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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

**DISPOSAL OF 60% OF THE TOTAL ISSUED SHARE CAPITAL OF
RIDEON LIMITED**

THE DISPOSAL

On 1 February 2024, the Vendor, a direct wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement in relation to the Disposal at a consideration of HK\$1,391,957,000. The Sale Shares represent 60% of the total issued share capital of the Target Company.

Upon Completion, the Target Company will be owned as to 60% by the Purchaser and as to 40% by the Vendor; each of the Target Company and its subsidiaries will cease to be a subsidiary of the Company; and the financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Company but will be accounted for using the equity method in the consolidated financial statements of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Purchaser is ultimately wholly-owned by Mr Or, an Executive Director and the controlling shareholder of the Company, and is therefore an associate of a connected person of the Company. As such, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable and connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules, which is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under the Listing Rules.

GENERAL

The Company will convene and hold an EGM for the Independent Shareholders to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder.

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 are fair and reasonable and 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. An Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

As additional time is required to prepare and finalise the financial information in the circular, a circular containing, among other things, (i) further details relating to the Disposal; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Disposal; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal; (iv) a valuation report of the Land; and (v) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 28 March 2024.

As the Disposal is subject to the fulfilment of the conditions precedent set out in the Agreement, the Disposal 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 AGREEMENT

Date

1 February 2024

Parties to the Agreement

- (1) The Vendor; and
- (2) The Purchaser.

The Disposal

Pursuant to the Agreement:

- (1) the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the Sale Shares, representing 60% of the total issued share capital of the Target Company; and

- (2) the Vendor conditionally agreed to sell and assign, and the Purchaser conditionally agreed to purchase, the benefit of, by way of assignment, the Sale Loan, representing 60% of the aggregate amount of loans, interests (if any) and other sums and indebtedness due by the Target Company to the Vendor as at 31 December 2023.

Consideration

The aggregate Consideration is HK\$1,391,957,000, which shall be apportioned as to HK\$428,223,000 for the Sale Shares and as to HK\$963,734,000 for the Sale Loan, and shall be settled by the Purchaser to the Vendor in the following manner (or in such other manner as the parties may agree in writing):

- (1) as to HK\$139,196,000 (representing approximately 10% of the Consideration) has been settled in cash upon signing of the Agreement (the “**Deposit**”); and
- (2) as to the remaining balance of an amount of HK\$1,252,761,000 will be settled in cash and/or by way of settlement of loan from a related company of the Company on the Completion Date.

Upon Completion, the Deposit shall be credited towards the Consideration. In the event that Completion does not occur for any reason, the Vendor shall within five (5) Business Days refund the Deposit without deduction, withholding or interest to the Purchaser.

The Consideration was determined by the parties after arm’s length negotiations with reference to, among other factors:

- (a) unaudited adjusted net asset value of the Target Group as at 31 December 2023, being HK\$713,972,000;
- (b) the appraised value of the Land as at 26 January 2024, being RMB3,360,000,000 (equivalent to approximately HK\$3,696,000,000), as per preliminary valuation assessed by an independent valuer engaged by the Company using market approach;
- (c) any outstanding liability of the Target Group in relation to the Land, being RMB1,250,000,000 (equivalent to approximately HK\$1,375,000,000);
- (d) the sum of the Sale Loan as at 31 December 2023, being HK\$963,734,000; and
- (e) the reasons for the Disposal as mentioned in the section headed “Reasons for the Disposal and Use of Proceeds” below.

Conditions Precedent

Completion is conditional upon satisfaction or waiver (if applicable) of the following conditions:

- (a) the Company having obtained the Independent Shareholders’ approval of the Agreement and the transactions contemplated thereunder as required under the Listing Rules; and

- (b) no notice, order, judgement, action or proceeding of any court, arbitrator, authority, statutory or regulatory body having been served, issued or made which restrains, prohibits or makes unlawful any transaction contemplated by the Agreement or which is reasonably likely to materially and adversely affect the right of the Purchaser to own the legal and beneficial title to the Sale Shares and the Sale Loan, free from encumbrances, following the Completion Date.

The Purchaser may at any time waive in whole or in part and conditionally or unconditionally any of the conditions precedent (other than condition (a) above) by notice in writing to the Vendor.

If condition (a) above is not satisfied on or before 30 June 2024 (or such other date as may be agreed between the Purchaser and the Vendor in writing) or condition (b) above is not satisfied or waived on or before the Completion Date, either party to the Agreement may terminate the Agreement by notice in writing to the other party, provided however that (i) the surviving provisions as stipulated under the Agreement shall continue in force following the lapse of the Agreement; and (ii) the termination of the Agreement shall be without prejudice to the rights and liabilities of any party to the Agreement accrued prior to such termination.

Completion

Subject to the satisfaction or waiver of the conditions precedent (as applicable), Completion shall take place on the third (3rd) Business Day after satisfaction of all the conditions to the Agreement (other than condition (b) above, which is to be satisfied or remain satisfied on the Completion Date), or such other date as mutually agreed between the Purchaser and the Vendor in writing.

Upon Completion, the Target Company will be owned as to 60% by the Purchaser and as to 40% by the Vendor; each of the Target Company and its subsidiaries will cease to be a subsidiary of the Company; and the financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Company but will be accounted for using the equity method in the consolidated financial statements of the Company.

INFORMATION ON THE PARTIES

The Vendor and the Group

The Vendor is a direct wholly-owned subsidiary of the Company, and is principally engaged in investment holding.

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.

The Purchaser

The Purchaser is principally engaged in investment holding and is ultimately wholly-owned by Mr Or.

INFORMATION ON THE TARGET GROUP

The Target Group consists of the Target Company and its subsidiaries, namely the Target HK Subsidiary and the Target PRC Subsidiaries. Each of the Target Company, the Target HK Subsidiary and the Target PRC First Subsidiary is principally engaged in investment holding. As at the date of this announcement, save for the equity interests and project related expenses in the Target HK Subsidiary and the Target PRC Subsidiaries, each of the Target Company, the Target HK Subsidiary and the Target PRC First Subsidiary does not have any material assets.

The Owner is principally engaged in property development and property management.

According to the unaudited consolidated financial statements of the Target Group which are prepared on a basis consistent with the Hong Kong Generally Accepted Accounting Principles, its consolidated financial results for each of the years ended 31 December 2022 and 31 December 2023 are as follows:

	For the year ended 31 December	
	2022	2023
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	HK\$'000	HK\$'000
Net loss before tax	450	545
Net loss after tax	450	545

As at 31 December 2023, the adjusted net asset value of the Target Group was HK\$713,972,000 based on the unaudited financial statements of the Target Group.

Subject to final audit, it is expected that the Group will realise a gain of approximately HK\$3,847,000 from the Disposal, which is estimated with reference to the unaudited adjusted net assets of the Target Group, the aggregate Consideration and the fair value of 40% interest in the Target Group which is retained by the Group.

INFORMATION ON THE LAND

The Land is located at 14/8 Qiu, 176 Jiefang, Siping Road, Yangpu District, Shanghai, the PRC with a total site area of 21,278.60 sq m, which is designated for residential, commercial and office uses and is intended to be developed into a block of residential building, two blocks of office building, several low-rise commercial buildings and support facilities. As at the date of this announcement, the Permit for Commencement of Construction Work has been obtained and the foundation works for the development of the Land are expected to commence in the first quarter of 2024. The land use rights of the Land were granted for various terms with the latest expiry date on 29 June 2091 for residential use.

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

The Target Company indirectly owns the Land which is designated for residential, commercial and office uses in Yangpu District, Shanghai, the PRC. The Permit for Commencement of Construction Work has been obtained and the foundation works for the development of the Land are expected to commence in the first quarter of 2024.

Considering the increasingly challenging operating environment in the property development in the PRC, it is expected that it will take much longer time for the Group to realise its investment in the Land. The Disposal allows the Company to recoup part of its investment in the Land, and will also enable the Group to settle a loan from a related company of the Company, which will in turn enhance the Group's working capital and financial position. After reviewing the business and operation status of the Land, in particular, the construction of the development of the Land has not yet been commenced, the Board considers that it would be in the interests of the Company and its shareholders to realise the Group's investment in the Target Company by way of the Disposal so that it will enhance the liquidity and reduce gearing of the Group. Furthermore, the Board considers that through the partnership with the Purchaser, which is an experienced property developer, the Target Company (of which the Group will retain 40% interest) will also be able to leverage the resources and experience of the Purchaser, which will facilitate the development of the Land and in turn generate returns for the Group.

The Group intends to apply the Consideration (after deducting the relevant costs and expenses) for the purposes of (i) repayment of borrowings of the Group; and (ii) general working capital of the Group.

Based on the factors as disclosed above, 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, and the Independent Non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) are of the view that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Mr Or is the ultimate beneficial owner of the Purchaser. Accordingly, Mr Or is considered to have a material interest in the Disposal 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 Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Purchaser is ultimately wholly-owned by Mr Or, an Executive Director and the controlling shareholder of the Company, and is therefore an associate of a connected person of the Company. As such, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable and connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules, which is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under the Listing Rules.

GENERAL

The Company will convene and hold an EGM for the Independent Shareholders to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder.

As at the date of this announcement, the Company was held as to approximately 73.46% by Intellinsight, a wholly-owned subsidiary of New Explorer which is in turn wholly-owned by Mr Or. In addition, 43,500 shares and 5,000 shares, representing approximately 0.0037% and 0.0004% of the total issued share capital of the Company, were held by Mr Or Pui Kwan and Mr Lam Yung Hei, being the Executive Directors, respectively. Save for Intellinsight, Mr Or Pui Kwan, Mr Lam Yung Hei and their respective associates, to the best knowledge of the Company having made all reasonable enquiries, no 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.

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 are fair and reasonable and 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. An Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

As additional time is required to prepare and finalise the financial information in the circular, a circular containing, among other things, (i) further details relating to the Disposal; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Disposal; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal; (iv) a valuation report of the Land; and (v) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 28 March 2024.

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

DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 1 February 2024 entered into between the Vendor and the Purchaser in relation to the Disposal;
“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 of Hong Kong is/are in force in Hong Kong at any time between 9:00 am and 5:00 pm);
“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 Disposal;
“Completion Date”	date of completion of the Disposal;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	consideration for the Disposal;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	director(s) of the Company;
“Disposal”	the disposal of the Sale Shares and the Sale Loan by the Vendor to the Purchaser;
“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;
“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 Disposal;
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal;
“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;
“Land”	the parcel of land located at 14/8 Qiu, 176 Jiefang, Siping Road, Yangpu District, Shanghai, the PRC, which is owned by the Owner as at the date of this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“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”	上海揚業房地產開發有限公司, a company established in the PRC with limited liability and is a direct wholly-owned subsidiary of the Target PRC First Subsidiary;
“PRC”	the People’s Republic of China;
“Purchaser”	Polytec Holdings International Limited, a company incorporated in the British Virgin Islands with limited liability;
“RMB”	Renminbi, the lawful currency of the PRC;

“Sale Loan”	HK\$963,734,000, being 60% of the aggregate amount of loans, interests (if any) and other sums and indebtedness due by the Target Company to the Vendor;
“Sale Shares”	six (6) ordinary shares of US\$1.00 each in the capital of the Target Company, representing 60% of the total issued share capital of the Target Company;
“Shareholder(s)”	shareholder(s) of the Company;
“sq m”	square metre;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Rideon Limited, a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of the Vendor;
“Target Group”	the Target Company and its subsidiaries (including the Target HK Subsidiary and the Target PRC Subsidiaries);
“Target HK Subsidiary”	Parawin Limited, a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of the Target Company;
“Target PRC First Subsidiary”	瀋陽智信資產管理有限公司, a company established in the PRC with limited liability and is a direct wholly-owned subsidiary of the Target HK Subsidiary;
“Target PRC Second Subsidiary”	上海城昱置業有限公司, a company established in the PRC with limited liability and is a direct wholly-owned subsidiary of the Target HK Subsidiary;
“Target PRC Subsidiaries”	the Owner, the Target PRC First Subsidiary and the Target PRC Second Subsidiary;
“Vendor”	Future Star International Limited, a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of the Company; and
“%”	per cent.

For the purpose of this announcement, the conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.00=HK\$1.10.

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

Hong Kong, 1 February 2024

As at the date of this announcement, the Directors of the Company are Mr Or Wai Sheun (Chairman), Mr Lai Ka Fai, Mr Or Pui Kwan and Mr Lam Yung Hei as Executive Directors; Ms Ng Chi Man and Mr Yeung Kwok Kwong as Non-executive Directors; and Mr Li Kwok Sing, Aubrey, Mr Lok Kung Chin, Hardy and Mr Hsu Duff Karman as Independent Non-executive Directors.