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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)

**(1) SPECIAL DIVIDEND BY WAY OF DISTRIBUTION IN SPECIE OF SHARES IN
POLYTEC ASSET HOLDINGS LIMITED**

**(2) RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS FOR
THE SPECIAL DIVIDEND**

(3) CLOSURE OF REGISTER OF MEMBERS FOR THE INTERIM DIVIDEND

SPECIAL DIVIDEND BY WAY OF DISTRIBUTION IN SPECIE OF PAH SHARES

At the meeting of the Board held on 22 August 2018, the Board has resolved to declare a special dividend in the form of Distribution in Specie of 117,663,130 PAH Shares held by the Group to the Qualifying Shareholders whose names appear on the Register of Members of the Company on the Record Date in proportion to their then respective shareholdings in the Company on the following basis:

for every 10 Shares held.....1 PAH Share

A Qualifying Shareholder holding less than an integral multiple of 10 Shares (for the avoidance of doubt, including a Qualifying Shareholder holding less than 10 Shares) will be entitled to a pro-rata number of PAH Shares, being rounded down to the nearest whole number of PAH Shares.

No fraction of a PAH Share will be distributed. Fractional entitlements to the PAH Shares and any PAH Shares left undistributed will be sold in the market and the net proceeds of such sale will be retained for the benefit of the Company. If any calculation of a Qualifying Shareholder's entitlement to the PAH Shares would result in a fraction of a PAH Share, such entitlement will be rounded down to the nearest whole number of PAH Shares.

The Distribution in Specie will be available to the Shareholders whose names appear on the Register of Members of the Company on the Record Date, but will not be extended to the Non-Qualifying Shareholders.

Following the Distribution in Specie, PAH will remain as a subsidiary of the Company and its results will continue to be consolidated in the financial statements of the Company.

RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS FOR THE SPECIAL DIVIDEND

For the purpose of determining Shareholders' entitlement to the Distribution in Specie, the Register of Members of the Company will be closed from Tuesday, 27 November 2018 to Wednesday, 28 November 2018, both dates inclusive. During the aforementioned period, no transfer of Shares will be registered. In order to qualify for the Distribution in Specie, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 pm on Monday, 26 November 2018. The last day for trading in Shares on the Stock Exchange with entitlement to the Distribution in Specie is expected to be Thursday, 22 November 2018.

The Record Date for determining a Shareholder's entitlement to the Distribution in Specie is Wednesday, 28 November 2018.

CLOSURE OF REGISTER OF MEMBERS FOR THE INTERIM DIVIDEND

For the purpose of determining Shareholders' entitlement to the Interim Dividend, the Register of Members of the Company will be closed from Tuesday, 27 November 2018 to Wednesday, 28 November 2018, both dates inclusive. During the aforementioned period, no transfer of Shares will be registered. In order to qualify for the Interim Dividend, all transfer forms accompanied by relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 pm on Monday, 26 November 2018.

SPECIAL DIVIDEND BY WAY OF DISTRIBUTION IN SPECIE OF PAH SHARES

Reference is made to the announcement of the Company dated 22 August 2018 pursuant to which, among others, the Board announced that it has resolved to declare a special dividend in the form of Distribution in Specie. This announcement is made by the Company to provide Shareholders with further information in relation to the Distribution in Specie.

Basis of entitlement

At the meeting of the Board held on 22 August 2018, the Board has resolved to declare a special dividend in the form of Distribution in Specie of 117,663,130 PAH Shares held by the Group to the Qualifying Shareholders whose names appear on the Register of Members of the Company on the Record Date in proportion to their then respective shareholdings in the Company on the following basis:

for every 10 Shares held.....1 PAH Share

A Qualifying Shareholder holding less than an integral multiple of 10 Shares (for the avoidance of doubt, including a Qualifying Shareholder holding less than 10 Shares) will be entitled to a pro-rata number of PAH Shares, being rounded down to the nearest whole number of PAH Shares.

No fraction of a PAH Share will be distributed. Fractional entitlements to the PAH Shares and any PAH Shares left undistributed (other than any PAH Shares sold for the benefit of the Non-Qualifying Shareholders as set out in the section headed “Qualifying Shareholders and Non-Qualifying Shareholders” below) will be sold in the market and the net proceeds of such sale will be retained for the benefit of the Company. If any calculation of a Qualifying Shareholder’s entitlement to the PAH Shares would result in a fraction of a PAH Share, such entitlement will be rounded down to the nearest whole number of PAH Shares.

The PAH Shares

As at the date of this announcement, the Group holds 3,260,004,812 PAH Shares, representing approximately 73.44% of the total number of issued PAH Shares. The 117,663,130 PAH Shares to be distributed represent approximately 3.61% PAH Shares held by the Group and approximately 2.65% of the total number of issued PAH Shares as at the date of this announcement. The PAH Shares are listed on the Main Board of the Stock Exchange (Stock Code: 208).

Record Date and closure of Register of Members

For the purpose of determining Shareholders’ entitlement to the Distribution in Specie, the Register of Members of the Company will be closed from Tuesday, 27 November 2018 to Wednesday, 28 November 2018, both dates inclusive. During the aforementioned period, no transfer of Shares will be registered. In order to qualify for the Distribution in Specie, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 pm on Monday, 26 November 2018. The last day for trading in Shares on the Stock Exchange with entitlement to the Distribution in Specie is expected to be Thursday, 22 November 2018.

The Record Date for determining a Shareholder’s entitlement to the Distribution in Specie is Wednesday, 28 November 2018.

Dispatch of share certificates and CCASS settlement

It is expected that share certificates for the relevant PAH Shares will be dispatched on or about Wednesday, 12 December 2018 by ordinary post at the own risk of the Qualifying Shareholders to their respective addresses shown on the Register of Members of the Company on the Record Date.

In the case of a joint holding of Shares, the share certificate for the PAH Shares will be posted to the address shown on the Register of Members of the Company in respect of such Shares on the Record Date.

Investors holding Shares through CCASS Participants are expected to receive the PAH Shares through their respective stockbrokers or custodians or through their CCASS Investor Participant stock accounts following the dispatch of share certificates of the PAH Shares. Such investors should seek the advice of their respective stockbrokers or other professional advisers in case of doubt.

Odd lot matching service for the PAH Shares

The Company has, at its own costs, appointed Hantec Securities Company Limited to provide matching service for sale and purchase of odd lots of the PAH Shares, on a best effort basis, to those Qualifying Shareholders entitled to the Distribution in Specie who wish to acquire odd lots of the PAH Shares to make up a full board lot, or to dispose of their odd lots of the PAH Shares.

Qualifying Shareholders who wish to utilise this service should contact Hantec Securities Company Limited Dealing Hotline of Hantec Securities Company Limited at (852) 2501 3262, 12/F, South China Building, 1-3 Wyndham Street, Central, Hong Kong during the period from 9:00 am on 12 December 2018 to 4:00 pm on 21 March 2019, both dates inclusive. Holders of odd lots of the PAH Shares should note that successful matching of such sale and purchase is not guaranteed.

Qualifying Shareholders and Non-Qualifying Shareholders

The Distribution in Specie will be available to the Shareholders whose names appear on the Register of Members of the Company on the Record Date, but will not be extended to the Non-Qualifying Shareholders.

Shareholders with registered addresses outside Hong Kong

Based on the Register of Members of the Company as at 31 October 2018, there were a total of 37 Shareholders whose addresses as shown on the Register of Members of the Company were outside Hong Kong, comprising 6 jurisdictions that are outside Hong Kong, including Canada, the PRC, the United Kingdom, Singapore, Australia and the United States of America, with a total shareholding of 1,748,362 Shares, representing in aggregate approximately 0.15% of the total number of issued Shares as at the close of business on 31 October 2018.

The Company had engaged legal counsels to ascertain whether or not there are any legal or regulatory requirements or restrictions which would make extending the Distribution in Specie to Shareholders whose addresses as shown on the Register of Members of the Company are located in the aforementioned jurisdictions outside Hong Kong administratively prohibitive or inexpedient. Having considered such advice provided by the legal counsels in the aforementioned jurisdictions, the Directors are of the view that:

- (i) with respect to Canada, the PRC, the United Kingdom, Singapore and Australia, the Company has been advised that there are no such legal or regulatory restrictions or the Company has met the relevant exemption requirement(s) in such jurisdiction(s) which would exempt the Company from the obtaining of approval from the relevant regulatory authorities under the applicable laws and regulations of such jurisdiction(s) for the purpose of the Distribution in Specie. The Distribution in Specie will accordingly be extended to the Shareholders whose addresses as shown on the Register of Members of the Company are in Canada, the PRC, the United Kingdom, Singapore and Australia on the Record Date; and
- (ii) with respect to the United States of America, the Company has been advised that there are applicable legal or regulatory requirements or restrictions and the Board considered that, as additional time and resources are required to ascertain the satisfaction of the relevant requirements or exemptions, it is expedient and beneficial to the Company and the Shareholders as a whole to exclude the Shareholders whose addresses as shown on the Register of Members of the Company are in the United States of America on the Record Date from receiving the PAH Shares and to regard such Shareholders as Non-Qualifying Shareholders.

Shareholders with registered addresses outside Hong Kong should consult their own professional advisers as to whether or not they are permitted to receive the special dividend in the form of Distribution in Specie or if any governmental or other consent is required or other formalities which need to be observed and whether there are any other restrictions in relation to the future sale of any PAH Shares so received.

Notwithstanding the arrangements with regard to Shareholders with registered addresses outside Hong Kong as described above, the Board reserves the ultimate right to exclude any Shareholder from the Distribution in Specie if it believes that the transfer of the PAH Shares to such person(s) may violate any applicable legal and/or regulatory requirements in any jurisdiction.

Arrangements for Non-Qualifying Shareholders (if any)

As the Distribution in Specie will not be extended to the Non-Qualifying Shareholders (if any), arrangements will be made for the PAH Shares which would otherwise have been transferred to any Non-Qualifying Shareholders to be sold in the market as soon as possible, on or after the date of posting of the share certificates for the PAH Shares (which date is currently expected to be on or about Wednesday, 12 December 2018), and any proceeds of sale, after deduction of expenses and duties, will be distributed in HK\$ to the relevant Non-Qualifying Shareholders, except that net proceeds less than HK\$100 will be retained for the benefit of the Company.

Cheques representing the net proceeds of the sale of such PAH Shares, if any, will be sent by ordinary post to the Non-Qualifying Shareholders at their own risk, within fourteen (14) days after the sale of all such PAH Shares. In the absence of bad faith or willful default, none of the Company or any broker or agent appointed by the Company to effect the sale shall have any liability of any loss whatsoever arising as a result of the timing or the terms of any such sale.

REASONS FOR AND BENEFITS OF THE DISTRIBUTION IN SPECIE

The Board is of the view that the Distribution in Specie will provide the Qualifying Shareholders a bonus, with an opportunity to directly participate in the investment of, and enjoy the exceptional returns years ahead from, the PAH Shares, and with the flexibility to determine the level of their participation in investing in PAH at their own discretion.

Based on the foregoing, the Board is of the view that the Distribution in Specie is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISTRIBUTION IN SPECIE

On the assumption that there is no change in the issued share capital of both the Company and PAH from the date of this announcement up to the Record Date and the actual number of PAH Shares subject to the Distribution in Specie is 117,663,130, the number of PAH Shares and the percentage of the issued share capital of PAH held by the Group will be reduced from 3,260,004,812 PAH Shares to 3,142,341,682 PAH Shares and from approximately 73.44% to approximately 70.79%, respectively. PAH has been a subsidiary of the Company whose results have been consolidated in the financial statements of the Company. Following the Distribution in Specie, PAH will remain as a subsidiary of the Company and its results will continue to be consolidated in the financial statements of the Company.

The profit and loss implications on the Group as a result of the distribution of the PAH Shares upon completion of the Distribution in Specie may only be ascertained following the date of settlement of the Distribution in Specie.

TENTATIVE TIMETABLE FOR THE DISTRIBUTION IN SPECIE

Last day of dealing in the Shares on a cum-entitlement basis	Thursday, 22 November 2018
Commencement of dealing in the Shares on an ex-entitlement basis	Friday, 23 November 2018
Latest time for lodging documents for the transfer of the Shares in order to qualify for the Distribution in Specie	4:30 pm on Monday, 26 November 2018
Closure of Register of Members of the Company	Tuesday, 27 November 2018 to Wednesday, 28 November 2018 (both dates inclusive)
Record Date	Wednesday, 28 November 2018

“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation;
“CCASS Participant”	any person admitted to participate in CCASS as a direct clearing participant, a general clearing participant, a custodian participant, or any CCASS Investor Participant;
“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);
“Director(s)”	director(s) of the Company;
“Distribution in Specie”	the distribution of a special dividend by the Company in the form of a distribution in specie of 117,663,130 PAH Shares held by the Group to the Qualifying Shareholders in proportion to their respective shareholdings in the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Interim Dividend”	the interim cash dividend of HK\$0.22 per Share each for the six months ended 30 June 2018 declared by the Board;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Non-Qualifying Shareholder(s)”	Shareholder(s) whose (respective) address as shown on the Register of Members of the Company on the Record Date is in a place outside Hong Kong (if any), and whom is excluded from receiving the PAH Shares in the Distribution in Specie on account of the relevant legal or regulatory requirements or restrictions by the Board out of necessity or expediency;
“PAH”	Polytec Asset Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 208);
“PAH Share(s)”	ordinary share(s) in the capital of PAH;
“PRC”	the People’s Republic of China;

“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the Register of Members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s);
“Record Date”	28 November 2018, being the date fixed for determining the Shareholders’ entitlement to the Distribution in Specie;
“Share(s)”	ordinary share(s) in the capital of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong; and
“%”	per cent.

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

Hong Kong, 7 November 2018

As at the date of this announcement, the Directors of the Company 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.