
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Kowloon Development Company Limited**, you should at once hand this circular accompanying with the proxy form to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN ABLE ELITE DEVELOPMENTS LIMITED

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

ALTUS CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 6 to 15 of this circular. A letter from the Independent Board Committee is set out on page 16 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 33 of this circular.

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you intend to attend the meeting or any adjournment thereof, please complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours (excluding Sunday and public holidays) before the time appointed for holding the meeting or any adjournment thereof to the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjournment thereof if you so wish.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

Please see page 1 of this circular for the precautionary measures to be implemented at the EGM by the Company to safeguard the health and safety of the attendees of the EGM and to prevent the spreading of COVID-19, which include without limitation:

1. compulsory body temperature checks
2. mandatory wearing of surgical mask (attendees should bring their own masks)
3. scanning the “LeaveHomeSafe” QR code
4. presenting the vaccination record in accordance with the “Vaccine Pass Direction”
5. provision of limited seating to maintain sufficient social distancing among all attendees
6. no provision of refreshments or drinks

Any attendee, who (i) does not comply with the precautionary measures; (ii) is subject to any mandatory quarantine (including home quarantine) imposed by the Government or has close contact with any person under quarantine; (iii) is subject to the Government’s prescribed testing requirement or direction and has not tested negative; or (iv) has any flu-like symptoms or is otherwise unwell, may be denied entry into or be required to leave the EGM venue, at the absolute discretion of the Company as permitted by law.

Shareholders are strongly encouraged to exercise their rights by appointing the Chairman of the EGM as their proxy to vote on the resolution instead of attending the EGM in person.

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PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

To safeguard the health and safety of the attendees of the EGM and to prevent the spreading of COVID-19, the Company will implement the following precautionary measures at the EGM:

1. Compulsory body temperature checks will be conducted on every attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the venue.
2. All attendees are required to wear surgical masks before they are permitted to attend and throughout their attendance of the EGM. Please note that no surgical masks will be provided by the Company and attendees should bring and wear their own surgical masks.
3. Every attendee must scan the “LeaveHomeSafe” QR code to record the visit and present the vaccination record pursuant to the “Vaccine Pass Direction” under the Prevention and Control of Disease (Vaccine Pass) Regulation (Chapter 599L of the Laws of Hong Kong) prior to entry into the EGM venue.
4. It is required to keep sufficient social distancing among all attendees. As a result, only a limited number of seats will be provided.
5. No refreshments or drinks will be served to the attendees at the EGM.
6. Any additional precautionary measures in accordance with the prevailing requirements or guidelines of the Government and/or regulatory authorities, or as considered appropriate in light of the development of COVID-19.

Any attendee, who (i) does not comply with the precautionary measures; (ii) is subject to any mandatory quarantine (including home quarantine) imposed by the Government or has close contact with any person under quarantine; (iii) is subject to the Government’s prescribed testing requirement or direction and has not tested negative; or (iv) has any flu-like symptoms or is otherwise unwell, may be denied entry into or be required to leave the EGM venue, at the absolute discretion of the Company as permitted by law. However, the attendee will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue.

To protect the Shareholders from the risk of infection, Shareholders are strongly encouraged to exercise their rights by appointing the Chairman of the EGM as their proxy to vote on the resolution instead of attending the EGM in person.

The Company will closely monitor the development of COVID-19 and any other additional regulations or precautionary measures introduced or to be introduced by the Government in relation to COVID-19 and ensure that the EGM will be conducted in compliance with the regulations or measures of the Government. The Company may further implement any additional precautionary measures as and when necessary. Shareholders should check the Company’s website (www.kdc.com.hk) for further announcements and updates on the arrangements, if any.

DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Share by the Company pursuant to the terms of the Agreement;
“Agreement”	the agreement dated 20 May 2022 entered into between Polytec Holdings and the Company in relation to the Acquisition;
“All Complete”	All Complete Limited, a company incorporated in Hong Kong with limited liability;
“Allround Holdings”	Allround Holdings Limited, a company incorporated in the British Virgin Islands with limited liability;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day”	a day on which banks in Hong Kong are open for general banking transactions (excluding Saturdays, Sundays, public holidays and any weekday on which a tropical cyclone warning signal number 8 or above is hoisted or a black rainstorm warning signal or “extreme conditions caused by a super typhoon” announced by the Government is/are in force in Hong Kong at any time between 9:00 am and 5:00 pm);
“Business Plan”	the business plan in respect of the Development setting out, among others, the proposed dates for commencement of the construction, the sale of the Units and completion of the Development and the funding requirement of the Development for the financial year to which the business plan relates;
“Co-investment Agreement”	the co-investment agreement dated 19 May 2022 entered into between the Target Company, Allround Holdings and Polytec Holdings in relation to, among other things, the investment in and financing of the Development by the Target 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);
“Completion”	completion of the Acquisition pursuant to the terms of the Agreement;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the consideration of HK\$816,600,000 for the Acquisition pursuant to the Agreement;

DEFINITIONS

“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“COVID-19”	coronavirus disease 2019;
“Development”	the development to be erected on the Land as described in the paragraph headed “Information on the Land and the Development” in this circular;
“Development Period”	the period during which the Development is to be carried out until and up to the completion date of the Development which is expected to be on or before the seventh anniversary of the date of the Co-investment Agreement;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Agreement and the transactions contemplated thereunder (including the terms of the Co-investment Agreement);
“Enlarged Group”	the Group as enlarged by the Acquisition;
“Final Accounts”	the final audited accounts with respect to the Receipts and expenditure in relation to the Development after completion of the sale of all the Units;
“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 PRC;
“Independent Board Committee”	an independent committee of the Board, comprising all the Independent Non-executive Directors formed to advise the Independent Shareholders in relation to the Acquisition;
“Independent Financial Adviser”	Altus Capital Limited, a licensed corporation permitted to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition;

DEFINITIONS

“Independent Shareholders”	the Shareholders other than Mr Or and his associates;
“Intellinsight”	Intellinsight Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and the parent company of the Company;
“Investment Amount”	the total funding to be provided by the Target Company to Allround Holdings during the Development Period pursuant to the Co-investment Agreement, which is subject to the Maximum Investment Amount;
“Land”	the parcel of land located at the northwest side of the intersection of Jiuzhou Avenue and Yingbin South Road, Xiangzhou District, Zhuhai City, Guangdong Province, the PRC;
“Land Costs”	an amount of RMB1,200,000,000 (equivalent to approximately HK\$1,400,000,000), representing 80% of the revaluated land value with respect to the Land and any tax in connection with the same as indicated in the independent valuation conducted by Cushman & Wakefield Limited;
“Latest Practicable Date”	27 June 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	31 December 2022 or such other date as the Company and Polytec Holdings may mutually agree in writing;
“Macau”	the Macau Special Administrative Region of the PRC;
“Mr Or”	Mr Or Wai Sheun, an Executive Director and the controlling shareholder of the Company;
“New Explorer”	New Explorer Developments Limited, a company incorporated in the British Virgin Islands with limited liability;
“Owner”	珠海保利達房地產開發有限公司, a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Polytec Holdings as at the Latest Practicable Date;
“Polytec Holdings”	Polytec Holdings International Limited, a company incorporated in the British Virgin Islands with limited liability;
“PRC”	the People’s Republic of China;

DEFINITIONS

“PRIME Rate”	the HK\$ best lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time;
“Receipts”	items of receipts including the sale proceeds, proceeds of any insurance policy and interest accrued thereon in relation to the Land and/or the Development;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Share”	one ordinary share of US\$1.00 in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	shareholder(s) of the Company;
“sq m”	square metre;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Able Elite Developments Limited, a company incorporated in the British Virgin Islands with limited liability;
“Target Group Companies”	collectively, Allround Holdings and all of its subsidiaries from time to time, including All Complete and the Owner;
“Units”	commercial/retail units and/or carparking spaces in the saleable part of the Development; and
“%”	per cent.

Unless otherwise specified in this circular, translations of RMB into HK\$ are made in this circular, for illustration only, at the rate of HK\$1.00 to RMB0.85722. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at that rate or at any other rates or at all.



九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 34)

Executive Directors

Mr Or Wai Sheun (*Chairman*)
Mr Lai Ka Fai
Mr Or Pui Kwan
Mr Lam Yung Hei

Registered Office

23rd Floor, Pioneer Centre
750 Nathan Road
Kowloon
Hong Kong

Non-executive Directors

Ms Ng Chi Man
Mr Yeung Kwok Kwong

Independent Non-executive Directors

Mr Li Kwok Sing, Aubrey
Mr Lok Kung Chin, Hardy
Mr David John Shaw

30 June 2022

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

**ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN
ABLE ELITE DEVELOPMENTS LIMITED**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 20 May 2022 in relation to the Acquisition.

The purpose of this circular is to provide you with, among other things, (i) details relating to the Acquisition and the Co-investment Agreement; (ii) the letter from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iii) the letter from the Independent Financial Adviser in relation to the Acquisition; (iv) a valuation report in respect of the Land; and (v) the notice of the EGM.

LETTER FROM THE BOARD

THE AGREEMENT

Date

20 May 2022

Parties to the Agreement

- (1) The Company; and
- (2) Polytec Holdings.

The Acquisition

Pursuant to the Agreement, Polytec Holdings conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Share for a consideration of HK\$816,600,000. The Sale Share represents the entire issued share capital in the Target Company.

Consideration

The Consideration of HK\$816,600,000 was determined after arm's length negotiations between the parties with reference to (i) the preliminary valuation on the Land of RMB1,500,000,000 (equivalent to approximately HK\$1,750,000,000) prepared by an independent valuer based on market comparison approach and a 20% discount; and (ii) any outstanding liability in relation to the Land, being RMB200,000,000 (equivalent to approximately HK\$233,000,000) as at the date of the Agreement. In calculating the Consideration, each of (i) and (ii) was multiplied by 70%, being the Target Company's entitlement of the profit or loss derived from the Development pursuant to the Co-investment Agreement.

The Land was originally acquired by Polytec Holdings in 2007 and the cumulative cost paid in relation to the Land since acquisition (without accounting for any interest on capital) was approximately RMB484 million (equivalent to approximately HK\$565 million). The difference between the revalued land value and the cumulative cost of the Land was approximately RMB1.016 billion (equivalent to approximately HK\$1.185 billion) (the "**Difference**"). Notwithstanding the Difference, having considered the above, the factors for determining the Consideration, the property valuation over the Land prepared by the independent property valuer and the benefits of the Acquisition as set out in the section headed "Reasons for and benefits of the Acquisition" in this circular, the Board is of the view that the terms and the Acquisition and the Co-Investment Agreement (including the Consideration) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Consideration will be satisfied by the internal resources of the Group, bank financing and/or unsecured loan from a related company of the Company under normal commercial terms and is payable by the Company in the following manner:

- (a) the deposit of HK\$81,660,000 (the "**Deposit**") is payable and has been paid by the Company to Polytec Holdings upon the signing of the Agreement; and
- (b) the remaining balance of the Consideration, equivalent to HK\$734,940,000, is payable by the Company to Polytec Holdings at Completion.

LETTER FROM THE BOARD

Conditions

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

- (a) the Company having obtained a valuation of the Land with a value of not less than RMB1,500,000,000 (equivalent to approximately HK\$1,750,000,000) pursuant to a valuation report issued by an independent valuer to the satisfaction of the Company;
- (b) 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 Company and the Target Group Companies 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;
- (c) the passing of the resolution(s) by the Independent Shareholders approving the entry into and performance of the Agreement and the transactions contemplated thereunder (including the terms of the Co-investment Agreement) in accordance with the requirements under the Listing Rules;
- (d) all necessary consents and approvals (including those required by relevant regulatory authority) in respect of the Agreement, the transactions contemplated thereunder and the Co-investment Agreement required by the Company (as the case may be) being obtained;
- (e) the Company having obtained a legal opinion in form and substance satisfactory to the Company and to be dated on or about the date of Completion, issued by a firm of lawyers qualified to practise PRC laws and addressed to the Company in relation to the Owner and the Land and such other matters which the Company may request; and
- (f) the representations and warranties of the Agreement given by Polytec Holdings to the Company being true, accurate and correct in all respects.

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 conditions (c) and (d) above).

If any of the above conditions (other than conditions (e) and (f) above) has not been fulfilled or waived (if applicable) by the Company on or before the Long Stop Date or any of conditions (e) and (f) above is not fulfilled or waived on or before the date of Completion, the Agreement shall terminate and all rights and obligations of the parties to the Agreement shall cease to have effect, save and except that the Deposit shall be returned to the Company together with accrued interest at the PRIME Rate plus 2% for the period from the date of payment of the Deposit to the date of actual receipt of the return of the Deposit by the Company, and subject to any rights and remedies available to a party over any antecedent breach.

As at the Latest Practicable Date, none of the above conditions had been fulfilled or waived.

Completion

Completion will take place in the third Business Day after fulfillment of all the conditions to the Agreement (other than conditions (e) and (f) above) or such date as deferred pursuant to the terms of the Agreement or such other date as the parties may mutually agree in writing.

Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated in the financial statements of the Company.

THE CO-INVESTMENT AGREEMENT

Prior to the execution of the Agreement, on 19 May 2022, the Target Company entered into the Co-investment Agreement with Allround Holdings and Polytec Holdings, pursuant to which, among other things, the Target Company agreed to co-invest with Allround Holdings in the Development.

Principal terms of the Co-investment Agreement

Pursuant to the terms of the Co-investment Agreement,

- (a) Allround Holdings shall procure the Owner:
 - (i) to make available to the Target Company all receipts, invoices, accounts and all other documents reasonably satisfactory to the Target Company evidencing the incurring of the relevant expenditure of the Development and the Receipts respectively for inspection by the Target Company; and
 - (ii) to submit the Business Plan to the Target Company before the commencement of relevant construction for approval by the Target Company from time to time with effect from the date of the Co-investment Agreement;
- (b) Allround Holdings undertakes that the construction of the Development shall not be commenced unless and until the Business Plan has been duly approved by the Target Company before the relevant construction pursuant to the Co-investment Agreement;
- (c) subject to paragraph (d) below, during the Development Period, the Target Company will provide funding equal to 70% of any shortfall in the funding for the Development, as shown in the cash flow forecast, to the extent that the Receipts, bank financing and other financings of the Owner are not sufficient to cover the expenditure of the Development (excluding the Land Costs), and the remaining 30% of the shortfall shall be provided by Allround Holdings simultaneously;
- (d) the Investment Amount shall not be more than HK\$800,000,000 (the “**Maximum Investment Amount**”) which was determined after arm’s length negotiation between the parties based on the ratio of 70% to 30% for the sharing of funding requirements between the parties for the Development and the estimated total cost for the Phase I of the Development of RMB1 billion and the Company’s assessment on the maximum risk of investment in the Development. Such Investment Amount will not be repayable by Allround Holdings save as expressly provided in the Co-investment Agreement;
- (e) any additional funding exceeding the Maximum Investment Amount for the Development will be funded by Allround Holdings;
- (f) during the Development Period, to the extent that the Receipts are not required to satisfy the budgeted cash flow requirement for the expenditure of the Development and, as agreed by Allround Holdings and the Target Company, there is any excess of the Receipts over such budgeted cash flow requirement, 70% of the excess amount shall be paid by Allround Holdings to the Target Company; and
- (g) after completion of the sale of all the Units, Allround Holdings will pay back the Target Company the Investment Amount and 70% of the Land Costs (less 70% of outstanding liability in relation to the Land (if any)), and the Target Company shall also share 70% of the net profit or loss from the Development, in accordance with the formula set out below.

LETTER FROM THE BOARD

Investment Return under the Co-investment Agreement

Allround Holdings shall pay to the Target Company the amount to be determined in the following manner:

- (a) If the amount of A (as defined below) is positive:
 $70\% (A - B) + C + D$
- (b) If A (as defined below) is equal to zero:
 $C + D$
- (c) If A (as defined below) is negative:
 $C + D + 70\% (A)$

Where:

A = the Receipts (as shown in the Final Accounts) – the development expenditure (as shown in the Final Accounts) – the Land Costs

B = the tax payable in respect of the Development at the tax rate prevailing at the time when the profit taxed on the Land Costs derived from the Development is required to be subject to the relevant tax

C = 70% of the Land Costs (less 70% of outstanding liability in relation to the Land, if any, as at the date of the Co-investment Agreement)

D = the Investment Amount

The ratio of 70% to 30%, together with the Maximum Investment Amount were determined with reference to (i) the respective roles of Allround Holdings as the controlling shareholder of the Owner (the developer and the registered owner of the Land) and the Target Company as the investor to provide financing to Allround Holdings in the Development; (ii) the associated risk of the Target Company for the provision of the Investment Amount under the Co-investment Agreement as set out in paragraphs (c) and (d) above; (iii) the respective monetary commitments of the Target Company and Allround Holdings for the Development; and (iv) the associated potential benefits from the Development.

Separately, the Target Company is entitled to claim against Polytec Holdings, who has unconditionally and irrevocably guaranteed Allround Holdings' performance and obligations under the Co-investment Agreement, for the additional funding.

In the event that Allround Holdings fails to pay any amounts (including without limitation, any additional funding as mentioned in paragraphs (c) and (e) above) under the Co-investment Agreement for over five Business Days, it constitutes an event of default under the Co-investment Agreement. If such event of default is continuing, the Target Company may declare all or part of the Investment Amount paid by the Target Company to be immediately due and payable by Allround Holdings and/or payable on demand, and the Target Company shall also be released from the funding obligations under the Co-investment Agreement. Default interest will be accrued on any outstanding sum calculated at the rate of the PRIME Rate plus 2% for the period from the due date to its payment in full.

LETTER FROM THE BOARD

Roles and functions of the parties

The Owner, as the developer and registered owner of the Land, will be responsible for the quality control, marketing and/or sales of the Development.

The Target Company, as the investor and fund provider of the Development, will be involved in cost control indirectly through approval of the Business Plan and the relevant construction contracts pursuant to the Co-investment Agreement. Moreover, it will also exercise financial control over the Development through joint control of the bank account(s) into which all the Receipts are required to be deposited and approval of the average selling prices and the selling schedule of the Units before commencing any presale activities of the Units.

The Company, upon Completion, will also monitor the progress of the Development and protect its interest in the Development by, among other things, (i) inspecting documentary evidence of all Receipts and expenditure in relation to the Development which Allround Holdings has undertaken to procure the Owner to collate on a monthly basis; (ii) reviewing the monthly work progress report which Allround Holdings has agreed to procure the Owner to provide, containing, among other things, a breakdown of the costs and expenses incurred by the Owner in connection with works to date; (iii) reviewing the monthly project accounts with respect to the Receipts and the expenditure which Allround Holdings has undertaken to procure the Owner to prepare and furnish on an ongoing basis; (iv) requesting information from Allround Holdings and/or the Owner which Allround Holdings has undertaken to procure the Owner to supply, to review the progress of the Development and sale of the Units; (v) attending project or site meetings where appropriate; and (vi) reviewing the Final Accounts.

The principal obligations of Allround Holdings are to procure the Owner to, among other things, (i) complete the Development on or before the seventh anniversary of the date of the Agreement and carried out in accordance with all plans, requisite consents and statutory orders and regulations, without infringement of any rights, reservations, covenants restrictions, stipulations or other encumbrances within the Development Period; and (ii) maximise the gross floor area and the plot ratio of the Land according to the state-owned land use rights grant contract of the Land as long as it is practicable and to the best interests of the Target Company. Apart from the covenants in relation to provision of information and accounts as mentioned above, Allround Holdings also has the obligation to procure the Owner not to, among other things, incur indebtedness not arising solely in connection with the Development, extend loans or guarantees to any person, declare dividends, make any acquisitions/investment or change its business, save and except that prior written consent has been obtained from the Target Company or to the extent that the relevant restricted act would not prejudice the interest of the Target Company in the Development.

Polytec Holdings, in consideration of the Target Company entering into the Co-investment Agreement, guarantees unconditionally and irrevocably as primary obligor Allround Holdings' performance and obligations under the Co-investment Agreement. Such guarantee will remain in force until all guaranteed obligations shall have been performed or satisfied.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the British Virgin Islands with limited liability on 29 March 2022 and was directly wholly-owned by Polytec Holdings as at the Latest Practicable Date. It is principally engaged in investment in accordance with the Co-investment Agreement.

Based on the unaudited management accounts of the Target Company as at 30 April 2022, the Target Company had a net asset value of HK\$8 as at 30 April 2022 and recorded no profit or loss for the period since its incorporation and up to 30 April 2022.

LETTER FROM THE BOARD

The Target Company does not own any assets apart from its rights and interests under the Co-investment Agreement. The Target Company has entered into the Co-investment Agreement with Allround Holdings with respect to its investment in and financing of the Development.

Polytec Holdings did not incur any original acquisition cost for the Sale Share as it was the founder of the Target Company.

INFORMATION ON THE LAND AND THE DEVELOPMENT

The Land comprises the parcel of land located at the northwest side of the intersection of Jiuzhou Avenue and Yingbin South Road, Xiangzhou District, Zhuhai City, Guangdong Province, the PRC with a total site area of 38,416.01 sq m and an aggregate gross floor area of 198,775.90 sq m. The land use rights of the Land have been granted for a term of 44 years and 9 months due to expire on 8 June 2061 for commercial and financial uses and for a term of 40 years due to expire on 8 September 2056 for retail and business uses.

The Land is intended to be developed into two phases with a total saleable area of approximately 194,400.00 sq m, of which Phase I will comprise office towers, a commercial podium, the basement and a neighbourhood centre, while Phase II will comprise office towers and a commercial podium. The Owner is required to construct a level 2 neighbourhood centre and 128 public carparking spaces, which will be transferred to the local government upon completion at nil consideration.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The entering into of the Agreement and the Co-investment Agreement will enable the Group to participate in the investment in a property development project in Zhuhai City, the PRC, which will be ready for development subject to all outstanding approvals for the construction of the Phase I of the Development being obtained and is managed by Polytec Holdings as an experienced property developer and to further strengthen its property business in Mainland China.

The Acquisition will enable the Company to expand its development landbank and to further strengthen its foundation. The Company believes it is a compelling investment opportunity which is expected to generate a satisfactory return for the Company for the following reasons:

- (1) The Land is intended to be developed into two phases mainly comprising office towers and commercial podiums. The site leveling works for the Phase I of the Development have been commenced, and the planning approval for the Phase I of the Development has been obtained. Presale is expected to commence in 2024 and the Phase I of the Development is expected to be completed in 2026. Construction of the Phase II of the Development is expected to commence in 2023 and to be completed in 2027.
- (2) The Land is situated at a prime location which is about 3 kilometres from Gongbei Port on the border between Macau and Zhuhai City, the PRC and nearby the junction of main streets of Zhuhai City.

According to the Co-investment Agreement, Allround Holdings will pay back the Target Company its funds injected (in the form of the Investment Amount) and investment in the cost of the Land (in the form of the Consideration) after taking into account the sharing of profit or loss, as soon as the Final Accounts have been finalised. During the Development Period, Allround Holdings will pay back the Investment Amount whenever there is surplus in the cash flow forecasts and as mutually agreed by the Target Company and Allround Holdings. As the presale is only expected to commence in 2024, it will take some time until the Company begins to recoup its costs and share the profits from its investment in the Development. With the excess payment arrangement in place which aims to provide better cash flow to the Group and more safety to the investment, the Company considers the investment timeframe to be reasonable in terms of a commercial development.

LETTER FROM THE BOARD

The success of the Development will depend on the cooperation of the Owner, who has a more active role in the construction, marketing and sales of the Development, whereas the Target Company, being an investor and fund provider, will mainly participate in the project through cost control, review of business plans, selling schedules, constructing contracts and project accounts, joint control of the bank accounts, attendance in project and site meetings concerning the Development, etc. Notwithstanding this, the Company is of the view that the Acquisition and the arrangements under the Co-investment Agreement are for the commercial interest of the Group given the strong expertise of Allround Holdings and the Owner, and the Company may seek to protect its interests in the Development by monitoring the costs and progress of the project.

Having considered the costs and benefits of entering into the Agreement and the Co-investment Agreement and their terms, the Directors (excluding Mr Or, Ms Ng Chi Man, Mr Or Pui Kwan and Mr Lam Yung Hei who have abstained from voting on the relevant Board resolutions as referred to below, but including all of the Independent Non-executive Directors) are of the view that the terms of the Agreement and the Co-investment Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Mr Or is the ultimate beneficial owner of Polytec Holdings. Accordingly, Mr Or is considered to have a material interest in the Acquisition and Mr Or, Ms Ng Chi Man (the spouse of Mr Or), Mr Or Pui Kwan (the son of Mr Or) and Mr Lam Yung Hei (the son-in-law of Mr Or) have abstained from voting on the Board resolutions to approve the transactions under the Acquisition.

INFORMATION ON THE GROUP

The Group is principally engaged in property development, property investment and property management in Hong Kong and Mainland China. It is also engaged in financial investments and investment holding.

INFORMATION ON POLYTEC HOLDINGS, ALLROUND HOLDINGS AND THE OWNER

Polytec Holdings is a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding and is ultimately wholly-owned by Mr Or. Its subsidiaries are principally engaged in investment holding, property investment and property development in Hong Kong, Macau and Mainland China.

Allround Holdings is a company incorporated in the British Virgin Islands with limited liability and was a direct wholly-owned subsidiary of Polytec Holdings as at the Latest Practicable Date. It is principally engaged in investment holding.

The Owner is a company established in the PRC with limited liability and was an indirect wholly-owned subsidiary of Polytec Holdings as at the Latest Practicable Date. It is principally engaged in property development and is the registered owner of the Land.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As Polytec Holdings is a company which is ultimately wholly-owned by Mr Or, an Executive Director and the controlling shareholder of the Company, Polytec Holdings is an associate of a connected person of the Company. As such, the Acquisition constitutes a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

GENERAL

An Independent Board Committee comprising all the Independent Non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Agreement and the transactions contemplated thereunder (including the terms of the Co-investment Agreement) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

As the Acquisition is subject to the satisfaction of the conditions precedent set out in the Agreement, the Acquisition may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company.

THE EGM

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. The EGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder (including the terms of the Co-investment Agreement).

As at the Latest Practicable Date, the Company was held as to approximately 70.63% by Intellinsight, a wholly-owned subsidiary of New Explorer which is in turn wholly-owned by Mr Or. In addition, 43,500 shares, representing approximately 0.0037% in the total issued share capital of the Company, was held by Mr Or Pui Kwan. Save for Intellinsight, Mr Or Pui Kwan and their respective associates, to the best knowledge of the Company having made all reasonable enquiries, no other Shareholder has any material interest in the Agreement and the transactions contemplated thereunder and would be required to abstain from voting on the resolution to be proposed at the EGM.

A proxy form for use at the EGM is enclosed. Whether or not you intend to attend the meeting or any adjournment thereof, please complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours (excluding Sunday and public holidays) before the time appointed for holding the meeting or any adjournment thereof to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjournment thereof if you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by way of poll. The Chairman of the EGM will therefore put the resolution to be proposed at the EGM to be voted by way of a poll pursuant to Article 75 of the Articles of Association of the Company.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 16 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 17 to 33 of this circular, consider that the terms of the Agreement and the Co-investment Agreement are fair and reasonable and on normal commercial terms so far as the Company and the Independent Shareholders are concerned, and the Acquisition and the transactions contemplated under the Co-investment Agreement are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder (including the terms of the Co-investment Agreement).

The Directors (excluding Mr Or, Ms Ng Chi Man, Mr Or Pui Kwan and Mr Lam Yung Hei who have abstained from voting on the Board resolutions to approve the transactions under the Acquisition, but including the Independent Non-executive Directors, whose views are set out in the letter from the Independent Board Committee in this circular) consider that the terms of the Agreement and the Co-investment Agreement are on normal commercial terms, fair and reasonable and the Acquisition and the transactions contemplated under the Co-investment Agreement are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder (including the terms of the Co-investment Agreement).

FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular and the notice of the EGM.

Yours faithfully,
For and on behalf of the Board
Kowloon Development Company Limited
Lai Ka Fai
Executive Director



九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 34)

30 June 2022

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN
ABLE ELITE DEVELOPMENTS LIMITED

We refer to the circular of the Company dated 30 June 2022 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise you in relation to the Agreement and the transactions contemplated thereunder (including the terms of the Co-investment Agreement), details of which are set out in the section headed “Letter from the Board” of the Circular. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and you in this respect. The text of the letter of advice from the Independent Financial Adviser containing its recommendations and the principal factors it has taken into account in arriving at its recommendations are set out on pages 17 to 33 of the Circular.

Having considered the reasons for and benefits of the Acquisition as set out in the Circular, the terms of the Agreement and the Co-investment Agreement, as well as the advice and recommendations of the Independent Financial Adviser set out in its letter of advice, we consider that the terms of the Agreement and the Co-investment Agreement are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the Acquisition and the transactions contemplated under the Co-investment Agreement are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend you to vote in favour of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder (including the terms of the Co-investment Agreement).

Yours faithfully,
Independent Board Committee
Kowloon Development Company Limited
Li Kwok Sing, Aubrey Lok Kung Chin, Hardy David John Shaw

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder (including the terms of the Co-investment Agreement), which has been prepared for the purposes of incorporation in this circular.

ALTUS

Altus Capital Limited
21 Wing Wo Street
Central, Hong Kong

30 June 2022

To the Independent Board Committee and the Independent Shareholders

Kowloon Development Company Limited

23rd Floor, Pioneer Centre
750 Nathan Road
Kowloon
Hong Kong

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder (including the terms of the Co-investment Agreement). Details of the Agreement and the Co-investment Agreement are set out in the “Letter from the Board” contained in the circular of the Company dated 30 June 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 20 May 2022, the Company entered into the Agreement with Polytec Holdings, pursuant to which Polytec Holdings conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Share, representing the entire issued share capital in the Target Company for a consideration of HK\$816,600,000. Prior to the execution of the Agreement, on 19 May 2022, the Target Company entered into the Co-investment Agreement with Allround Holdings and Polytec Holdings, pursuant to which, among other things, the Target Company agreed to co-invest with Allround Holdings in the Development.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As Polytec Holdings is a company which is ultimately wholly-owned by Mr. Or, an Executive Director and the controlling shareholder of the Company, Polytec Holdings is an associate of a connected person of the Company. As such, the Acquisition constitutes a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all the Independent Non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Agreement and the transactions contemplated thereunder (including the terms of the Co-investment Agreement) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and (after taking into account the recommendation of the Independent Financial Adviser) to advise the Independent Shareholders as to how to vote at the EGM.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether (i) the terms of the Agreement (including the terms of the Co-investment Agreement) are fair and reasonable; (ii) whether the Acquisition and the transactions contemplated under the Co-investment Agreement are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to be proposed at the EGM.

We have not acted as the independent financial adviser or financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the terms of the Agreement and the transactions contemplated thereunder (including the terms of the Co-investment Agreement) is at market level and not conditional upon successful passing of the resolution, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling shareholder(s) or connected person(s).

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the Agreement; (ii) the Co-investment Agreement (together with the Agreement, the "**Agreements**"); (iii) the valuation report on the Land prepared by Cushman & Wakefield Limited ("**Cushman**" and the "**Cushman Valuation Report**"); (iv) the PRC legal opinion in relation to the Land (the "**Legal Opinion**"); (v) the project timetable and cash flow of the Development; (vi) the annual reports of the Company for the year ended 31 December 2020 and 2021 respectively (the "**2020 Annual Report**" and "**2021 Annual Report**" respectively); and (vii) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the date of the EGM. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group. The Company will notify the Shareholders of any material change after the Latest Practicable Date and after the despatch of the Circular.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information

1.1 Information on the Group

The Company is an investment holding company. Its subsidiaries are principally engaged in investment holding, property development, property investment, property management and financial investments.

1.2 Financial information of the Group

Set out below is a table summarising the key financial information of the Group extracted from the 2020 Annual Report and the 2021 Annual Report.

Extract of consolidated income statement

	For the year ended 31 December		
	2019	2020	2021
	HK\$ million	HK\$ million	HK\$ million
	(audited)	(audited)	(audited)
Revenue	11,624	5,012	2,050
<i>Property development in Hong Kong</i>	8,273	3,132	466
<i>Property development in Mainland China</i>	1,806	504	610
<i>Property investment</i>	358	293	303
<i>Others</i>	401	777	671
<i>Discontinued operations</i>	786	306	–
Profit attributable to the Shareholders	2,450	801	2,209
Underlying profit attributable			
to the Shareholders (<i>Note 1</i>)	2,600	1,299	642

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Extract of consolidated statement of financial position

	As at 31 December		
	2019	2020	2021
	HK\$ million (audited)	HK\$ million (audited)	HK\$ million (audited)
Total assets	52,132	34,104	48,117
<i>Cash and bank balances</i>	3,259	1,134	1,043
Total liabilities	(20,811)	(16,516)	(29,043)
Net assets	31,321	17,588	19,074

Capital adequacy ratio

	As at 31 December		
	2019	2020	2021
Gearing ratio (Note 2)	41.3%	65.5%	78.4%

Source: 2020 Annual Report and 2021 Annual Report

Notes:

- 1. Underlying profit excludes revaluation of investment properties and interests in property development and provision and fair value changes for financial investments.*
- 2. Gearing ratio represents bank borrowings, loans from related companies/ultimate holding company and a fellow subsidiary less amounts due from related companies/fellow subsidiaries and net of cash and bank balances over equity attributable to the Shareholders.*

Year ended 31 December 2019 compared to year ended 31 December 2020

The Group recorded revenue of approximately HK\$5,012 million for the year ended 31 December 2020, representing a decrease of approximately 56.9% as compared to the revenue of approximately HK\$11,624 million for the year ended 31 December 2019. The decrease in revenue was mainly due to the substantially less sale proceeds from the Group's development projects being recognised for the year ended 31 December 2020. As such, the Group's net profit attributable to the Shareholders decreased to approximately HK\$801 million for the year ended 31 December 2020, as compared to HK\$2,450 million for the year ended 31 December 2019, representing a decrease of approximately 67.3%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In particular, revenue decrease for the year ended 31 December 2020 as compared to the revenue for the year ended 31 December 2019 was mainly affected by the decrease in revenue from property development operations in both Hong Kong and Mainland China. Such decrease was partly due to the COVID-19 outbreak in 2020, which led to a slowdown in property transaction volume and overall economy in both Hong Kong and Mainland China, and in turn the pace of sales of units of the Group. Revenue from property development activities in Hong Kong decreased from approximately HK\$8,273 million for the year ended 31 December 2019 to approximately HK\$3,132 million for the year ended 31 December 2020. Revenue from property development activities in Mainland China showed similar decreasing trend from approximately HK\$1,806 million for the year ended 31 December 2019 to approximately HK\$504 million for the year ended 31 December 2020. While revenue from property development activities in Mainland China is less than those from property development activities in Hong Kong, the Group showed a similar split and healthy balance between the revenue from Hong Kong and Mainland China for the years ended 31 December 2019 and 2020.

The Group's underlying profit attributable to the Shareholders for the year ended 31 December 2020, which excluded revaluation changes from the Group's investment properties and interests in property development and provision and fair value changes for financial investments, amounted to approximately HK\$1,299 million. The net profit attributable to the Shareholders of the Group for the year ended 31 December 2020 was lower than the underlying profit attributable to the Shareholders mainly due to a downward fair value adjustment for both the Group's completed and underdevelopment investment properties, amounted to approximately HK\$562 million.

The net assets of the Group as at 31 December 2020 was approximately HK\$17,588 million, representing a decrease of approximately 43.8% from approximately HK\$31,321 million as at 31 December 2019. The decrease was mainly due to a special interim dividend in 2020 of approximately HK\$14,123 million, by way of distribution in specie of shares in Polytec Asset Holdings Limited (stock code: 208), a company listed on the Stock Exchange of Hong Kong prior to withdrawal of listing in May 2021. As a result, Polytec Asset Holdings Limited was no longer a subsidiary of the Company after distribution in specie of its shares on 30 October 2020.

The cash and bank balances as at 31 December 2020 amounted to approximately HK\$1,134 million, as compared to approximately HK\$3,259 million as at 31 December 2019. Such decrease in cash balance was mainly due to the decrease in cash generated from operations for the year ended 31 December 2020 for reasons discussed above.

The Group's gearing ratio increased from approximately 41.3% as at 31 December 2019 to approximately 65.5% as at 31 December 2020. Such increase was mainly due to the Group distributing all its approximately 70.8% equity interests in Polytec Asset Holdings Limited through distribution in specie during 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Year ended 31 December 2020 compared to year ended 31 December 2021

The Group recorded revenue of approximately HK\$2,050 million for the year ended 31 December 2021, representing a decrease of approximately 59.1% as compared to the revenue of approximately HK\$5,012 million in 2020. The decrease in revenue was mainly due to the slower pace of the Group's sale of properties for the year ended 31 December 2021 and the project nature of the property development projects of the Group. A significant amount of the sale of properties during the year ended 31 December 2021 in Hong Kong was pre-sale, hence the revenue will only be recognised at a later stage.

The Group's revenue decrease was mainly attributable from the decrease in revenue from property development activities in Hong Kong, from approximately HK\$3,132 million for the year ended 31 December 2020 to approximately HK\$466 million. The revenue from property development activities in Mainland China meanwhile stayed relatively stable, increased from approximately HK\$504 million for the year ended 31 December 2020 to approximately HK\$610 million for the year ended 31 December 2021.

The Group's net profit attributable to the Shareholders increased to approximately HK\$2,209 million for the year ended 31 December 2021, as compared to approximately HK\$801 million for the year ended 31 December 2020, representing an increase of approximately 1.8 times. Such increase was mainly due to the upward fair value adjustment on investment properties of approximately HK\$2,586 million during the year ended 31 December 2021. The Group's underlying profit attributable to the Shareholders for the year ended 31 December 2021, which excluded revaluation changes from the Group's investment properties and interests in property development and provision and fair value changes for financial investments, amounted to approximately HK\$642 million.

The net assets of the Group as at 31 December 2021 was approximately HK\$19,074 million, representing a slight increase of approximately 8.4% from approximately HK\$17,588 million as at 31 December 2020. Such increase was in line with the Group's net profit attributable to the Shareholders for the year ended 31 December 2021.

The cash and bank balances as at 31 December 2021 maintained steady at approximately HK\$1,043 million.

The Group's gearing ratio further increased from approximately 65.5% as at 31 December 2020 to approximately 78.4% as at 31 December 2021. Such increase was mainly due to the increase in the Group's bank loans from approximately HK\$11,875 million as at 31 December 2020 to approximately HK\$14,702 million as at 31 December 2021. The increase in bank loans is mainly due to construction costs paid in 2021 and deposit for land premium of the development project located at No. 35 Clear Water Bay Road, Ngau Chi Wan, Hong Kong. As stated in the 2021 Annual Report, the gearing ratio will increase further upon full payment of the land premium for a development project located at No. 35 Clear Water Bay Road, Ngau Chi Wan, Hong Kong in January 2022 and is expected to be improved upon recognised sale of Manor Hill (Tseung Kwan O project), Hong Kong from 2022 onwards.

1.3 Outlook of the Group

As a response to the persisting COVID-19 pandemic during 2021, many countries had taken measures to mitigate adverse impacts arising from the pandemic and to support their respective economy by aggressively cutting interest rates, implementing quantitative easing as well as adding fiscal stimulus. While these measures have proved to be effective in reviving these economies, they have also resulted in widespread elevated inflation with prices of commodities as well as financial products and assets accelerating.

In addition, the Russia-Ukraine conflict has been affecting the supply of raw materials and food since February 2022, further intensifying inflationary pressures and bringing great challenges to revive the global economy to a healthy state. It is expected that the monetary policies will be tightened by unwinding the quantitative easing and raising interest rates to ease accelerating inflationary pressures. Therefore, the Management believes that the interest rates in Hong Kong will inevitably rise in the coming year. Together with the recent rapid resurgence of the OMICRON outbreak in many cities in Mainland China and Hong Kong, it will unavoidably have adverse impacts on the economy and people's daily lives, adding challenges and uncertainties to the property markets in both Mainland China and Hong Kong.

The Management believes that the Group has a healthy project pipeline for property development in Hong Kong and Mainland China. The Group maintains various projects in Hong Kong and Mainland China that will enter into sale stage in the coming years, including the upcoming sale of Manor Hill in Hong Kong. The Group expects the sale activity in Mainland China will slow down due to various restrictive measures imposed on the property market. While the Group maintains cautious in coming up with its strategy and planning for future development in Mainland China, the Management believes that it is essential to continue to maintain a healthy balance between Hong Kong and Mainland China property development projects.

1.4 Information on the Target Company

The Target Company is a company incorporated in the British Virgin Islands with limited liability on 29 March 2022 and is directly wholly-owned by Polytec Holdings as at the Latest Practicable Date. It is principally engaged in investment in accordance with the Co-investment Agreement.

Based on the unaudited management accounts of the Target Company as at 30 April 2022, the Target Company had a net asset value of HK\$8 as at 30 April 2022 and recorded no profit or loss for the period since its incorporation and up to 30 April 2022.

The Target Company does not own any assets apart from its rights and interests under the Co-investment Agreement. The Target Company has entered into the Co-investment Agreement with Allround Holdings with respect to its investment in and financing of the Development.

Polytec Holdings did not incur any original acquisition cost for the Sale Share as it was the founder of the Target Company.

1.5 Information on Polytec Holdings, Allround Holdings and the Owner

Polytec Holdings is a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding and is ultimately wholly-owned by Mr. Or. Its subsidiaries are principally engaged in investment holding, property investment and property development in Hong Kong, Macau and Mainland China.

Allround Holdings is a company incorporated in the British Virgin Islands with limited liability and was a direct wholly-owned subsidiary of Polytec Holdings as at the Latest Practicable Date. It is principally engaged in investment holding.

The Owner is a company established in the PRC with limited liability and was an indirect wholly-owned subsidiary of Polytec Holdings as at the Latest Practicable Date. It is principally engaged in property development and is the registered owner of the Land.

1.6 Information on the Land and the Development

The Land comprises the parcel of land located at the northwest side of the intersection of Jiuzhou Avenue and Yingbin South Road, Xiangzhou District, Zhuhai City, Guangdong Province, the PRC with a total site area of 38,416.01 sq m and an aggregate gross floor area of 198,775.90 sq m. The land use rights of the Land have been granted for a term of 44 years and 9 months due to expire on 8 June 2061 for commercial and financial uses and for a term of 40 years due to expire on 8 September 2056 for retail and business uses.

The Land is intended to be developed into two phases with a total saleable area of approximately 194,400.00 sq m, of which Phase I will comprise office towers, a commercial podium, the basement and a neighbourhood centre, while Phase II will comprise office towers and a commercial podium. The Owner is required to construct a level 2 neighbourhood centre and 128 public carparking spaces, which will be transferred to the local government upon completion at nil consideration.

2. Reasons for and benefits of the Acquisition

As set out under the paragraph headed “Reasons for and benefits of the Acquisition” in the “Letter from the Board” of the Circular, the entering into of the Agreement and the Co-investment Agreement will enable the Group to participate in the investment in a property development project in Zhuhai City, the PRC, which will be ready for development subject to all outstanding approvals for the construction of the Phase I of the Development being obtained and is managed by Polytec Holdings as an experienced property developer and to further strengthen its property business in Mainland China.

The Acquisition will enable the Company to expand its development landbank and to further strengthen its foundation. The Company believes it is a good investment opportunity which is expected to generate a satisfactory return for the Company for the following reasons:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (1) The Land is intended to be developed into two phases mainly comprising office towers and commercial podiums. The site leveling works for the Phase I of the Development have been commenced, and the planning approval for the Phase I of the Development has been obtained. Presale is expected to commence in 2024 and the Phase I of the Development is expected to be completed in 2026. Construction of the Phase II of the Development is expected to commence in 2023 and to be completed in 2027.
- (2) The Land is situated at a prime location which is about 3 kilometres from Gongbei Port on the border between Macau and Zhuhai City, the PRC and nearby the junction of main streets of Zhuhai City.

As the Target Company has no operations and was incorporated principally to engage in the investment in accordance with the Co-investment Agreement, the purpose of the Acquisition is in essence to allow the Group to participate in the Development. The participation in the Development allows the Group to expand its development landbank, which is in line with its business strategy. Furthermore, as the Development is located in Mainland China, the Acquisition allows the Group to continue its business development direction to maintain a balance between Hong Kong and Mainland China property development projects.

As elaborated in the section 1.3 headed “Outlook of the Group” above in this letter, the Group expects the sale activity in Mainland China will slow down due to various restrictive measures imposed on the property market. Therefore, it has now become more important to identify good development opportunity and partner with experienced property developer in Mainland China in order to capture high quality opportunities. Given the prime location of the Land, as well as Polytec Holdings’ experience in property development in Mainland China, the Management is of the view, and we concur, that the Acquisition represents a good investment opportunity for the Group to generate return and maintain its property development activities in Mainland China.

In addition, as further explained below under the section 3.3 headed “Economics of the Co-investment Agreement”, the terms of the Co-investment Agreement mitigate the investment risks of the Company by returning the Investment Amount and 70% of the Land Costs to the Company at the end of the Development. As such, the Management believes, and we concur, that the Acquisition presents a more favourable investment opportunity as compared to utilising capital for other non-property development related investment purposes. The Acquisition and the participation in the Development also enriches the Group’s experience in property development and sustains the Group’s ongoing presence in Mainland China. Therefore, we are of the view that the Acquisition, and the transactions contemplated under the Co-investment Agreement, are in the ordinary and usual course of business of the Group.

3. The Agreements

3.1. *Principle terms of the Agreement*

On 20 May 2022, the Company entered into the Agreement with Polytec Holdings. Principle terms of the Agreement are summarised below:

Date

20 May 2022

Parties to the Agreement

- (1) The Company; and
- (2) Polytec Holdings.

The Acquisition

Pursuant to the Agreement, Polytec Holdings conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Share for a consideration of HK\$816,600,000. The Sale Share represents the entire issued share capital in the Target Company.

Consideration

The Consideration of HK\$816,600,000 was determined after arm's length negotiations between the parties with reference to (i) the preliminary valuation on the Land of RMB1,500,000,000 (equivalent to approximately HK\$1,750,000,000) prepared by an independent valuer based on market comparison approach and a 20% discount; and (ii) any outstanding liability in relation to the Land, being RMB200,000,000 (equivalent to approximately HK\$233,000,000) as at the date of the Agreement. In calculating the Consideration, each of (i) and (ii) was multiplied by 70%, being the Target Company's entitlement of the profit or loss derived from the Development pursuant to the Co-investment Agreement.

The Consideration will be satisfied by the internal resources of the Group, bank financing and/or unsecured loan from a related company of the Company under normal commercial terms and is payable by the Company in the following manner:

- (a) the deposit of HK\$81,660,000 is payable and has been paid by the Company to Polytec Holdings upon the signing of the Agreement; and
- (b) the remaining balance of the Consideration, equivalent to HK\$734,940,000, is payable by the Company to Polytec Holdings at Completion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For further details on the terms of the Agreement, please refer to the section headed “The Agreement” in the “Letter from the Board” of the Circular. Given the Target Company has no operations and does not own any assets apart from its rights and interests under the Co-investment Agreement, and was set up for the purpose of entering into the Co-investment Agreement, the Acquisition is in essence to allow the Group to enter and participate in the Development. As such, the fairness and reasonableness of the Agreement, and the Consideration of the Target Company is tied in with the fairness and reasonableness of the Co-investment Agreement as further analysed below.

3.2. *Principle terms of the Co-investment Agreement*

Prior to the execution of the Agreement, on 19 May 2022, the Target Company entered into the Co-investment Agreement with Allround Holdings and Polytec Holdings, pursuant to which, among other things, the Target Company agreed to co-invest with Allround Holdings in the Development.

- (a) Allround Holdings shall procure the Owner:
 - (i) to make available to the Target Company all receipts, invoices, accounts and all other documents reasonably satisfactory to the Target Company evidencing the incurring of the relevant expenditure of the Development and the Receipts respectively for inspection by the Target Company; and
 - (ii) to submit the Business Plan to the Target Company before the commencement of relevant construction for approval by the Target Company from time to time with effect from the date of the Co-investment Agreement;
- (b) Allround Holdings undertakes that the construction of the Development shall not be commenced unless and until the Business Plan has been duly approved by the Target Company before the relevant construction pursuant to the Co-investment Agreement;
- (c) subject to paragraph (d) below, during the Development Period, the Target Company will provide funding equal to 70% of any shortfall in the funding for the Development, as shown in the cash flow forecast, to the extent that the Receipts, bank financing and other financings of the Owner are not sufficient to cover the expenditure of the Development (excluding the Land Costs), and the remaining 30% of the shortfall shall be provided by Allround Holdings simultaneously;
- (d) the Investment Amount shall not be more than HK\$800,000,000 (the “**Maximum Investment Amount**”) which was determined after arm’s length negotiation between the parties based on the ratio of 70% to 30% for the sharing of funding requirements between the parties for the Development and the estimated total cost for the Phase I of the Development of RMB1 billion and the Company’s assessment on the maximum risk of investment in the Development. Such Investment Amount will not be repayable by Allround Holdings save as expressly provided in the Co-investment Agreement;

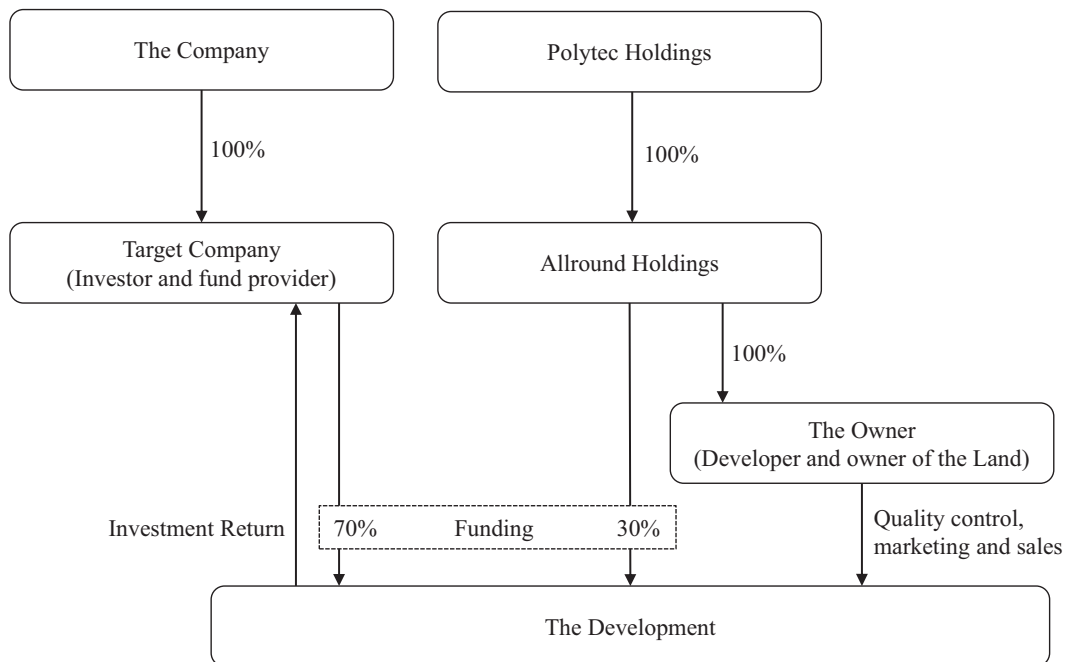
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (e) any additional funding exceeding the Maximum Investment Amount for the Development will be funded by Allround Holdings;
- (f) during the Development Period, to the extent that the Receipts are not required to satisfy the budgeted cash flow requirement for the expenditure of the Development and, as agreed by Allround Holdings and the Target Company, there is any excess of the Receipts over such budgeted cash flow requirement, 70% of the excess amount shall be paid by Allround Holdings to the Target Company; and
- (g) after completion of the sale of all the Units, Allround Holdings will pay back the Target Company the Investment Amount and 70% of the Land Costs (less 70% of outstanding liability in relation to the Land, if any), and the Target Company shall also share 70% of the net profit or loss from the Development, in accordance with the formula set out in the Co-investment Agreement.

For further details on the terms of the Co-investment Agreement, please refer to the section headed “The Co-investment Agreement” in the “Letter from the Board” of the Circular.

3.3. Economics of the Co-investment Agreement

Set out below a simple diagram showing the respective roles and functions of the parties in the Development, as well as the economics of the Co-investment Agreement.



As shown in the diagram above, the Target Company, being the wholly-owned subsidiary of the Group after the Acquisition, as the investor and fund provider of the Development, is responsible for providing 70% of any shortfall in the funding of the Development. We also noted that the Investment Amount is capped at up to HK\$800 million pursuant to the Co-investment Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Throughout the progress of the Development, we noted from the Co-investment Agreement that the Target Company will also be involved in the cost control indirectly through approval of the Business Plan and relevant construction contracts. Further, the Target Company will also exercise financial control over the Development through joint control of the bank account(s) into which all the Receipts are required to be deposited and approval of the average selling prices and the selling schedule of the Units before commencing any presale activities of the Units.

Pursuant to our review of the terms of the Co-investment Agreement and our discussion with the Management, we are of the view that the terms of the Co-investment Agreement, in particular relating to the roles and responsibilities of the parties, offer sufficient measures for the Target Company to effectively monitor the progress of the Development, and has safeguard in place to ensure the funding of the Development is spent on areas that are agreeable to the Target Company. The cap on the Investment Amount also limits the maximum commitment from the Target Company.

Further, we had also reviewed the Legal Opinion on the Land, and did not note any material adverse findings in relation to the Land that may affect the Co-investment Agreement, as well as the Company and the Shareholders' interest.

In return of the funding provided by the Target Company, the Target Company is entitled to the investment return (the "**Investment Return**") upon the completion of the sale of all the Units comprised in the Development, breakdown and calculation of which are set out below.

3.4. Investment Return under the Co-investment Agreement

The Investment Return represents the total amount that the Target Company will get in return of its Investment Amount upon the completion of the sale of all the Units comprised in the Development.

$$70\% (A - B) + C + D$$

A = the Receipts (as shown in the Final Accounts) – the development expenditure (as shown in the Final Accounts) – the Land Costs

B = the tax payable in respect of the Development at the tax rate prevailing at the time when the profit taxed on the Land Costs derived from the Development is required to be subject to the relevant tax

C = 70% of the Land Costs (less 70% of outstanding liability in relation to the Land, if any)

D = the Investment Amount

Note: If A equals to zero, the Investment Return shall be C + D. If A is negative, the Investment Return shall be C + D + 70% (A).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated above, the Investment Return consist of (i) 70% of the net Receipts (net of development expenditure, the Land Costs and related tax); (ii) 70% of the Land Costs; and (iii) the Investment Amount.

3.4.1. Net Receipts

The net Receipts of the Development is essentially the net profit generated from the sale of all the Units comprised in the Development. As the Target Company is responsible for up to 70% of the funding of the Development, we believe that it is fair and reasonable for the Target Company to be entitled to 70% of the net profit generated from the Development.

Further, as the existence of the net Receipts rely on the completion of the Development and sales of the Units in the Development, it is imperative that the developer of the Development is qualified and experienced. Given Polytec Holdings' experience in property development in Mainland China, the Management believes, and we concur, that the Co-investment Agreement is in the interests of the Company and the Shareholders as a whole.

3.4.2. Land Costs

The second element of the Investment Return is the 70% of the Land Costs (less 70% of outstanding liability in relation to the Land, if any). While the Target Company or the Company will not directly contribute to the cost of the Land under the Co-investment Agreement, the Company had indirectly contributed to the Land Cost via the Acquisition by paying the Consideration to Polytec Holdings.

According to the Co-investment Agreement, Allround Holdings shall pay back the Target Company its investment in the cost of the Land less outstanding liability in relation to the Land (in the form of the Consideration), which is the 70% of the Land Costs in the Investment Return after completion of the sale of all the Units.

The Land Costs amount to approximately HK\$1.4 billion (represents 80% of the revaluated value of the Land as set out in the independent valuation prepared by Cushman & Wakefield Limited), 70% of which is approximately HK\$980 million. The Consideration under the Agreement is HK\$816,600,000, which represents 70% of the Land Costs less 70% of outstanding liability in relation to the Land (i.e. approximately HK\$980 million minus HK\$163 million).

We also noted that the return of the 70% Land Costs is subject to the completion of the sale of all the Units, which is uncertain in nature. This uncertainty is inherent to all property development projects. Nonetheless, considering the experience and track record of Polytec Holdings and the Company in property development in Mainland China, the Management believes, and we concur, that the risk of not completing the sale of all the Units is remote. The Company can also exert indirect control on the Development's cost control, which provides the Company and the Shareholders further assurances. Furthermore, we also obtained the latest available Mainland China and Zhuhai property market transaction data from National Bureau of Statistics¹ and Statistics Bureau of Zhuhai of the PRC². We are not aware of any change to the market that may materially increase the risk of the Development.

As such, taking into account the above analysis, we believe the Consideration and the 70% of the Land Costs element in the Investment Return are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

Furthermore, we noted the Land Costs is only 80% of the revaluated value of the Land as stated in the Cushman Valuation Report. We understand the 20% discount was negotiated between the Company and Polytec Holdings on an arm's length basis. As the Consideration was calculated based on the discounted Land Costs (instead of the higher revaluated value of the land), this discount allows the Company to participate in the Development at a lower upfront investment cost, i.e. the Consideration. As such, the Management believes, and we concur, that the discount is commercially attractive, and therefore fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3.4.3. Property valuation

The Land Costs, which affects the Consideration and the Investment Return, are determined based on the revaluated value of the Land. As such, the revaluated value of the Land is also an important factor of the Agreement and Co-investment Agreement. The revaluated value of the Land as set out under the Cushman Valuation Report was RMB1.5 billion (approximately HK\$1.75 billion).

In assessing the fairness and reasonableness of the revaluated value of the Land (the "**Land Value**"), we have reviewed the Cushman Valuation Report and discussed with Cushman regarding the methodology and the principal basis and assumptions adopted in arriving at the Land Value. We noted that Cushman has adopted the market comparison approach in arriving at the Land Value. Based on our discussion with Cushman, we understand that the market comparison approach is one of the commonly adopted approaches for valuing properties of similar natures and is also in line with normal market practices. In addition, Cushman has complied with the valuation standard, including but not limited to, HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors, as well as the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules and HKIS Valuation Standards 2020.

¹ http://www.stats.gov.cn/xxgk/sjfb/zxfb2020/202206/t20220615_1858287.html

² http://tjj.zhuhai.gov.cn/tjsj/jdsj/content/post_3187972.html

During the course of our discussion with Cushman, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology and the principal basis and assumptions adopted in arriving at the Land Value. For our due diligence purpose, we have reviewed and enquired into the qualifications and experience of Cushman in relation to the preparation of Cushman Valuation Report. We noted that the key personnel of Cushman responsible for signing the Cushman Valuation Report is a member of the China Institute of Real Estate Appraisers. We have also reviewed the terms of the engagement of Cushman as well as due diligence exercise conducted by Cushman in preparing the Cushman Valuation Report and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Cushman Valuation Report. Cushman has confirmed that it is an independent qualified valuer, as referred to Rule 5.08 of the Listing Rules. Based on the above, we are satisfied with the terms of engagement of Cushman as well as its qualifications and experience for the Cushman Valuation Report.

3.4.4. The Investment Amount

According to the Co-investment Agreement, Allround Holdings shall pay back the funds injected by the Target Company in the form of the Investment Amount at the completion of the Development. As such, this ensures that the Target Company will be able to recover the investment it had made to the Development pursuant to the Co-investment Agreement in full regardless of the eventual profitability of the Development.

In view of the above analysis on the various elements of the Investment Return, we are of the view that the Investment Return allow the Group to participate in the Development and enjoy the proportionate return according to its funding commitment, while at the same time offering sufficient safeguard to protect its investment by returning the 70% Land Costs and Investment Amount at the end of the project. As such, we believe the terms relating to the Investment Return are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

3.5. *Potential financial effects as a result of the Acquisition*

Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated in the financial statements of the Company. Given the Target Company has no operations nor material assets, there will not be a material impact to the Group's financial statements as a result of the consolidation after the Acquisition.

We noted that the Group had approximately HK\$1,043 million cash as at 31 December 2021, while the Consideration is approximately HK\$816.6 million. As discussed with the Management, the consideration will be funded by a combination of the internal resources of the Group, bank financing and/or unsecured loan from a related company of the Company under normal commercial terms.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

While the gearing ratio of the Group may increase in the event of additional bank financing and/or unsecured loan from a related company of the Company for the Acquisition, the Management expects to commence recognising sales of Manor Hill (Tseung Kwan O project), Hong Kong from 2022 onwards will off-set such possible impact on the gearing ratio of the Group.

We had obtained and compared (i) the average interest rates for the current bank loans of the Group; (ii) the current average interest rate or investment return earned by the Company for its existing deposit and financial assets; and (iii) the expected Investment Return of the Development based on current construction and related costs and current market prices of similar properties. Based on the above information, the Management believes, and we concur, that the Development is a commercially attractive opportunity for the Company.

Considering the calculation of the Investment Return of the Co-investment Agreement as well as the above cost and benefit analysis, on balance, we believe the entering of the Agreement and the Co-investment Agreement is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the view that (i) the entering into the Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Agreement and the transactions contemplated thereunder (including the terms of the Co-investment Agreement) are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder (including the terms of the Co-investment Agreement).

Yours faithfully,
For and on behalf of
Altus Capital Limited
Jeanny Leung
Executive Director

Ms. Jeanny Leung (“Ms. Leung”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in the circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of market value in existing state of the Land in the PRC as at 30 April 2022.



27/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

30 June 2022

The Directors
Kowloon Development Company Limited
23rd Floor, Pioneer Centre
750 Nathan Road
Kowloon
Hong Kong

Dear Sirs,

Re: The parcel of land located at the northwest side of the intersection of Jiuzhou Avenue and Yingbin South Road, Xiangzhou District, Zhuhai City, Guangdong Province, the PRC (the “Land”)

Instructions, Purpose & Valuation Date

In accordance with the instructions of Kowloon Development Company Limited (the “**Company**”) for us to value the Land held by 珠海保利達房地產開發有限公司 (the “**Owner**”) in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market value in existing state of the Land as at 30 April 2022 (the “**Valuation Date**”).

Definition of Market Value

Our valuation of the Land represent its Market Value which in accordance with HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors (“**HKIS**”) is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Valuation Basis & Assumptions

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the Land situated in the PRC, with reference to the PRC Legal Opinion prepared by the Company's PRC legal adviser, Dentons, we have prepared our valuation on the basis that transferable land use rights in respect of the Land for its specific term at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company and the PRC Legal Opinion, regarding the title to the Land and the interest in the Land. In valuing the Land, we have prepared our valuation on the basis that the owner has enforceable title to the Land and have free and uninterrupted rights to use, occupy or assign the Land for the whole of the unexpired terms as granted.

No allowance has been made in our valuation for any charges, pledges or amounts owing on the Land nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Land is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Method of Valuation

We have valued the Land on the basis that it will be developed and completed in accordance with the latest development proposals provided to us by the Company. We have valued on the basis that all consents, approvals, and licences from relevant government authorities for the development proposals have been obtained without onerous conditions or delays; that the design and construction of the developments are in compliance with the local planning and other relevant regulations and have been approved by the relevant authorities. In arriving at our valuation, we have adopted Market Comparison Method by making reference to comparable sales evidences as available in the relevant market and, where appropriate, have also taken into account the expended construction costs.

The sales comparable selected by us are exhaustive. The method is in line with the market practice.

In valuing the Land, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and HKIS Valuation Standards 2020.

Source of Information

In the course of our valuation, we have relied to a considerable extent on the information given by the Company and have accepted advice on such matters as planning approvals or statutory notices, easements, tenure, identification of the Land, particulars of occupancy, development scheme, construction cost, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation reports are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by the Company with copies of documents in relation to the current title to the Land. However, we have not been able to conduct searches to verify the ownership of the Land; we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the Land in the PRC and we have therefore relied on the advice given by the PRC Legal adviser and the Company. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

Our Shenzhen Office valuer, Mr. Wenhao Mo (with about 2 years of property valuation experience), have inspected the exterior, and where possible, the interior of the Land in June 2022. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period.

We have not carried out on-site measurements to verify the site and floor areas of the Land and we have assumed that the areas shown on the copies of the documents handed to us are correct.

Currency

Unless otherwise stated, all monetary amounts indicated herein our valuation are in Renminbi (RMB) which is the official currency of the PRC.

Market Volatility

The recent outbreak of the Novel Coronavirus (COVID-19) has brought high volatility to global financial markets and uncertainty to the property market. It is expected that property values will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of a property will be longer than normal. There will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Our valuation of the Land is valid only at the Valuation Date and any subsequent changes in market conditions as well as the resulting impacts on property values after the Valuation Date cannot be taken into account. If any party intends to make reference to our valuation when entering into any transaction, he must bear in mind the high market volatility during this period of time and that property values may or may not have changed since the Valuation Date.

Other Disclosure

We hereby confirm that Cushman & Wakefield Limited and the valuers conducting the valuation have no pecuniary or other interests that could conflict with the proper valuation of the Land or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We attach herewith the valuation report.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Philip C Y Tsang
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr Philip C Y Tsang is Registered Professional Surveyor who has over 29 years' experience in the valuation of properties in the PRC.

VALUATION REPORT

The Land held for development by the Owner in the PRC

The Land	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2022								
The parcel of land located at the northwest side of the intersection of Jiuzhou Avenue and Yingbin South Road, Xiangzhou District, Zhuhai City, Guangdong Province, the PRC (the "Land")	<p>The Land comprises the parcel of land with a total site area of 38,416.01 sq m and plot ratio gross floor area of 198,775.90 sq m on which commercial and office properties will be developed.</p> <p>According to the preliminary development scheme yet to be approved by the relevant government authorities, the Development of the Land is intended to be developed into two phases, of which Phase I will comprise office towers, a commercial podium, the basement and a neighbourhood centre, while Phase II will comprise office towers and a commercial podium.</p>	As at the Valuation Date, the site levelling works for the Phase I of the Development have been commenced, and the planning approval for the Phase I of the Development has been obtained.	RMB1,500,000,000 (RENMINBI ONE BILLION FIVE HUNDRED MILLION)								
	The plot ratio gross floor area of the Land:										
	<table border="0"> <thead> <tr> <th data-bbox="469 1242 523 1274">Uses</th> <th data-bbox="719 1176 855 1306">Planned Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td data-bbox="469 1338 683 1398">(Plot ratio) Planned gross floor area</td> <td data-bbox="735 1370 855 1398">198,775.90</td> </tr> <tr> <td data-bbox="469 1402 651 1498">(Non plot ratio) Planned gross floor area</td> <td data-bbox="743 1466 855 1498"><u>66,459.58</u></td> </tr> <tr> <td data-bbox="469 1534 608 1566">Grand Total:</td> <td data-bbox="727 1534 855 1566"><u><u>265,235.48</u></u></td> </tr> </tbody> </table>	Uses	Planned Gross Floor Area (sq m)	(Plot ratio) Planned gross floor area	198,775.90	(Non plot ratio) Planned gross floor area	<u>66,459.58</u>	Grand Total:	<u><u>265,235.48</u></u>		
Uses	Planned Gross Floor Area (sq m)										
(Plot ratio) Planned gross floor area	198,775.90										
(Non plot ratio) Planned gross floor area	<u>66,459.58</u>										
Grand Total:	<u><u>265,235.48</u></u>										

* The Owner is required to construct a level 2 neighbourhood centre of 3,600 sq m and 128 public carparking spaces in the basement, which will be transferred to the local government upon completion at nil consideration.

The Land	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2022
Cont'd	<p>The Land is located at about 3 kilometres from Gongbei Port on the border between Macau and Zhuhai City; and the northwest side of the intersection of Jiuzhou Avenue and Yingbin South Road, Xiangzhou District, Zhuhai City. Developments nearby are mainly commercial and residential development. According to the Company, the Land is planned for commercial office use; there is no environmental issues and litigation dispute; there is no plan to change the use of the Land.</p> <p>The land use rights of the Land have been granted for a term of 44 years and 9 months due to expire on 8 June 2061 for commercial and financial uses and for a term of 40 years due to expire on 8 September 2056 for retail and business uses.</p>	–	–

Notes:

- (1) According to Real Estate Title Certificate No. (2021) 0008233 dated 21 January 2021, the land use rights of the Land with a total site area of 38,416.01 sq m was vested in the Owner for a term of 44 years and 9 months due to expire on 8 June 2061 for commercial and financial uses and for a term of 40 years due to expire on 8 September 2056 for retail and business uses.
- (2) According to State-owned Land Use Rights Grant Contract No. 2020-124 dated 21 December 2020, the land use rights of the Land is granted as below:

Grantee:	The Owner
Site Area:	38,416.01 sq m
Uses:	Business and commercial
Land Use Term:	From 8 September 2016 to 8 June 2061 for business use; From 8 September 2016 to 8 September 2056 for commercial use
Land Premium:	RMB233,932,843.67
Plot Ratio:	Not higher than 5.17
Plot Ratio Gross Floor Area:	198,775.9 sq m (in which Commercial 34,529.77 sq m; Office 160,646.13 sq m; Level 2 Neighbourhood Centre 3,600 sq m)
Facilities to be handed over to the government upon completion at nil consideration:	3,600 sq m neighbourhood centre and 128 public carparking spaces
Building Covenant:	Commence construction before 21 December 2021; Complete construction before 21 December 2024 (If construction cannot be commenced or completed on time, an application for extension should be submitted 30 days in advance based on the agreed deadline for commencement and completion.)

- (3) According to Construction Land Planning Permit No. 440402202100005 dated 13 January 2021, a parcel of construction land with site area of 38,416.01 sq m complies with the requirements of national land space planning and use control.
- (4) According to Construction Works Permit No. 440402202112150101 dated 15 December 2021, the foundation pit engineering complies requirements of construction condition and is permitted to proceed.
- (5) According to Construction Works Planning Permit No. 2021-072 dated 29 December 2021, Phase 1 works complies requirements of urban planning.
- (6) As advised by the Company, the construction cost in sum of approximately RMB22,540,000 have been expended for the Land as at Valuation Date. In the course of our valuation, we have taken into account the said construction cost.
- (7) According to the PRC Legal Opinion:
- (i) The Owner is a limited company with legal existence and normal operation;
 - (ii) The Owner entered into State-owned Land Use Rights Grant Contract of the land and fully settled the land premium;
 - (iii) The Owner obtained the Real Estate Title Certificate for the 38,416.01 sq m land. The land use rights have been granted for land use terms from 8 September 2016 to 8 June 2061 for commercial and financial uses; from 8 September 2016 to 8 September 2056 for retail and business uses;
 - (iv) The Owner mortgaged the land to United Overseas Bank. The land parcel has not been registered for mortgage, nor has it been seized by judicial authorities; and
 - (v) The Owner is the sole owner of the land and is confirmed and protected by Chinese law. The Owner has the right to occupy and use the land according to the law within the grant period, and has the right to mortgage, transfer, lease or otherwise dispose of the land.
- (8) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company and the opinion of the PRC legal adviser:
- | | |
|--|---------------------|
| Real Estate Title Certificate (Land) | Yes |
| State-owned Land Use Rights Grant Contract | Yes |
| Construction Land Planning Permit | Yes |
| Construction Works Permit | Yes (Phase 1 works) |
- (9) In valuing the Land, which is held for development in the PRC, we have adopted Market Comparison Method. We have made reference to some land comparable in Zhuhai. The accommodation value of these land comparable ranges from RMB7,060 to RMB9,000 per sq m. The accommodation value assumed by us are consistent with the said land comparable. Due adjustments to the accommodation value of those land comparable have been made to reflect factors including but not limited to time, location, and other characteristics between the land comparable and the Land in arriving at an assume accommodation value.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests of the Directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”), to be notified to the Company and the Stock Exchange were as follows:

Name	Nature of interest	Number of ordinary shares	Percentage of shareholding (Note 1)	Note
Mr Or Wai Sheun	Corporate	831,047,624	70.63%	2
Mr Lok Kung Chin, Hardy	Founder and beneficiary of trusts	1,425,000	0.12%	3
Mr Lai Ka Fai	Personal	751,000	0.06%	
Mr David John Shaw	Personal	200,500	0.02%	
Mr Yeung Kwok Kwong	Personal	180,000	0.02%	
Mr Or Pui Kwan	Personal	43,500	0.00%	

Notes:

- (1) The percentage of shareholding was calculated based on 1,176,631,296 shares, being the total number of issued ordinary shares of the Company as at the Latest Practicable Date.
- (2) Such interest in shares was held by Intellinsight, a wholly-owned subsidiary of New Explorer which is wholly-owned by Mr Or.
- (3) Such interest in shares was owned by discretionary trusts of which Mr Lok Kung Chin, Hardy is the founder and a beneficiary respectively.

All the interests disclosed above represent long positions in the shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Interest of substantial shareholder of the Company

As at the Latest Practicable Date, so far as was known to the Directors, the shareholder (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was recorded in the register required to be kept by the Company under Section 336 of the SFO was as follows:

Name	Nature of interest	Number of ordinary shares	Percentage of shareholding (Note 1)	Note
New Explorer Developments Limited	Corporate	831,047,624	70.63%	2

Notes:

- (1) The percentage of shareholding was calculated based on 1,176,631,296 shares, being the total number of issued ordinary shares of the Company as at the Latest Practicable Date.
- (2) Such interest in shares was held by Intellinsight as described in note (2) under the sub-section headed "Interests of the Directors and chief executive of the Company" of section 2 headed "Disclosure of Interests" in this appendix.

The interest disclosed above represents long position in the shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under Section 336 of the SFO.

As at the Latest Practicable Date, (i) each of Mr Or and Ms Ng Chi Man was a director of New Explorer and Intellinsight; and (ii) Mr Lai Ka Fai was a director of Intellinsight. Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTEREST IN ASSETS OF THE GROUP OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE ENLARGED GROUP

As at the Latest Practicable Date, save for the Acquisition, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, (i) certain bank loans were secured by properties and shares of subsidiaries of Polytec Holdings (which was ultimately wholly-owned by Mr Or), having a total value of HK\$3,007,000,000 and guaranteed by these subsidiaries; and (ii) the Group had also entered into a co-investment agreement with Polytec Holdings for the development of a property located in Huizhou, the PRC, details of which were set out in the Company's circular dated 30 October 2013. Save as disclosed above and save for the Acquisition, the Agreement and the Co-investment Agreement, there was no contract or arrangement subsisting in which any of the Directors was materially interested and which was significant in relation to the business of the Enlarged Group as at the Latest Practicable Date.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which was not determinable by the Enlarged Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, save as disclosed below, in so far as the Directors were aware of, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Polytec Holdings, a company which is ultimately wholly-owned by Mr Or, and its subsidiaries are principally engaged in investment holding, property investment and property development in Hong Kong, Macau and Mainland China. As a result, Mr Or is considered to have interest in a business which competes, or is likely to compete, either directly or indirectly, with the business of the Group.

6. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there had been no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts who have given opinions, letters or advices for incorporation in this circular:

Name	Qualification
Altus Capital Limited	a licensed corporation permitted to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Cushman & Wakefield Limited	Registered professional surveyors, valuers and property advisers

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its opinion, letter or advice (as the case may be) and the references to its name included herein in the form and context in which it is included.

Each of the above experts has confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, directly or indirectly, in any asset which had since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up, been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.kdc.com.hk) for a period of not less than 14 days from the date of this circular:

- (a) the Agreement; and
- (b) the Co-investment Agreement.

NOTICE OF EXTRAORDINARY GENERAL MEETING



九龍建業有限公司 KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 34)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Kowloon Development Company Limited (the “**Company**”) will be held at 9th Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong on Wednesday, 20 July 2022 at 4:00 pm (Hong Kong time) (or, in the event that a tropical cyclone warning signal number 8 or above is hoisted, or a black rainstorm warning signal or “extreme conditions caused by a super typhoon” announced by the Government of the Hong Kong Special Administrative Region (the “**Government**”) is/are in force in Hong Kong at 1:00 pm (Hong Kong time) on that day, at the same time and place on Thursday, 21 July 2022) (the “**EGM**”) for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT**

- (a) the agreement dated 20 May 2022 entered into between the Company and Polytec Holdings International Limited (“**Polytec Holdings**”) in relation to the acquisition by the Company of one ordinary share in the issued share capital of Able Elite Developments Limited (the “**Target Company**”), representing the entire issued share capital of the Target Company (the “**Agreement**”) (a copy of which has been produced to the EGM marked “A” and signed by the Chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder, including the terms of the co-investment agreement dated 19 May 2022 entered into between the Target Company, Allround Holdings Limited and Polytec Holdings in relation to, among other things, the investment in and financing of the Development (as defined in the circular of the Company dated 30 June 2022) by the Target Company (the “**Co-investment Agreement**”) (a copy of which has been produced to the EGM marked “B” and signed by the Chairman of the EGM for the purpose of identification), be and are hereby ratified, confirmed and approved; and
- (b) any one director of the Company be and is hereby authorised to do all acts and things and execute all such other documents or instrument for and on behalf of the Company (including the affixation of the common seal of the Company where required) as he or she may consider necessary, appropriate, expedient or desirable in connection with, or to give effect to, the Agreement and the transactions contemplated thereunder (including the terms of the Co-investment Agreement) (collectively, the “**Transactions**”), including, without limitation, to agree to and approve any changes and amendments thereto that are of administrative nature and ancillary to the implementation of the Transactions or incidental to the Transactions.”

By Order of the Board
Kowloon Development Company Limited
Tse Wah Ting, Wendy
Company Secretary

Hong Kong, 30 June 2022

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Any shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a shareholder of the Company.
2. To be valid, the proxy form, together with any power of attorney or other authority under which it is signed or a notarially certified copy thereof, must be deposited at the office of the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours (excluding Sunday and public holidays) before the time appointed for holding the EGM or any adjournment thereof.
3. For the purpose of determining shareholders' eligibility to attend and vote at the EGM, the Register of Members of the Company will be closed from Friday, 15 July 2022 to Wednesday, 20 July 2022, both dates inclusive. During the aforementioned period, no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, 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 (Hong Kong time) on Thursday, 14 July 2022.
4. The votes of shareholders to be taken at the EGM will be by a poll in which Intellinsight Holdings Limited, Mr Or Pui Kwan and their respective associates shall abstain from voting.

5. **BAD WEATHER ARRANGEMENTS**

The EGM will be held at 9th Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong on Wednesday, 20 July 2022 at 4:00 pm (Hong Kong time) as scheduled regardless of whether or not a tropical cyclone warning signal number 3 or below is hoisted or an amber or a red rainstorm warning signal is in force in Hong Kong at any time on that day.

However, if a tropical cyclone warning signal number 8 or above is hoisted, or a black rainstorm warning signal or "extreme conditions caused by a super typhoon" announced by the Government is/are in force in Hong Kong at 1:00 pm (Hong Kong time) on Wednesday, 20 July 2022, the EGM will not be held on that day but will be automatically postponed and, by virtue of this notice, be held at the same time and place on Thursday, 21 July 2022 instead. Shareholders may call the Company at (852) 2396 2112 during normal business hours or visit the website of the Company (www.kdc.com.hk) for details of the aforementioned arrangements.

Shareholders should make their own decision as to whether they would attend the EGM under bad weather conditions at their own risk having regard to their own situation and if they should choose to do so, they are advised to exercise care and caution.

6. **PRECAUTIONARY MEASURES**

To safeguard the health and safety of the attendees of the EGM and to prevent the spreading of coronavirus disease 2019 ("COVID-19"), the Company will implement the following precautionary measures at the EGM:

- (a) Compulsory body temperature checks will be conducted on every attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the venue.
- (b) All attendees are required to wear surgical masks before they are permitted to attend and throughout their attendance of the EGM. Please note that no surgical masks will be provided by the Company and attendees should bring and wear their own surgical masks.
- (c) Every attendee must scan the "LeaveHomeSafe" QR code to record the visit and present the vaccination record pursuant to the "Vaccine Pass Direction" under the Prevention and Control of Disease (Vaccine Pass) Regulation (Chapter 599L of the Laws of Hong Kong) prior to entry into the EGM venue.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) It is required to keep sufficient social distancing among all attendees. As a result, only a limited number of seats will be provided.
- (e) No refreshments or drinks will be served to the attendees at the EGM.
- (f) Any additional precautionary measures in accordance with the prevailing requirements or guidelines of the Government and/or regulatory authorities, or as considered appropriate in light of the development of COVID-19.

Any attendee, who (i) does not comply with the precautionary measures; (ii) is subject to any mandatory quarantine (including home quarantine) imposed by the Government or has close contact with any person under quarantine; (iii) is subject to the Government's prescribed testing requirement or direction and has not tested negative; or (iv) has any flu-like symptoms or is otherwise unwell, may be denied entry into or be required to leave the EGM venue, at the absolute discretion of the Company as permitted by law. However, the attendee will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue.

To protect the shareholders from the risk of infection, shareholders are strongly encouraged to exercise their rights by appointing the Chairman of the EGM as their proxy to vote on the resolution instead of attending the EGM in person.

The Company will closely monitor the development of COVID-19 and any other additional regulations or precautionary measures introduced or to be introduced by the Government in relation to COVID-19 and ensure that the EGM will be conducted in compliance with the regulations or measures of the Government. The Company may further implement any additional precautionary measures as and when necessary. Shareholders should check the Company's website (www.kdc.com.hk) for further announcements and updates on the arrangements, if any.

7. The English text of this notice shall prevail over the Chinese text in case of inconsistency.