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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)

EXEMPT CONNECTED TRANSACTION

**ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL
OF FULLEAGLE LIMITED**

Reference is made to the Company's announcement dated 24 July 2015.

The Board announces that on 14 January 2016, the Company entered into the Share Purchase Agreement with Polytec Holdings pursuant to which Polytec Holdings conditionally agreed to sell and procure Kromriver to assign, and the Company conditionally agreed to purchase and accept the assignment of, the Sale Share and the Loan, for the Consideration in the amount of HK\$184,480,555.

As at the date of this announcement, the Company is indirectly owned as to approximately 72.20% by Polytec Holdings through Intellinsight. Polytec Holdings 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 (including Ms Ng and Mr Or Pui Kwan who are Directors). Polytec Holdings is therefore a controlling shareholder and a connected person of the Company and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As all of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the circular and independent shareholders' approval requirements.

THE SHARE PURCHASE AGREEMENT

Date

14 January 2016

Parties

- (1) the Company (as purchaser); and
- (2) Polytec Holdings (as vendor), a company incorporated in the British Virgin Islands with limited liability whose principal business is investment holding.

The Acquisition

Pursuant to the Share Purchase Agreement, Polytec Holdings conditionally agreed to sell and procure Kromriver to assign, and the Company conditionally agreed to purchase and accept the assignment of, the Sale Share and the Loan, for the Consideration in the amount of HK\$184,480,555. The Sale Share represents the entire issued share capital of the Target Company. Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company and the accounts of which will be consolidated with the Group's accounts.

Consideration

The Consideration was determined after arm's length negotiations between the parties based on the cost to the Target Company for the acquisition of Li Profit on 27 November 2015 and the amount of the Loan. Reference was also made to the Valuation Report. Li Profit is a direct wholly-owned subsidiary and the only subsidiary of the Target Company.

The Consideration shall be payable by the Company in the following manner:

- (a) Upon execution of the Share Purchase Agreement, payment to Polytec Holdings in the amount of HK\$18,448,056, representing 10% of the Consideration.
- (b) On Completion Date, payment to Polytec Holdings in the amount of HK\$166,032,499, being the balance of the Consideration after deduction of the amount set out in (a).

The Consideration will be satisfied by internal resources of the Group.

Assignment of Loan

Kromriver, the Target Company and the Company shall enter into a deed of assignment on the Completion Date for the assignment of the Loan and the full benefits, rights and interests of Kromriver under the Loan from Kromriver to the Company.

Conditions

Completion of the Share Purchase Agreement is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

- (a) the Company 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 Company or any of its officers, employees, agents, professional advisers or other agents as the Company in its discretion deems necessary, desirable or appropriate to undertake;
- (b) the representations and warranties given by Polytec Holdings under the Share Purchase Agreement remaining true and accurate in all respects and not misleading in any respect as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date;

- (c) no notice, order, judgment, 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 Share Purchase Agreement or which is reasonably likely to materially and adversely affect the right of the Company to own the legal and beneficial title to the Sale Share, free from encumbrances, following the Completion Date; and
- (d) all applicable requirements under the Listing Rules having been complied with and all necessary approvals and consents required to be obtained by any of the Target Company and/or Li Profit and/or the Company and/or Polytec Holdings from any authority, other third party or any shareholder(s) (including approval by shareholders at a general meeting, if required by the Listing Rules) in respect of the Share Purchase Agreement and/or the transactions contemplated thereunder having been obtained unconditionally and irrevocably, or where such approval or consent is given subject to conditions, on such conditions as are acceptable to the Company.

The Company may at any time by notice in writing to Polytec Holdings waive any of the above conditions (in whole or in part) (other than condition (d) above).

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the British Virgin Islands on 8 July 2005 and is directly wholly-owned by Polytec Holdings as at the date of this announcement. It is principally engaged in investment holding. The Target Company only became the sole shareholder of Li Profit on 21 December 2015, as such, the financial information of Li Profit was not consolidated in the financial results of the Target Company for the two years ended 31 December 2013 and 31 December 2014. Set out below are the unaudited financial information of the Target Company and the audited financial information of Li Profit for the two financial years ended 31 March 2014 and 31 March 2015 respectively:

The Target Company

	For the year ended 31 December	
	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
Loss before taxation	(4,472)	(5,828)
Loss after taxation	(4,472)	(5,828)
Net liabilities	(62,693)	(58,221)

Li Profit

	For the year ended 31 March	
	2015	2014
	<i>HK\$</i>	<i>HK\$</i>
Loss before taxation	(10,447,912)	(9,784,666)
Loss after taxation	(10,447,912)	(9,784,666)
Net assets	37,181,689	47,629,601

The Target Company does not own any major assets apart from its indirect interest in the Lots held through Li Profit. The original cost to the Target Company of its acquisition of Li Profit on 27 November 2015, including the consideration of HK\$190,000,000, related applicable stamp duty and other miscellaneous costs related to such acquisition, was HK\$190,360,615. According to the Valuation Report, the market value of the Lots as at 15 December 2015 was HK\$193,000,000. As at the date of this announcement, Li Profit is a direct wholly-owned subsidiary of the Target Company.

THE LAND EXCHANGE

On 28 March 2012, the Target Company on behalf of Li Profit filed an application to the Lands Department for the Land Exchange. On 14 August 2015, the Lands Department, subject to certain terms including the payment of the Land Premium, offered to proceed with the Land Exchange. On behalf of Li Profit, the Target Company filed an appeal on 10 September 2015 seeking a review of the amount of Land Premium set out in the letter from the Lands Department on 14 August 2015 and submitted supporting documents to justify a revision of the amount of the Land Premium on 8 December 2015. As at the date of the announcement, Li Profit is not under any binding obligation to pay the Land Premium or proceed with the Land Exchange. The offer from the Lands Department is subject to acceptance of its accompanying terms by Li Profit including the amount of the Land Premium. It is expected that the terms of the Land Exchange will not be finalised before Completion. The Company will consider whether to proceed with the Land Exchange after finalisation of the terms of the Land Exchange and the Land Exchange may or may not proceed.

If Li Profit accepts the terms of the Land Exchange (including the amount of the Land Premium), which is currently expected to take place after Completion, Li Profit will be granted the New Lot by the Government.

INFORMATION ON THE COMPANY AND REASONS FOR THE ACQUISITION

The Company is, through its subsidiaries, principally engaged in property development (in Hong Kong, Macau and the PRC) and investment and the holding of investments. In respect of property development, the Group typically acquires land, by way of public tender, redevelopment of old tenement buildings in urban areas and land-use conversion, and erects residential and/or commercial buildings on such land for sale.

Given the Land Exchange may take place after the Acquisition, the Acquisition offers the Company a potential opportunity to enhance its landbank in Hong Kong. Further, the Acquisition would allow the Company an opportunity to develop luxury projects and enhance its earnings growth. Taking into account the prime location of the New Lot and the potential generation of a satisfactory return for the Company, the Board believes the Acquisition is an investment with potential opportunity. The Directors (including the independent non-executive Directors) are of the view that the terms of the Share Purchase Agreement are on normal commercial terms in the ordinary and usual course of business of the Group, are fair and reasonable 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 72.20% by Polytec Holdings through Intellinsight. Polytec Holdings 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 (including Ms Ng and Mr Or Pui Kwan who are Directors). Polytec Holdings is therefore a controlling shareholder and a connected person of the Company and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As all of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the circular and independent shareholders' approval requirements.

Mr Or, Ms Ng and Mr Or Pui Kwan, being the discretionary objects of the discretionary trust which ultimately owns Polytec Holdings (and Mr Or and Ms Ng also being directors of Polytec Holdings), have abstained from voting on the resolutions approving the Acquisition at a board meeting of the Company.

The Acquisition is subject to a number of conditions precedents in the Share Purchase Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when they deal or contemplate dealing in the Shares of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Share and the Loan pursuant to the terms of the Share Purchase Agreement
“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
“Completion”	completion of the Acquisition pursuant to the Share Purchase Agreement
“Completion Date”	21 January 2016 or such other date as the Company and Polytec Holdings may agree
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of the Acquisition pursuant to the Share Purchase Agreement
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“Government”	the Government of 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 People’s Republic of China
“Kromriver”	Kromriver Limited, a company incorporated in Hong Kong with limited liability which is directly wholly-owned by Polytec Holdings
“Intellinsight”	Intellinsight Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and the parent company of the Company
“Land Exchange”	the surrender of the Lots to the Government in exchange for the New Lot
“Land Premium”	the premium to be charged by the Lands Department as one of the terms of the Land Exchange
“Li Profit”	Li Profit Limited (formerly known as Chiaphua-Shinko Copper Alloy Company Limited), a company incorporated in Hong Kong with limited liability which is a direct wholly-owned subsidiary of the Target Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan owing from the Target Company to Kromriver in the amount of HK\$184,564,942 as at 14 January 2016
“Lots”	Junk Bay Town Lot No. 2 and the Extension thereto and Tseung Kwan O Town Lot No. 22
“Mr Or”	Mr Or Wai Sheun, an executive Director and the Chairman of the Company, the husband of Ms Ng and the father of Mr Or Pui Kwan
“Mr Or Pui Kwan”	Mr Or Pui Kwan, an executive Director and the son of Mr Or and Ms Ng
“Ms Ng”	Ms Ng Chi Man, a non-executive Director, the wife of Mr Or and the mother of Mr Or Pui Kwan

“New Lot”	the proposed new lot to be known as Tseung Kwan O Town Lot No. 121
“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
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region
“Share Purchase Agreement”	the share purchase agreement dated 14 January 2016 entered into between Polytec Holdings and the Company in relation to the Acquisition
“Sale Share”	one share in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company
“Share(s)”	share(s) in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Fulleagle Limited, a company incorporated in the British Virgin Islands with limited liability which is a direct wholly-owned subsidiary of Polytec Holdings
“Target Group”	the Target Company and its subsidiary, Li Profit
“Valuation Report”	the valuation report on the Lots commissioned by the Company and prepared by an independent property valuer dated 15 December 2015

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

Hong Kong, 14 January 2016

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.