
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 and the accompanying proxy form to the purchaser or 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 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

**DISPOSAL OF 60% OF THE TOTAL ISSUED SHARE CAPITAL OF
RIDEON 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 5 to 13 of this circular. A letter from the Independent Board Committee is set out on pages 14 and 15 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 16 to 36 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.

22 March 2024

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DEFINITIONS

In this circular, the following expressions shall have the following meanings 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;

DEFINITIONS

“HIBOR”	the Hong Kong Interbank Offered Rate;
“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”	Altus Capital Limited, a corporation licensed 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 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”	Land E1–15 Siping Community located at 14/8 Qiu, 176 Jiefang, Siping Road, Yangpu District, Shanghai, the PRC, which is owned by the Owner;
“Latest Practicable Date”	19 March 2024, 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;
“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;

DEFINITIONS

“PRC”	the People’s Republic of China;
“Project”	the development project in respect of the Land;
“Purchaser” or “Polytec Holdings”	Polytec Holdings International Limited, a company incorporated in the British Virgin Islands with limited liability;
“Purchaser Group”	the Purchaser and its subsidiaries;
“Related Company”	Canico International Limited, a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of the Purchaser;
“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;
“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”	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;

DEFINITIONS

“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 circular, the conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.00=HK\$1.10. 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.

LETTER FROM THE BOARD



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 Hsu Duff Karman

22 March 2024

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

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

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 1 February 2024 in relation to the Disposal.

LETTER FROM THE BOARD

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

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.

The Sale Loan, being non-interest bearing and with no fixed terms of repayment, was provided by the Vendor to the Target Company on 31 December 2018, being the date of acquisition of the Target Company by the Vendor. The purpose of the Sale Loan was for funding the development of the Project.

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

LETTER FROM THE BOARD

- (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 the Related Company on the Completion Date.

The loan from the Related Company (the “**Loan**”) is interest bearing at HIBOR plus a margin with no fixed terms of repayment. The usage of the Loan is for working capital purpose. As at 29 February 2024, the outstanding balance of the Loan was approximately HK\$2,668 million. The Related Company was directly wholly-owned by the Purchaser, which was in turn ultimately wholly-owned by Mr Or as at the Latest Practicable 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.

LETTER FROM THE BOARD

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.

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

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 as associated companies of the Company 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 and the Purchaser Group

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

LETTER FROM THE BOARD

The Purchaser Group is principally engaged in investment holding, property investment and property development in Hong Kong, Macau and Mainland China and is an experienced property developer. The property projects developed (or procured to be developed) by the Purchaser Group include, without limitation, (i) Villa De Mer, La Baie Du Noble and La Marina in Macau; and (ii) Hengda Guangchang and Le Cove Garden in Zhuhai and Huizhou, respectively, in the PRC.

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 Latest Practicable Date, 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, the Target PRC First Subsidiary and the Target PRC Second Subsidiary did 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>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net loss before tax	450	545
Net loss after tax	450	545

As at 31 December 2023, the unaudited adjusted net asset value of the Target Group was HK\$713,972,000, which is combined of (1) the net liabilities of the Target Group as at 31 December 2023 of HK\$113,997,000 and (2) the goodwill arising from the acquisition of the Target Group by the Vendor in 2018 (the “**Goodwill**”) of HK\$827,969,000.

LETTER FROM THE BOARD

The Goodwill comprised (i) revaluation surplus of the Project (the “**Revaluation Surplus**”) of HK\$744,726,000 and (ii) exchange reserve of HK\$83,243,000 arising from the retranslation of RMB to HK\$ upon completion of the acquisition of the Target Group by the Vendor. Details of the acquisition of the Target Group were disclosed in the Company’s circular dated 26 October 2018. The Revaluation Surplus represents the difference between the market value as estimated by the Company’s independent property valuer, Cushman & Wakefield Limited, and the book value of the Project as at 31 May 2018, taking into account the estimated deferred taxation for Land Appreciation Tax and Corporate Income Tax regarding the Revaluation Surplus.

As at 31 January 2024, the unaudited adjusted net asset value of the Target Group was HK\$712,006,000, which is combined of (1) the net liabilities of the Target Group as at 31 January 2024 of HK\$115,963,000 and (2) the Goodwill of HK\$827,969,000.

Subject to final audit, it is expected that the Group will realise a gain of approximately HK\$3,847,000 from the Disposal. Such gain was derived based on the difference of (i) the sum of (1) the aggregate Consideration of HK\$1,391,957,000 and (2) the fair value of 40% interest retained by the Group (being HK\$927,971,000); and (ii) the sum of (1) the unaudited adjusted net assets of the Target Group as at 31 January 2024 of HK\$712,006,000 and (2) the shareholders’ loan of the Target Group as at 31 January 2024 of HK\$1,604,075,000.

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.

At the time of acquisition of the Land by the Group in 2018, the Project was under site clearance and resettlement until May 2021. Since the obtaining of the Grant Contract of Land Use Rights in 2004, various Supplementary Contracts had been obtained during the period from 27 July 2006 to 13 January 2023. Pursuant to the Real Estate Title Certificate dated 26 September 2023, the land use rights of the Land have been granted to the Owner.

As at the Latest Practicable Date, the Permit for Commencement of Construction Works had been obtained and the foundation works for the development of the Land were expected to commence in the second 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 Works has been obtained and the foundation works for the development of the Land are expected to commence in the second quarter of 2024.

LETTER FROM THE BOARD

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 the Related 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.

Upon Completion, the Company will lose control over the Target Group and the Land but retain 40% interest in the Target Group. Notwithstanding the above, 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, but including all of the Independent Non-executive Directors) 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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

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

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. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

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 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.

As at the Latest Practicable Date, 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.

A proxy form for 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. In such event, the proxy form shall be deemed to be revoked.

LETTER FROM THE BOARD

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

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 14 and 15 of this circular; and (ii) the letter from the Independent Financial Adviser set out on pages 16 to 36 of this circular.

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 Agreement and the transactions contemplated thereunder, but including all of 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 transactions contemplated thereunder are on normal commercial terms, fair and reasonable and the Disposal 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. 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.

FURTHER INFORMATION

Your attention is also 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee to the Independent Shareholders in relation to the Disposal prepared for the purpose of inclusion in this circular.



九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 34)

22 March 2024

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

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

We refer to the circular of the Company dated 22 March 2024 (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, 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 is set out on pages 16 to 36 of the Circular.

Having considered the reasons for and benefits of the Disposal as set out in the Circular, the terms of the Agreement and the transactions contemplated thereunder, 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 transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the Disposal 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.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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.

Yours faithfully,

Independent Board Committee

Kowloon Development Company Limited

Li Kwok Sing, Aubrey Lok Kung Chin, Hardy Hsu Duff Karman

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the 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, which has been prepared for the purpose of incorporation in this circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central, Hong Kong

22 March 2024

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

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

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. Details of the Agreement are set out in the “Letter from the Board” contained in the circular of the Company dated 22 March 2024 (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 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 as associated companies of the Company in the consolidated financial statements of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the Independent Non-executive Directors, namely Mr Li Kwok Sing, Aubrey, Mr Lok Kung Chin, Hardy and Mr Hsu Duff Karman, has been established to consider and advise the Independent Shareholders as to (i) whether the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable; (ii) whether the entering into of the Agreement is on normal commercial terms, 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 (iii) how the Independent Shareholders should vote in respect of the resolution relating thereto to be proposed at the EGM, after taking into account the recommendation of the Independent Financial Adviser.

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 (i) whether the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable; (ii) whether the entering into of the Agreement is on normal commercial terms, 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 (iii) how the Independent Shareholders should vote in respect of the resolution relating thereto to be proposed at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We acted as the independent financial adviser for the Company with regard to the discloseable and connected transaction in relation to the acquisition of the entire issued share capital in Able Elite Developments Limited, details of which were set out in the circular of the Company dated 30 June 2022. Save for the aforesaid transaction, we have not acted as an independent financial adviser or financial adviser for other transactions of the Group in the last two years from 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 Agreement and the transactions contemplated thereunder is at market level and not conditional upon successful passing of the resolution to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling shareholder or connected person(s).

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, among others, (i) the Agreement; (ii) the valuation report on the Land prepared by Cushman & Wakefield Limited (the “**Valuer**”); (iii) the annual reports of the Company for the years ended 31 December 2021 and 2022 (the “**2021 Annual Report**” and the “**2022 Annual Report**”) respectively; (iv) the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”); and (v) 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 Group (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 Group. 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.

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.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background Information

1.1 Information on 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.

1.2 Financial Information of the Group

Set out below is a table summarising the key financial information of the Group extracted from the 2021 Annual Report, the 2022 Annual Report and the 2023 Interim Report.

Extract of consolidated income statement

	For the year ended		For the six months ended	
	31 December		30 June	
	2021	2022	2022	2023
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue from continuing operations	2,050	4,582	724	1,276
Fair value changes on investment properties	2,586	200	36	(37)
Profit from operations	2,397	1,787	190	313
Interest on bank loans (before capitalisation)	(249)	(543)	(160)	(484)
Finance costs (after capitalisation of certain interest paid)	(42)	(96)	(19)	(95)
Profit attributable to the Shareholders	2,209	1,215	152	184
Underlying profit attributable to Shareholders	642	1,107	149	288

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Extract of consolidated statement of financial position

	As at 31 December		As at 30 June
	2021	2022	2023
	<i>HK\$ million</i> <i>(Audited)</i>	<i>HK\$ million</i> <i>(Audited)</i>	<i>HK\$ million</i> <i>(Unaudited)</i>
Non-current assets	20,164	19,796	19,237
Current assets	27,953	27,970	27,905
<i>Cash and bank balances</i>	<i>1,043</i>	<i>865</i>	<i>738</i>
Total assets	48,117	47,766	47,141
Non-current liabilities	(14,414)	(10,039)	(3,133)
<i>Loan from the Related</i>			
<i>Company</i>	<i>(1,199)</i>	<i>(2,091)</i>	<i>(1,559)</i>
<i>Bank loans</i>	<i>(12,648)</i>	<i>(7,371)</i>	<i>(983)</i>
Current liabilities	(14,629)	(19,191)	(26,189)
<i>Bank loans</i>	<i>(2,054)</i>	<i>(14,489)</i>	<i>(20,114)</i>
Total liabilities	(29,043)	(29,230)	(29,322)
Net assets	19,074	18,536	17,819
Gearing ratio (<i>Note</i>)	78.4%	125.3%	123.8%

Source: The 2021 Annual Report, the 2022 Annual Report and the 2023 Interim Report

Note: Gearing ratio is calculated on the basis of net bank borrowings and loan from the Related Company over equity attributable to Shareholders.

Year ended 31 December 2021 (“FY2021”) compared to year ended 31 December 2022 (“FY2022”)

The Group recorded revenue of approximately HK\$4,582 million for FY2022, representing an increase of approximately 123.5% as compared to the revenue of approximately HK\$2,050 million for FY2021. The increase in revenue was predominantly due to an increase in revenue from the property development segment in Hong Kong (in particular, due to the increase in sales recognition from Manor Hill, a wholly-owned development project of the Group in Tseung Kwan O, as described below), from approximately HK\$466 million for FY2021 to approximately HK\$3,235 million for FY2022. The revenue from the property development segment in Mainland China meanwhile decreased by approximately 54.9% from approximately HK\$610 million for FY2021 to approximately HK\$275 million for FY2022 due to the sluggish housing market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's profit attributable to Shareholders decreased to approximately HK\$1,215 million for FY2022, as compared to approximately HK\$2,209 million in FY2021, representing a decrease of approximately 45.0%. Such decrease was mainly due to a significant decline in net fair value gains on investment properties in Hong Kong.

The Group's underlying profit attributable to Shareholders for FY2022, which excluded revaluation changes from the Group's investment properties and fair value changes on the Group's interests in property development as well as fair value changes for financial investments, rose to approximately HK\$1,107 million from approximately HK\$642 million in FY2021. Such increase was mainly due to the increase in sales recognition from the property development projects of the Group in Hong Kong as substantial presold residential units of Manor Hill had been delivered to the buyers by the end of 2022.

The cash and bank balances of the Group as at 31 December 2022 decreased by approximately 17.1% from approximately HK\$1,043 million as at 31 December 2021 to approximately HK\$865 million. This was largely due to the repayment of borrowings.

The Group's gearing ratio increased from approximately 78.4% as at 31 December 2021 to approximately 125.3% as at 31 December 2022. Such increase was mainly due to the increase in the Group's bank loans from approximately HK\$14,702 million as at 31 December 2021 to approximately HK\$21,860 million as at 31 December 2022. The increase in bank loans was mainly due to the settlement of land premium of approximately HK\$9,658 million in respect of the acceptance of the land exchange offer for the Clear Water Bay Road project.

Six months ended 30 June 2022 (“1H FY2022”) compared to six months ended 30 June 2023 (“1H FY2023”)

The Group recorded revenue of approximately HK\$1,276 million for 1H FY2023, representing an increase of approximately 76.2% as compared to the revenue of approximately HK\$724 million for 1H FY2022. The increase in revenue was predominantly due to an increase in revenue from the property development segment in Hong Kong, from approximately HK\$29 million for 1H FY2022 to approximately HK\$650 million for 1H FY2023.

The Group's profit attributable to Shareholders increased to approximately HK\$184 million for 1H FY2023 from approximately HK\$152 million for 1H FY2022, representing an increase of approximately 21.1%. Such increase was mainly due to the increase in revenue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's underlying profit attributable to Shareholders for 1H FY2023, which excluded revaluation changes from the Group's investment properties and fair value changes on its interests in property development as well as fair value changes for financial investments, increased to approximately HK\$288 million for 1H FY2023 from approximately HK\$149 million for 1H FY2022, representing an increase of approximately 93.3%. Such increase was mainly due to the increase in sales recognition from the property development projects of the Group in Hong Kong during 1H FY2023.

The cash and bank balances of the Group as at 30 June 2023 was approximately HK\$738 million, representing a decrease of approximately 14.7% from approximately HK\$865 million as at 31 December 2022, which was mainly due to repayment of bank loans during 1H FY2023.

The Group's gearing ratio decreased slightly from approximately 125.3% as at 31 December 2022 to approximately 123.8% as at 30 June 2023.

1.3 Outlook of the Group

With the removal of anti-epidemic measures and the resumption of normal travel, the Hong Kong economy has recovered since early 2023. Real GDP turned from a 3.5% fall in 2022 to 2.8% year-on-year growth in the first three quarters of 2023. However, heightened geo-political tensions may have a negative impact on global economic growth, financial market stability, commodity prices, as well as trade and investment flows. With inflation in the major advanced economies staying elevated and the US government debt continuing to rise, US interest rates are expected to stay at higher levels for a longer period. This will not only dampen demand further, but will also undermine economic confidence around the world. Despite the current economic and housing market conditions in Hong Kong are less than satisfactory, the Management expects that the development projects of the Group in Hong Kong, namely Manor Hill (completed) and the Clear Water Bay Road project (under construction), will contribute considerably to the Group's performance in coming years.

In October 2023, the International Monetary Fund projected growth of advanced economies to fall from 2.6% in 2022 to 1.5% in 2023 and 1.4% in 2024. Monetary policies of major economies meanwhile continued to be tight; for example, the United States' Federal Funds Rate remained at its 22-year high of 5.55% since the November 2023 meeting of the Federal Open Market Committee with the United States' Federal Reserve indicating that it is not yet considering rate reductions. The PRC's economy is also facing headwind where the International Monetary Fund in October 2023 projected its growth to slow down to 5% for 2023 and 4.2% for 2024, while its real estate sector continues to grapple with pressures on debt repayment, home sales and investment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The National Bureau of Statistics of the PRC released data on 18 January 2024 “Investment in Real Estate Development in 2023”. As quoted from the website of the National Bureau of Statistics of the PRC (www.stats.gov.cn) in 2023, the funds for investment for real estate development enterprises were down by 13.6% from the previous year. Among them, domestic loans were down by 9.9%, foreign investment was down by 39.1%, self-raised funds were down by 19.1%, deposits and advance receipts were down by 11.9% and individual mortgage was down by 9.1%.

In view of the fact that the Group’s gearing ratio had been increased substantially from approximately 78.4% as at 31 December 2021 to 123.8% as at 30 June 2023, the current high interest rate environment in Hong Kong and the near-term weak housing markets in Hong Kong and Mainland China, the Group will take a cautious pace to replenish its landbank in the short run and strive to reduce its borrowings.

In this regard, we noted that the Group has adhered to the abovementioned strategy by entering into the Agreement with an objective to reduce the borrowings and improve the gearing ratio of the Group.

In addition, the Company published a profit warning announcement on 29 February 2024, which stated that (i) the underlying profit attributable to Shareholders for the year ended 31 December 2023 is expected to decrease by 40% to 50% as compared to 2022, which was mainly due to the decrease in sales recognition from the property development projects of the Group in Hong Kong; and (ii) the profit attributable to Shareholders for the year ended 31 December 2023 is expected to decrease by 65% to 75% as compared to 2022, which was mainly due to (a) the decrease in sales recognition from the property development projects of the Group in Hong Kong; and (b) the fair value losses on investment properties in Hong Kong. In light of the downturn of the Group’s financial performance, we are of the view that the Group’s strategy to reduce its borrowings is a reasonable move to protect the interests of the Company and the Shareholders as a whole.

1.4 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. The Owner is principally engaged in property development and property management. As at the Latest Practicable Date, 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 and the Target PRC Second Subsidiary did not have any material assets.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net loss before tax	450	545
Net loss after tax	450	545

As the Land owned by the Target Group has yet to be developed for sale, no revenue was recorded for the years ended 31 December 2022 and 2023.

Total assets of the Target Group as at 31 December 2023 were approximately HK\$2,876 million, mainly comprise of approximately HK\$2,868 million of properties under development. Total liabilities of the Target Group as at 31 December 2023 were approximately HK\$2,990 million, mainly comprise of approximately HK\$1,379 million bank loan and approximately HK\$1,606 million shareholder's loan.

As at 31 December 2023, the unaudited adjusted net asset value of the Target Group was HK\$713,972,000, which is based on (i) the net liabilities of the Target Group as at 31 December 2023 of HK\$113,997,000; and adjusted by (ii) the goodwill arising from the acquisition of the Target Group by the Vendor in 2018 (the “**Goodwill**”) of HK\$827,969,000.

The Goodwill comprised (i) revaluation surplus of the Project (the “**Revaluation Surplus**”) of HK\$744,726,000; and (ii) exchange reserve of HK\$83,243,000 arising from the retranslation of RMB to HK\$ upon completion of the acquisition of the Target Group by the Vendor. Details of the acquisition of the Target Group were disclosed in the Company's circular dated 26 October 2018. The Revaluation Surplus represents the difference between the market value as estimated by the Valuer and the book value of the Project as at 31 May 2018, taking into account the estimated deferred taxation for Land Appreciation Tax and Corporate Income Tax regarding the Revaluation Surplus.

As at 31 January 2024, the unaudited adjusted net asset value of the Target Group was HK\$712,006,000, which is based on (i) the net liabilities of the Target Group as at 31 January 2024 of HK\$115,963,000; and adjusted by (ii) the Goodwill of HK\$827,969,000.

1.5 Information on the Purchaser and the Purchaser Group

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Purchaser Group is principally engaged in investment holding, property investment and property development in Hong Kong, Macau and Mainland China and is an experienced property developer. The property projects developed (or procured to be developed) by the Purchaser Group include, without limitation, (i) Villa De Mer, La Baie Du Noble and La Marina in Macau; and (ii) Hengda Guangchang and Le Cove Garden in Zhuhai and Huizhou, respectively, in the PRC.

Mr Or is the Chairman of the Company. He has been an Executive Director since January 2002 and is responsible for the development of corporate strategies, corporate planning and general management of the Company. Mr Or is also the sole shareholder and a director of New Explorer, the sole shareholder of Intellinsight, and a director of Intellinsight and certain subsidiaries of the Group. Mr Or has over 40 years of experience in property development, industrial and financial investment business in Hong Kong, Mainland China and Macau.

1.6 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.

At the time of acquisition of the Land by the Group in 2018, the Project was under site clearance and resettlement until May 2021. Since the obtaining of the Grant Contract of Land Use Rights in 2004, various Supplementary Contracts had been obtained during the period from 27 July 2006 to 13 January 2023. Pursuant to the Real Estate Title Certificate dated 26 September 2023, the land use rights of the Land have been granted to the Owner.

As at the Latest Practicable Date, the Permit for Commencement of Construction Works had been obtained and the foundation works for the development of the Land were expected to commence in the second 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.

Such piece of land is compounded by the lands located at (i) 中國上海市楊浦區四平路東，大連路北； and (ii) 中國上海市楊浦區四平街道176街坊14/7丘 which was held by the Target Group which was initially acquired by the Vendor in 2018 from Polytec Holdings (the then vendor), which owned 70.61% of total issued share capital of the Company through Intellinsight and was therefore a controlling shareholder of the Company and a connected person of the Company, at a consideration of approximately HK\$2,110 million. For more details, please refer to the circular of the Company dated 26 October 2018.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Reasons for and Benefits of the Disposal

According to the “Letter from the Board” contained in the Circular, 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 Works has been obtained and the foundation works for the development of the Land are expected to commence in the second quarter of 2024.

Considering the increasingly challenging operating environment in the property development in the PRC as mentioned in Section 1.3 headed “Outlook of the Group” above, 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 the Related 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.

The Group’s gearing ratio had been increased substantially from approximately 78.4% as at 31 December 2021 to 123.8% as at 30 June 2023. As disclosed in the 2023 Interim Report, the majority of the Group’s property development projects were yet to reach sale stage and require capital investments and the total bank borrowings of the Group and loan from the Related Company amounting to approximately HK\$22,656 million as at 30 June 2023. Upon Completion, given that (i) any outstanding liability of the Target Group in relation to the Land, being RMB1,250 million (equivalent to approximately HK\$1,375 million) will no longer be consolidated into the consolidated financial statements of the Group (but will be accounted for using the equity method as associated companies of the Company in the consolidated financial statements of the Company) as the Target Company and its subsidiaries will cease to be subsidiaries of the Company; and (ii) a sum of approximately HK\$1,253 million (being the remaining balance of the Consideration) will be applied to settle the borrowings of the Group, representing in aggregate approximately 11.6% of the aforesaid total bank borrowings and loan from the Related Company, will reduce the Group’s total borrowings and save interest expense, we are of the view that the Disposal is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Principal Terms of the Agreement

Principal terms of the Agreement are set out below:

Subject matter: 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.

The Sale Loan, being non-interest bearing and with no fixed terms of repayment, was provided by the Vendor to the Target Company on 31 December 2018, being the date of acquisition of the Target Company by the Vendor. The purpose of the Sale Loan was for funding the development of the Project.

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 the Related Company on the Completion Date.

The loan from the Related Company (the “**Loan**”) is interest bearing at HIBOR plus a margin with no fixed terms of repayment. The usage of the Loan is for working capital purpose. As at 29 February 2024, the outstanding balance of the Loan was approximately HK\$2,668 million. The Related Company was directly wholly-owned by the Purchaser, which was in turn ultimately wholly-owned by Mr Or as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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" set out in the "Letter from the Board" contained in the Circular.

3.1 Consideration

As mentioned above, 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.

In assessing the fairness and reasonableness of the Consideration, we have reviewed the basis of determining the consideration of the Sale Shares and the consideration of the Sale Loan respectively.

We noted that the Consideration was determined by the parties after arm's length negotiations with reference to the factors mentioned above.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In summary, the consideration for the Sale Shares was determined by reference to the unaudited consolidated net asset value of the Target Group as at 31 December 2023 as adjusted for the valuation surplus of the Land; and the consideration for the Sale Loan was determined on a dollar-for-dollar basis on 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.

3.1.1 Consideration of the Sale Shares

By reference to the market value of the Land of approximately HK\$3,696 million as at 26 January 2024 and the book value of the Land of approximately HK\$2,868 million as at 31 December 2023 set out in the unaudited consolidated management accounts of the Target Group for the year ended 31 December 2023, which will give rise to a revaluation surplus of approximately HK\$828 million. Based on the unaudited consolidated net asset value of the Target Group of approximately negative HK\$114 million as at 31 December 2023 and the aforesaid revaluation surplus of approximately HK\$828 million, the adjusted net asset value of the Target Group will be approximately HK\$714 million and 60% of such amount will be approximately HK\$428 million (which is the consideration for the Sale Shares).

As the Consideration is dependent on the value of the Land, we have further considered the Valuer's qualification, the methodologies used, the appraised value of the Land.

3.1.1.1 Valuer's Qualification

In reassessing the competence and experience of the Valuer, we have reviewed the qualification and experience of the Valuer and noted that the principal signer of the Property Valuation Report has over 30 years of experience in the professional property valuation and advisory service in the Greater China region and various overseas countries and is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). Having reviewed the scope of work of the Valuer, we are satisfied that the scope of work is sufficient and appropriate for the valuation of the Land.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.1.1.2 Valuation Methodologies

We noted that the Valuer adopted the market approach in appraising the value of the Land, which is a commonly used valuation method for vacant land where there is relevant comparable land sales evidence for reference to arrive at the market value. This method rests on the wide acceptance of the market evidence as the best indicator that can be extrapolated to similar land, subject to allowances for variable factors. In assessing the reasonableness of the valuation approach adopted, we have discussed with the Valuer and understood that the Valuer has considered the market approach, which is based on comparing the subject asset with identical or similar assets for which price information is available, such as a comparison with market transactions in the same, or close similar, type of asset within appropriate time horizon. We have reviewed the HKIS Valuation Standards (2020) published by The Hong Kong Institute of Surveyors and noted that the above description on market approach is accurate.

Based on the fact that there is available pricing information reflecting the current market perception of assets similar to the Land, we are of the same view as the Valuer that, where there is sufficient relevant evidence to show the price levels that buyers are willing to pay for similar properties in the market, the market approach is appropriate.

In this regard, we have conducted independent desktop research on recent circulars published by companies listed on the Stock Exchange since February 2024 (being the month of publication of the Company's announcement in relation to the Disposal, which reflects the latest market practice) and up to the Latest Practicable Date in relation to acquisition or disposal of assets involving property valuation conducted by independent valuers and the relevant information is set out below which is an exhaustive list based on these criteria:

Date	Company	Stock Code	Valuation Method	Subject
2 February 2024	C&D International Investment Group Limited	1908	Market approach	Land
2 February 2024	Kwan On Holdings Limited	1559	Market approach	Commercial property
21 February 2024	Kinetic Development Group Limited	1277	Market approach	Commercial property
23 February 2024	Dexin Services Group Limited	2215	Market approach and income approach	Car parking spaces and hotel
23 February 2024	Multifield International Holdings Limited	898	Market approach	Land

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Date	Company	Stock Code	Valuation Method	Subject
27 February 2024	Guangzhou R&F Properties Co., Ltd.	2777	Residual method	Commercial property
28 February 2024	BHCC Holding Limited	1552	Market approach	Industrial property
28 February 2024	China Parenting Network Holdings Limited	1736	Market approach	Science and education property
29 February 2024	Qingdao Holdings International Limited	499	Market approach	Commercial and residential property
29 February 2024	Glory Sun Land Group Limited	299	Market approach	Commercial and residential property
29 February 2024	Renze Harvest International Limited	1282	Market approach	Commercial property
5 March 2024	Hong Kong Economic Times Holdings Limited	423	Market approach	Industrial property

According to the above list, we noted that 11 out of 12 transactions involved the adoption of market approach. We are of the view that the valuation conducted by the Valuer is comparable to the valuations conducted for the aforementioned transactions as both involving valuation of property assets.

The Valuer advised that other valuation methodologies, including cost approach and income approach, were not considered when preparing the valuation report, as the Valuer considered market approach to be the most direct and appropriate method for valuing the Land. Income approach derives the value of the subject property by converting future cash flows to a single current capital value. Since the Land is currently vacant, this method is not applicable. Similarly, cost approach considers the cost to reproduce or replace the subject property, and is less direct than market approach, which reflects the current market perception of the subject property. Therefore, we are of the view that market approach is more appropriate for valuing the Land.

We noted that the Valuer had adopted certain assumptions. We understand from the Valuer that all assumptions adopted are commonly adopted for property valuations. Having reviewed the assumptions, we are of the view that the assumptions adopted by the Valuer are fair and reasonable.

Taking into account that (i) the Valuer has sufficient qualification and experience to undertake the valuation of the Land; (ii) the valuation methodology adopted by the Valuer is commonly adopted for assessing the value of similar properties; and (iii) the major assumptions are commonly adopted for similar valuation, we are of the view that the valuation of the Land is determined on a fair and reasonable basis.

3.1.1.3 Appraised Value of the Land

In assessing the value of the Land, the Valuer adopted direct comparison method assuming sale of the property in its existing state by making reference to comparable sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, size and other relevant factors.

Based on our review on the details comparable transactions and our discussion with the Valuer, set out below are the selection criteria of the comparable transactions adopted by the Valuer and our assessment on each of the selection criterion:

- (i) Land use — mixed use consisting residential, office and commercial

It is the same as the land use of the Land. We have obtained and reviewed the legal opinion prepared by the Company's legal adviser and noted that the Land is designated for commercial, office and residential use.

- (ii) Timing — transacted since second half of 2021

We have discussed with the Valuer and understood that it is a common practice to identify transactions subject to availability and the relevance of such transactions. Given that valuation reference date is 26 January 2024, we are of the view that the time frame of selecting comparable transactions of approximately 2.5 years can reasonably reflect the current market condition for similar assets.

- (iii) Location — comparables of similar type of property in vicinity

While the location of the 3 comparable properties are located in different districts, based on our independent desktop search and the discussion with the Valuer, we noted that the comparable properties are located within a radial distance of 16 kilometres of the Land. We also noted that the comparables properties, as well as the Land, are all located in the seven districts considered as city centre of Shanghai.

- (iv) Size — site area of comparables within 20,000 sq m to 44,000 sq m

We noted that size range covers the size of the Land which has a total site area of approximately 21,278.60 sq m.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above assessments, we are of the view that the comparable transactions (“**Comparables**”) are identified based on a fair and reasonable selection criteria. Set out below are details of the Comparables that the Valuer has applied to assess the value of the Land:

No.	Location	Transaction Date	Approximate Site Area (sq m)	Plot Ratio	Land Use	Accommodation Value (RMB/sq m)
1	Xuhui	18 June 2021	39,062	3.07	Residential, office and commercial	43,116
2	Jing'an	23 September 2022	43,841	5.75	Residential, office and commercial	47,840
3	Xuhui	15 December 2023	20,539	6.19	Residential, office and commercial	42,134
The Land	Yangpu		21,278	3.53	Residential, office and commercial	44,795

Set out below the major adjustments made to arrive at the Valuer's conclusion:

Adjustment	Range
Transaction time	+0% to +9%
Location	-10% to -4%
Neighbourhood environment	-10% to -4%
Site area	-1% to 0%
Plot ratio	-3% to +18%
Total adjusted factor	-3% to +10%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In terms of transaction time, Comparable 1 transacted in June 2021, Comparable 2 transacted in September 2022 and Comparable 3 transacted in December 2023, thus upward adjustment is made to Comparable 1 and Comparable 2. In terms of location, all Comparables are either situated on the main road or with a view better than the Land, thus downward adjustment is made to all Comparables. In terms of neighbourhood environment, each of the Comparables has a relatively better commercial atmosphere nearby, thus downward adjustment is made to all Comparables. In terms of site area, Comparable 1 and Comparable 2 are larger than the Land, thus downward adjustment is made to Comparable 1 and Comparable 2. In terms of plot ratio, Comparable 1 is lower than the Land, whilst Comparable 2 and Comparable 3 are much higher than the Land, thus downward adjustment is made to Comparable 1, and upward adjustments to Comparable 2 and Comparable 3 have been made. After taking into account all the adjustment factors, Comparable 1 and Comparable 2 are slightly superior than the Land (thus an overall downward adjustment is made); while Comparable 3 is inferior than the Land (thus an overall upward adjustment is made), the market value of the Land as at 26 January 2024 was RMB3,360 million.

We noted that there is a slight difference between the valuation of lands located at (i) 中國上海市楊浦區四平路東，大連路北; and (ii) 中國上海市楊浦區四平街道176街坊14/7丘 of appraised value of RMB3,300 million (equivalent to approximately HK\$3,630 million) as at 31 July 2018 (the “**2018 Valuation**”) and the Land of appraised value of RMB3,360 million (equivalent to approximately HK\$3,696 million) as at 26 January 2024 (the “**2024 Valuation**”). To assess the fairness and reasonableness of such difference, we have conducted the following independent work done:

- (i) reviewed the valuation report set out in the Company’s circular dated 26 October 2018;
- (ii) discussed with the Valuer, which is the same party for the 2018 Valuation and the 2024 Valuation, and noted that (i) the same valuation methodology had been applied for both valuations; and (ii) comparable transactions occurred within two years before the date of the 2018 transaction and located in within a radial distance of 20 kilometres of the Land had been identified for valuation purpose; and
- (iii) reviewed the satellite images of the area where the Land is located in 2018 and 2023 respectively. We noted that there is no significant difference in terms of development in 2018 as compared to 2023.

Having considered (i) the above work done on the differences in the 2018 Valuation and the 2024 Valuation; (ii) the fact that the market value of the Land as at 26 January 2024 was conducted using market approach which reflects the current market condition of similar assets; and (iii) other analysis set out in this Section 3.1.1.3 headed “Appraised Value of the Land”, we are of the view that the market value of the Land is fairly and reasonably arrived at.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.1.2 Consideration of the Sale Loan

We have obtained and reviewed the unaudited consolidated management accounts of the Target Group for the year ended 31 December 2023 and noted that 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 was approximately HK\$1,606 million. Hence, 60% of such amount is approximately HK\$964 million (which is the consideration for the Sale Loan).

3.1.3 Section Conclusion

Taking into account the factors used to determine the Consideration as analysed above, we are of the view that the Consideration is fair and reasonable.

4. Use of Proceeds

The aggregate Consideration of approximately HK\$1,392 million 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):

- (i) as to approximately HK\$139 million (representing approximately 10% of the Consideration) has been settled in cash upon signing of the Agreement; and
- (ii) as to the remaining balance of approximately HK\$1,253 million will be settled in cash and/or by way of settlement of loan from the Related 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.

As 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, we believe that it is in the interests of the Company and the Shareholders as a whole.

5. Possible financial effects of the Disposal

5.1 Results on Consolidation

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 as associated companies of the Company in the consolidated financial statements of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5.2 *Gain on Disposal*

Subject to final audit, it is expected that the Group will realise a gain of approximately HK\$3,847,000 from the Disposal. Such gain was derived based on the difference of (i) the sum of (1) the aggregate Consideration of HK\$1,391,957,000 and (2) the fair value of 40% interest retained by the Group (being HK\$927,971,000); and (ii) the sum of (1) the unaudited adjusted net assets of the Target Group as at 31 January 2024 of HK\$712,006,000 and (2) the shareholders' loan of the Target Group as at 31 January 2024 of HK\$1,604,075,000.

5.3 *Gearing Position and Finance Cost*

As mentioned in Section 2 headed "Reasons for and Benefits of the Disposal" above, upon Completion, an aggregate of approximately HK\$2,628 million (representing in aggregate approximately 11.6% of the total bank borrowings of the Group and loan from the Related Company) will be reduced from the Group's total borrowings and may further save interest expense.

RECOMMENDATION

We have considered that (i) the basis of determining the Consideration is fair and reasonable; (ii) the Disposal is consistent with the Group's stated strategy set out in Section 1.3 headed "Outlook of the Group" above; (iii) the reasons for and benefits of the Disposal; and (iv) the possible financial effects of the Disposal, we are of the view that the Disposal is in the interests of the Company and the Shareholders as a whole, the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

Therefore, we would recommend the Independent Board Committee to advise 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.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Jeanny Leung
Responsible Officer

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 advisory transactions.

The following is the text of the letter and valuation report prepared for the purpose of incorporation in this 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 26 January 2024.



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

22 March 2024

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

Dear Sirs,

Re: Land E1-15 Siping Community located at 14/8 Qiu, 176 Jiefang, Siping Road, Yangpu District, Shanghai, the PRC (the “Land”)

Instructions, Purpose & Valuation Date

In accordance with the instructions from Kowloon Development Company Limited (the “**Company**”) for us to carry out the valuation of the Land held by 上海揚業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 an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Land in existing state as at 26 January 2024 (the “**Valuation Date**”).

Definition of Market Value

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

With reference to the legal opinion of the Company's PRC legal adviser, Shanghai Co-Effort Law Firm, 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 fee 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 dated 22 March 2024 regarding the title to the Land and the interests in the Land. We have prepared our valuation on the basis that the Owner has enforceable title to the Land and has 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 any onerous nature which could affect its value.

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 the HKIS Valuation Standards 2020 published by the HKIS.

Method of Valuation

In valuing the Land, which is situated in the PRC, we have assumed that transferable land use rights in respect of the Land for respective specific land use terms at nominal annual land use fees have been granted and that any premium has already been fully settled. We have relied on the advice given by the Company regarding the title to the Land and have valued the entire interest of the Land. In arriving at our opinion of value of the Land, we have adopted Market Approach assuming sale with the benefit of vacant possession and by making reference to comparable sales evidence as available on the market.

Market Approach is the best approach for property valuation in theory because it is an approach showing what price level that the buyers really pay for a property in the market. However, this approach has limitation for application especially in the event that relevant property transactions are few and the nature of property are not uniform. Market Approach is an approach of valuation based on comparing the property to be assessed directly with other comparable properties which recently changed hands. These premises are generally located in the surrounding areas or in another market which are comparable to the property being valued. However, because of the heterogeneous nature of properties, appropriate adjustment are usually required to allow for any qualitative and quantitative differences that may affect the price likely to be achieved by the property under consideration. Sufficient transactions in the relevant market are available and Market Approach is a suitable approach for valuing the Land.

Source of Information

We have relied to a considerable extent on the information provided by the Company and have accepted advice provided to us on such matters as planning approvals or statutory notices, easements, tenure, identification of land and building, particular of occupancy, development scheme, site and floor areas, site plans, attributable interests and all other relevant matters. We have assumed that all the information provided by the Company is true and accurate and are not held responsible for independent verification of the information.

Dimensions, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximations. We have 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 supplied.

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 or extracts of documents in relation to the Land. However, we have not searched the original documents to verify the ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

Our valuer of Shanghai Office, Mr Rick Sun (who holds a Bachelor of Economics degree from Shanghai Jiao Tong University and has 18 years of valuation experience in the PRC), inspected the Land on 31 January 2024. 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.

Unless otherwise stated, we have not been able to carry out detailed 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 stated in our valuation are in Renminbi (“**RMB**”), the official currency of the PRC.

Other Disclosures

We hereby confirm that Cushman & Wakefield Limited and the valuer 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We enclose herewith the valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Grace S M Lam
MHKIS, MRICS, RPS (GP)
Senior Director
Valuation & Advisory Services, Greater China

Note: Ms Grace S M Lam is a Member of the Royal Institution of Chartered Surveyors, a Member of The Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). Ms Lam has over 30 years of experience in the professional property valuation and advisory service in the Greater China region and various overseas countries. Ms Lam has sufficient current knowledge of the market, and the skills and understanding to undertake the valuation competently.

VALUATION REPORT

Property held for future development by the Owner in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 26 January 2024
Land E1-15 Siping Community located at 14/8 Qiu, 176 Jiefang, Siping Road, Yangpu District, Shanghai, the PRC	<p>The Land comprises a parcel of land with a total site area of approximately 21,278.60 square metre (“sq m”).</p> <p>According to the information provided by the Company, the Land is intended to be developed to comprise a residential building, two office buildings, several low-rise commercial buildings and support facilities with a total planned gross floor area (“GFA”) of approximately 121,319.09 sq m with details as follows:</p>	As at the Valuation Date, the Land was a vacant land.	RMB3,360,000,000 (RENMINBI THREE BILLION THREE HUNDRED SIXTY MILLION)
	<p>Approximate Plot Ratio GFA (sq m)</p>		
	<p>Aboveground</p>		
	Residential	20,543.00	
	Office	47,805.00	
	Commercial	6,263.00	
	Ancillary	400.00	
	Sub-total:	75,011.00	
	<p>Approximate Non-Plot Ratio GFA (sq m)</p>		
	Aboveground		
	Ancillary	2,229.09	
	<p>Approximate GFA (sq m)</p>		
	Belowground	44,079.00	
	Total:	121,319.09	

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 26 January 2024
(Cont'd)	<p>The Land is located at 176 Jiefang, Siping Road, west to Dalian Road and north to Siping Road, Yangpu District, Shanghai. The nearby locality is mainly residential and commercial developments.</p> <p>The land use rights of the Land have been granted for terms of 70 years for residential use, 50 years for office use and 40 years for commercial use.</p>	—	—

Notes:

- (1) According to Real Estate Title Certificate No. (2023)016032 dated 26 September 2023, the land use rights of the Land have been vested in the Owner with a site area of 21,278.60 sq m for terms of 70 years for residential use, 50 years for office use and 40 years for commercial use.
- (2) According to Grant Contract of Land Use Rights No. (2004)001 and the Supplementary Contracts Nos. (2006)008, (2010)21, (2021)507, (2022)9 and (2023)1, the land use rights of the Land have been contracted to be granted as below:
 - (i) Grantee: The Owner
 - (ii) Location: 176 Jiefang, Siping Road, west to Dalian Road and north to Siping Road
 - (iii) Site Area: 21,278.60 sq m
 - (iv) Land Use Term: 40 years for commercial use, 50 years for office use and 70 years for residential use
 - (v) Land Premium: RMB440,812,095
 - (vi) Plot Ratio: 3.53
 - (vii) Plot Ratio GFA: Commercial: 6,263 sq m; office: 47,805 sq m; residential: 20,543 sq m
 - (viii) Building Covenant: To commence construction before 31 December 2023; and to complete construction before 31 December 2026
- (3) According to Planning Permit for Construction Use of Land No. (2022)EA310110202200521 dated 23 August 2022, the construction site of land with a total site area of 21,278.60 sq m is in compliance with the urban planning requirements.

- (4) According to Permit for Commencement of Construction Works No. 310110202312130301 dated 13 December 2023, the pile foundation construction works of the Land are in compliance with the requirements of works commencement and were permitted to be developed.
- (5) According to Business Licence No. 91310110748754558R dated 8 September 2016, the Owner was established as a limited liability company with a registered capital of RMB250,000,000 for an unspecified valid operation period from 27 March 2003.
- (6) According to the PRC legal opinion issued by the Company’s PRC legal adviser:
- (i) the Owner has obtained a valid business licence and is legally established under the PRC law;
 - (ii) the Owner has signed the Grant Contract of Land Use Rights and the Supplementary Contracts which are legal and valid and the Owner has fully settled all land premiums of the Land and has the right to use the Land;
 - (iii) the Owner has obtained the Real Estate Title Certificate and has legally obtained the land use rights of the Land which are still within the effective period of use. As advised by the Owner, there is no mortgage and seizure on the Land;
 - (iv) the Owner has obtained the Planning Permit for Construction Use of Land. The contents of the permit are consistent with the planning conditions stipulated in the Grant Contract of Land Use Rights;
 - (v) the Owner has obtained the Permit for Commencement of Construction Works for the pile foundation on 13 December 2023 and has the right to develop and construct pile foundation of the Land; and
 - (vi) the Owner has signed and performed part of the construction contract for the construction of the Land, and the Land has been advanced to the construction preparation stage. As advised by the Owner, there are still municipal pipelines affecting the construction within the red line of the Land, and the construction cannot be fully proceeded at present which is not constituting a violation of the Grant Contract of Land Use Rights by the Owner; and the Land is not considered as idle land currently.
- (7) The status of the title and grant of major approvals and licence in accordance with the information provided by the Company and the opinion of the PRC legal adviser:

Real Estate Title Certificate	Yes
Grant Contract of Land Use Rights and the Supplementary Contract	Yes
Planning Permit for Construction Use of Land	Yes
Permit for Commencement of Construction Works	Yes (Partly)
Business Licence	Yes

- (8) Our major parameters adopted in our valuation are as follows:

Use	Market unit price
Mixed use consisting of residential, office and commercial land	Approximately RMB44,795 per sq m on plot ratio GFA

In valuing the Land in the PRC, we have adopted Market Approach by reference to comparable sales evidence as available in the relevant market.

Due to lack of sales evidence in the same district, we have made reference to various recent sales of other similar mixed use land properties within Xuhui and Jingan districts, which are in close proximity to the Land.

We have identified sales of three mixed use (including residential) land properties that are relevant and comparable to the Land. The nature of these comparables is the same as that of the Land. The selling prices of those similar land range from approximately RMB42,134 to RMB47,840 per sq m on plot ratio GFA. After making appropriate adjustments to those comparable unit selling prices, we adopted a unit rate of approximately RMB44,795 per sq m on plot ratio GFA for the Land. The adjustments we have made include but not limited to time, location, neighbourhood environment, size and plot ratio between the land comparables and the Land.

The details of the exhaustive list of sales evidence of the three residential, office and commercial land properties are tabulated below for reference:

Comparable No.	Comparable 1	Comparable 2	Comparable 3
Lot No.	xh128E-03	304-03	xh128A-11a
Address	Unit WS3, Huangpu Jiangnan Extension Section	Unit C070202, Zhongxing Community	Xietu Street
District	Xuhui	Jingan	Xuhui
Type of Land	Residential, office and commercial	Residential, office and commercial	Residential, office and commercial
Transaction Price	RMB5,170,500,000	RMB12,059,840,000	RMB5,357,000,000
Date of Transaction	18 June 2021	23 September 2022	15 December 2023
Site Area	39,062.00 sq m	43,841.30 sq m	20,539.72 sq m
Plot Ratio	3.07	5.75	6.19
Total Plot Ratio GFA	119,920.34 sq m	252,087.48 sq m	127,140.87 sq m
Unit Price of Total Plot Ratio GFA	RMB43,116 per sq m	RMB47,840 per sq m	RMB42,134 per sq m

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 executives of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives 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 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	864,397,624	73.46%	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 Yeung Kwok Kwong	Personal	180,000	0.02%	
Mr Or Pui Kwan	Personal	43,500	0.00%	
Mr Lam Yung Hei	Personal	5,000	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 chief executives of the Company had any interests or short positions in the shares, underlying shares or 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 executives of the Company) who had an interest and short position in the shares and 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 <i>(Note 1)</i>	Note
New Explorer Developments Limited	Corporate	864,397,624	73.46%	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 executives 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 executives of the Company were not aware of any person (other than the Directors and chief executives 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 GROUP

As at the Latest Practicable Date, save for the Disposal, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2022, 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 Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, (i) certain bank loans were secured by properties and shares of subsidiaries of the Purchaser (which was ultimately wholly-owned by Mr Or), having a total value of HK\$3,007,000,000 and guaranteed by these subsidiaries; (ii) the Group had also entered into a co-investment agreement with the Purchaser 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; and (iii) the Group had further entered into a co-investment agreement with the Purchaser for the development of a property located in Zhuhai, the PRC, details of which were set out in the Company’s circular dated 30 June 2022. Save as disclosed above and save for the Disposal and the 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 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 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.

The Purchaser, 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 2022, 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 corporation licensed 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 2022, 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. DOCUMENT ON DISPLAY

Copy of the Agreement will be published on the website of “HKEXnews” (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.

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, 5 June 2024 at 10:30 am (Hong Kong time) (or immediately after the closing of the annual general meeting of the Company to be held on the same day at 10:00 am (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 7:30 am (Hong Kong time) on that day, at the same time and place on Thursday, 6 June 2024) (“**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 sale and purchase agreement dated 1 February 2024 entered into between Future Star International Limited (the “**Vendor**”), being a direct wholly-owned subsidiary of the Company, and Polytec Holdings International Limited in relation to the disposal by the Vendor of six (6) ordinary shares in the capital of Rideon Limited (the “**Target Company**”), representing 60% of the total issued share capital of the Target Company, and 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 (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 be and are hereby ratified, confirmed and approved; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) any one director of the Company be and is hereby authorised to do all such acts and things and execute all such other documents for and on behalf of the Company as he/she may consider necessary, appropriate, expedient or desirable in connection with, or to give effect to, the Agreement and the transactions contemplated thereunder (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, 22 March 2024

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, 31 May 2024 to Wednesday, 5 June 2024, 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, 30 May 2024.
4. The votes of shareholders to be taken at the EGM will be by poll in which Intellinsight Holdings Limited, Mr Or Pui Kwan, Mr Lam Yung Hei 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, 5 June 2024 at 10:30 am (Hong Kong time) (or immediately after the closing of the annual general meeting of the Company to be held on the same day at 10:00 am (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.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 7:30 am (Hong Kong time) on Wednesday, 5 June 2024, 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, 6 June 2024 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. The English text of this notice shall prevail over the Chinese text in case of inconsistency.