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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
COOPERATION FOR PROPERTY REDEVELOPMENT

THE COOPERATION

The Board is pleased to announce that on 23 October 2020, the Subsidiary and Mr Or entered into the Agreement pursuant to which the Subsidiary and Mr Or will cooperate in connection with the Redevelopment.

LISTING RULES IMPLICATIONS

Mr Or is an Executive Director of the Company and hence a connected person of the Company. The transactions between the Subsidiary and Mr Or constitute connected transactions of the Company.

(1) The cooperation

As all the applicable percentage ratios (as defined in the Listing Rules) in respect of the maximum commitment of the Subsidiary under the Agreement are more than 0.1% but less than 5%, the transactions contemplated under the Agreement are subject to the reporting and announcement requirements, but exempted from the circular and independent Shareholders' approval under Chapter 14A of the Listing Rules.

(2) The sale of the KD Unit

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the sale of the KD Unit is more than 0.1% but less than 5% and the other applicable percentage ratio is less than 0.1%, the sale of the KD Unit is subject to the reporting and announcement requirements, but exempted from the circular and independent Shareholders' approval under Chapter 14A of the Listing Rules.

THE COOPERATION

The Board is pleased to announce that on 23 October 2020, the Subsidiary and Mr Or entered into the Agreement. The principal terms of the Agreement are set out below.

Subject Matter

The Subsidiary and Mr Or will share the costs and expenses incurred, and the profits generated, in connection with the Redevelopment in the ratio of 60% to 40%.

(1) Sharing of the initial acquisition cost

The Subsidiary will pay Mr Or an amount equal to HK\$249,514,000, being the sum of (a) 60% of the purchase price and all other costs and expenses (including any fees paid to any governmental authorities or any professional advisors) paid by Mr Or to acquire all of the units located on the Properties (other than the Remaining Units and the Unpaid Units) and (b) interest at the rate of 3% per annum on the amount described in the foregoing item (a) accruing from the date on which any such costs have been incurred.

The payment will be paid by the Subsidiary in cash in one lump sum on the third business day after the date of the Agreement. The Company will fund the payment by its internal resources.

(2) Sharing of the Redevelopment Costs and the Leasing Costs

Mr Or will bear 40% of the Redevelopment Costs and the Leasing Costs; and the Subsidiary will bear 60% of the Redevelopment Costs and the Leasing Costs.

The total cash flow commitment of the Subsidiary (including the sharing of the initial acquisition cost set out in paragraph (1) above) is capped at HK\$400,000,000.

(3) Sharing of the Sales Proceeds and the Leasing Proceeds

Mr Or will share 40% of the Sales Proceeds and the Leasing Proceeds; and the Subsidiary will share 60% of the Sales Proceeds and the Leasing Proceeds.

(4) The Subsidiary to be appointed as the project manager to the Redevelopment

The Subsidiary will be appointed as the project manager to provide project management and sales and marketing services in connection with the Redevelopment.

(5) Sale of the KD Unit

As at the date of this announcement, the KD Unit is beneficially owned by a direct wholly-owned subsidiary of the Company.

As part of the Redevelopment, Mr Or will acquire the KD Unit at a consideration of HK\$29,380,000.

Termination of the Agreement

If Mr Or does not acquire all of the Remaining Units and complete the acquisition of the Unpaid Units by 30 June 2023 or such date as mutually agreed between the parties to the Agreement, the Subsidiary may terminate the Agreement and Mr Or shall refund the initial amount paid by the Subsidiary to the Subsidiary.

INFORMATION OF THE PROPERTIES

As at the date of the Agreement, the Properties comprise two existing 6-storey composite buildings namely 2B and 2C High Street completed in 1963 and 4, 4B, 6 and 6A High Street completed in 1966.

The existing buildings have a total gross floor area of approximately 21,088 sq ft (1,959.12 sq m). The total gross site area of the Properties (including right-of-ways) is approximately 5,469 sq ft (508.08 sq m).

The Properties are held from the government under a government lease for a term of 999 years from 25 June 1861.

As at the date of the Agreement, Mr Or owns the Properties other than the Remaining Units and the Unpaid Units. These units have either been leased out or are currently vacant.

REASONS AND BENEFITS

As at the date of the Agreement, Mr Or owns the Properties other than the Remaining Units and the Unpaid Units. After completion of the acquisition of the Remaining Units and the Unpaid Units by Mr Or, the Subsidiary plans to redevelop the Properties into residential units including one to two storey shops located on the ground floor.

The terms of the Agreement were arrived at after arm's length negotiation between the Subsidiary and Mr Or. The commitment of the Subsidiary under the Agreement was determined with reference to the estimated costs for the Redevelopment and the track record of the Company when developing similar properties. The consideration for the sale of the KD Unit represents the higher of (i) the acquisition cost of the KD Unit plus an interest of 3% per annum accrued from the day of acquisition; and (ii) the prevailing market price of the KD Unit determined with reference to the market price of similar properties within the neighbourhood of the Properties.

Mr Or is in the process of acquiring the Remaining Units directly from the respective owners and it is expected that upon acquisition of the KD Unit, Mr Or could also exercise his right of compulsory sale to acquire all the Remaining Units. Upon Mr Or becoming the owner of the Properties, the redevelopment work will commence. The cooperation will provide the Company with an opportunity to develop a luxury project and enhance its earnings growth. Taking into account the prime location of the Properties and the potential generation of a satisfactory return for the Company, the Board believes the cooperation is an investment with potential opportunity.

The directors of the Company (including the Independent Non-executive Directors of the Company excluding Mr Or Wai Sheun, Mr Or, Ms Ng Chi Man and Mr Lam Yung Hei) consider that the Agreement is on normal commercial terms, fair and reasonable, and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

Mr Or Wai Sheun (the father of Mr Or), Ms Ng Chi Man (the mother of Mr Or), Mr Or and Mr Lam Yung Hei (the brother-in-law of Mr Or) have abstained from voting on the relevant board resolutions of the Company approving the Agreement.

INFORMATION ON THE PARTIES

(1) The Subsidiary and the Company

The Subsidiary is principally engaged in investment holding. It is an indirect wholly-owned subsidiary of the Company.

The Company is principally engaged in property investment and investment holding.

(2) Mr Or

Mr Or is an Executive Director of the Company and hence a connected person of the Company.

The transactions between the Subsidiary and Mr Or constitute connected transactions of the Company.

LISTING RULES IMPLICATIONS

(1) The cooperation

As all the applicable percentage ratios (as defined in the Listing Rules) in respect of the maximum commitment of the Subsidiary under the Agreement are more than 0.1% but less than 5%, the transactions contemplated under the Agreement are subject to the reporting and announcement requirements, but exempted from the circular and independent Shareholders' approval under Chapter 14A of the Listing Rules.

(2) The sale of the KD Unit

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DEFINITIONS

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

“Agreement”	the cooperation agreement dated 23 October 2020 entered into between the Subsidiary and Mr Or;
“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 (stock code: 34);
“connected person”	has the meaning ascribed to it under the Listing Rules;

“Existing Units”	all residential and commercial units located on the Properties as of the date of the Agreement;
“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;
“KD Unit”	the shop located on the Properties at Ground Floor, No. 2C High Street, Hong Kong;
“Leasing Costs”	the actual costs and expenses incurred in connection with the leasing of any New Units;
“Leasing Proceeds”	all monies received or receivable in respect of or attributable to the leasing of any New Units;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr Or”	Mr Or Pui Kwan, an Executive Director of the Company;
“New Units”	the newly constructed residential and commercial units and, if applicable, car parks located on the redeveloped Properties;
“Properties”	2B, 2C, 4, 4B, 6 and 6A High Street, Hong Kong;
“Redevelopment”	the redevelopment of the Properties into residential units including one to two storey shops located on the ground floor;
“Redevelopment Costs”	the actual costs and expenses incurred in connection with the Redevelopment;
“Remaining Units”	five units located on the Properties (including the KD Unit) which are not owned by Mr Or as at the date of the Agreement;
“Sales Proceeds”	all rents received or receivable by Mr Or for any Existing Units and all monies received or receivable (excluding plan fees for sale and purchase agreements and assignments) in respect of or attributable to the sale of the New Units;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

- “Subsidiary” Excel Billion Holdings Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company; and
- “Unpaid Units” two residential units located on the Properties for which sale and purchase agreements have been entered into by Mr Or and the relevant sellers but completion has not yet occurred.

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

Hong Kong, 23 October 2020

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.