breach of any terms, covenants or provisions contained in the Company's Undertaking.
- (h) The Company's Undertaking shall remain effective even after the Owner has assigned the New Lot or part thereof or any interest or undivided shares of the New Lot or part thereof.

Based on a letter from Lanbase dated 7 May 2015, the estimation of construction cost, annual management and maintenance cost, and year purchase of 50 years of the inflated management and maintenance cost of the Footbridges is HK\$17,800,000, HK\$691,200 and HK\$22,000,000 respectively. The Valuation in relation to the Company's Undertaking is therefore HK\$40,491,200.

### **Reasons for and benefits of providing the Company's Undertaking to the Government and the Director of Lands**

As the Developer has certain rights including the right to build, manage and maintain the Footbridges and to acquire the New Lot once the Proposed Land Exchange is completed under the Heads of Agreement, the Developer has an interest in the Company's Undertaking.

In consideration of the Company's Undertaking, the Company receives financial assistance from the Developer via the Deed of Indemnity. Under the Deed of Indemnity, the Company also receives unconditional, irrevocable, joint and several undertaking and indemnifications from the Developer and Polytec Holdings. As the terms of the Deed of Indemnity including but not limited to the Yearly Fee as received by the Company is on terms more favourable than those offered by independent third parties and would serve as a back-to-back arrangement in favour of the Company, and given that the Bond under the Company's Undertaking is to be arranged by the Developer, in practice the Company's exposure is considered very limited.

In addition to the above, under the Letter of Intent, subject to the completion of the acquisition of the New Lot by the Developer and the provision of the Company's Undertaking by the Company, the Company may acquire the New Lot from the Developer. As the Developer undertakes, *inter alia*, not to dispose of its interest in the New Lot to any party except the Company under the Letter of Intent, the Company essentially has an exclusive right to acquire the New Lot. The Letter of Intent, which sets out the understanding regarding the Possible Acquisition, would facilitate the Company to evaluate the Possible Acquisition.

The Possible Acquisition would offer the Company the opportunity to expedite the development of its landbank with the aim of achieving earnings growth. Further, the Possible Acquisition would allow the Company to develop luxury projects and enhance its property portfolio. Taking into account the prime location of the New Lot and the potential generation of a satisfactory return for the Company, the Company's management believes the Possible Acquisition is an investment with potential opportunity. As the Company may have an interest in the New Lot, the Company's Undertaking may be beneficial to the Company.

In view of the above, the provision of the Company's Undertaking would indirectly give an exclusive right to the Company to acquire the New Lot. The Directors (including the Independent Non-executive Directors) therefore believe that the terms of the Company's Undertaking are fair and reasonable, on normal commercial terms and in the interests of the Shareholders as a whole.

### **Listing Rules Implications**

As at the date of this announcement, the Company is indirectly owned as to approximately 72.20% by Polytec Holdings through Intellinsight and hence, Polytec Holdings is a controlling shareholder and a connected person of the Company under the Listing Rules.

The Developer is a wholly-owned subsidiary of Polytec Holdings. The Developer, being an associate of the controlling shareholder of the Company, is a connected person of the Company under the Listing Rules. Accordingly, the Company's Undertaking constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules in respect of the Valuation in relation to the Company's Undertaking is less than 5%, the Company's Undertaking is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## II. THE DEED OF INDEMNITY

On 24 July 2015, the Developer and Polytec Holdings provided the Deed of Indemnity to the Company which commences on the date of the Company's Undertaking throughout the term of 50 years under the Land Grant and the extension(s) (if any) of the term of the Land Grant in favour of the Company to, *inter alia*, provide unconditional, irrevocable, joint and several undertaking and indemnifications to the Company. Further, under the Deed of Indemnity, the Developer agrees to pay a Yearly Fee to the Company in consideration of the Company's Undertaking.

### Listing Rules Implications

The transaction under the Deed of Indemnity constitutes a continuing connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As the undertaking and indemnifications under the Deed of Indemnity (i) constitutes financial assistance to be provided by connected persons for the benefit of the Company; (ii) is on normal commercial terms; and (iii) no security over any assets of the Company will be granted in respect of the undertaking and indemnifications under the Deed of Indemnity, the Deed of Indemnity is therefore fully exempt from the reporting, announcement, circular, independent shareholders' approval and annual review requirements pursuant to Rule 14A.90 of the Listing Rules.

Further, as each of the applicable percentage ratios for the Yearly Fee under the Deed of Indemnity is expected to be less than 0.1%, it is fully exempt from the reporting, announcement, circular, independent shareholders' approval and annual review requirements under Rule 14A.76(1) of the Listing Rules.

## III. LETTER OF INTENT

On 24 July 2015, the Company entered into a Letter of Intent with the Developer in relation to the Possible Acquisition. Under the Letter of Intent, the Developer undertakes the following:-

- (a) not to develop the New Lot;
- (b) not to sell, assign, transfer or dispose of its interest in the New Lot, whether directly or indirectly by any methods provided under the Heads of Agreement, to any party except the Company;
- (c) not to agree on any amount of land premium payable and/or any basic terms of offer in relation to the Proposed Land Exchange, unless written approval is obtained from the Company; and
- (d) not to acquire the New Lot, whether directly or indirectly by any methods provided under the Heads of Agreement, unless written approval is obtained from the Company.

The Letter of Intent will automatically terminate 12 months after it has been signed or when the Developer in writing confirms that it will not acquire the New Lot (whether directly or indirectly), whichever is earlier.

The Letter of Intent is only a framework document for the purpose of setting out the understanding to facilitate negotiation between the Company and the Developer. The Letter of Intent is not legally binding save as to certain general terms such as termination, costs, exclusivity, confidentiality, binding effect and governing law and jurisdiction.

At the date of this announcement, discussion is still in progress, which may or may not lead to the execution of a formal sale and purchase agreement in relation to the Proposed Acquisition. In the event the Possible Acquisition materialises, the Possible Acquisition may constitute a notifiable and connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules. Further announcement will be made by the Company if and when the Possible Acquisition materialises.

**As the Possible Acquisition may or may not proceed, the Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

#### **IV. GENERAL**

As at the date of this announcement, Polytec Holdings is ultimately wholly-owned by a discretionary trust of which Mr Or Wai Sheun (the Chairman of the Company) is the founder and the discretionary objects of the trust include Mr Or Wai Sheun, Mr Or Pui Kwan (an Executive Director of the Company) and Ms Ng Chi Man (a Non-executive Director of the Company), as such, they are taken to be interested in the Developer which is a wholly-owned subsidiary of Polytec Holdings. Since Mr Or Wai Sheun, Mr Or Pui Kwan and Ms Ng Chi Man have material interest in the transactions contemplated under the Company's Undertaking, the Deed of Indemnity and the Letter of Intent, they are abstained from voting on the Board resolutions to approve the transactions under the Company's Undertaking, the Deed of Indemnity and the Letter of Intent. Save as disclosed above, none of the Directors has a material interest in the Company's Undertaking, the Deed of Indemnity or the Letter of Intent or is required to abstain from voting on the resolutions in relation to the Company's Undertaking, the Deed of Indemnity and the Letter of Intent.

#### **V. DEFINITIONS**

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

“%”	per cent
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Bond”	a bond issued by a licensed bank in Hong Kong in favour of the Government for the sum of HK\$22,700,000.00
“Company's Undertaking”	the undertaking from the Company to the Government and the Director of Lands dated 24 July 2015
“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

“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Deed of Indemnity”	the deed of indemnity provided by the Developer and Polytec Holdings to the Company dated 24 July 2015
“Developer”	Fulleagle Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Polytec Holdings
“Director(s)”	the director(s) of the Company
“Footbridges”	two footbridges intended to be located respectively in the positions shown and marked “PROP. FB1” and “PROP. FB2” on PLAN I annexed to the Land Grant or in such other positions as may be required or approved in writing by the Director of Lands at his sole discretion
“Government”	the Government of the Hong Kong Special Administrative Region
“Group”	the Company and its subsidiaries
“Heads of Agreement”	the heads of agreement entered into between the Owner and the Developer dated 30 September 2009
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Non-executive Directors”	the Independent Non-executive Directors of the Company
“independent third party(ies)”	has the meaning ascribed to it under the Listing Rules
“Intellinsight”	Intellinsight Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and the parent company of the Company
“Lanbase”	Lanbase Surveyors Limited, a company incorporated in Hong Kong with limited liability
“Land Grant”	the grant of the New Lot
“Land Registry”	Land Registry of Hong Kong
“Letter of Intent”	the non-binding letter of intent entered into between the Company and the Developer dated 24 July 2015
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange



“Lots”	Junk Bay Town Lot No. 2 and the Extension thereto and Tseung Kwan O Town Lot No. 22
“New Lot”	the proposed new lot to be known as Tseung Kwan O Town Lot No. 121
“Owner”	Chiaphua-Shinko Copper Alloy Company Limited, now known as Li Profit Limited, a company incorporated in Hong Kong with limited liability
“Polytec Holdings”	Polytec Holdings International Limited, a company incorporated in the British Virgin Islands with limited liability and the ultimate holding company of the Company
“Possible Acquisition”	subject to the completion of the acquisition of the New Lot (whether directly or indirectly) by the Developer, the possible acquisition of the New Lot by the Company from the Developer directly or indirectly, including but not limited to by acquisition of the entire issued share capital of the Owner or a single purpose company which is wholly-owned by the Owner
“Proposed Land Exchange”	to surrender the Lots to the Government in exchange for the Land Grant for erecting a residential development with other facilities by the Owner
“Shareholder(s)”	the Shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation”	the total sum of the estimation of construction cost, annual management and maintenance cost, and year purchase of 50 years of the inflated management and maintenance cost of the Footbridges according to a letter from Lanbase dated 7 May 2015
“Yearly Fee”	the yearly fee to be provided by the Developer to the Company in consideration of the Company’s Undertaking

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

Hong Kong, 24 July 2015

*As at the date of this announcement, the Directors of the Company are Mr Or Wai Sheun (Chairman), Mr Lai Ka Fai and Mr Or Pui Kwan 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.*