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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)

SHARE TRANSACTION
ACQUISITION OF A 15% AND A 5% EQUITY INTERESTS AND
ASSIGNMENTS OF SHAREHOLDERS' LOANS IN
IDEAPLAN INVESTMENTS LIMITED

Financial adviser to Kowloon Development Company Limited



SOMERLEY CAPITAL LIMITED

THE ACQUISITIONS

The board of Directors is pleased to announce that on 22 June 2017 (after trading hours), the Company has entered into (i) the SPA 1 with the First Vendor, pursuant to which the Company has conditionally agreed to acquire, and the First Vendor has conditionally agreed to dispose of, a 15% equity interest in Ideaplan, and the First Vendor shall assign and the Company shall take an assignment of the entire amount of the shareholder's loan advanced by the First Vendor to Ideaplan, for an aggregate consideration of approximately HK\$164.3 million, and (ii) the SPA 2 with the Second Vendor, pursuant to which the Company has conditionally agreed to acquire, and the Second Vendor has conditionally agreed to dispose of, a 5% equity interest in Ideaplan, and the Second Vendor shall assign and the Company shall take an assignment of the entire amount of the shareholder's loan advanced by the Second Vendor to Ideaplan, for an aggregate consideration of approximately HK\$54.8 million.

The considerations payable to the First Vendor and the Second Vendor pursuant to the SPA 1 and the SPA 2 respectively will be satisfied by the allotment and issue of 19,462,516 and 6,487,505 Consideration Shares, at the issue price of HK\$8.44 per Consideration Share, to the First Vendor and the Second Vendor (and/or nominated allottee(s)) respectively, credited as fully paid, at Completion.

The total number of the Consideration Shares represents approximately (a) 2.26% of the existing issued share capital of the Company; and (b) 2.21% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. The Consideration Shares will be allotted and issued under the General Mandate.

Upon completion of the Acquisitions, Ideaplan will become a wholly-owned subsidiary of the Company.

LISTING RULES IMPLCATIONS

Each of the transactions contemplated under the SPA 1 and the SPA 2 constitutes a share transaction for the Company under Chapter 14 of the Listing Rules, since all the applicable percentage ratios, on a standalone and an aggregated basis, are less than 5%. The Acquisitions are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The board of Directors is pleased to announce that on 22 June 2017 (after trading hours), the Company has entered into (i) the SPA 1 with the First Vendor, pursuant to which the Company has conditionally agreed to acquire, and the First Vendor has conditionally agreed to dispose of, a 15% equity interest in Ideaplan, and the First Vendor shall assign and the Company shall take an assignment of the entire amount of the shareholder's loan advanced by the First Vendor to Ideaplan, for an aggregate consideration of approximately HK\$164.3 million, and (ii) the SPA 2 with the Second Vendor, pursuant to which the Company has conditionally agreed to acquire, and the Second Vendor has conditionally agreed to dispose of, a 5% equity interest in Ideaplan, and the Second Vendor shall assign and the Company shall take an assignment of the entire amount of the shareholder's loan advanced by the Second Vendor to Ideaplan, for an aggregate consideration of approximately HK\$54.8 million.

As at the date of this announcement, Ideaplan is beneficially owned as to 80%, 15% and 5% respectively by the Company, the First Vendor and the Second Vendor. Upon completion of the Acquisitions, Ideaplan will become a wholly-owned subsidiary of the Company. To the best of the Directors' knowledge, none of the Directors have any material interest in the Acquisitions and therefore none of them are required to abstain from voting on the board resolutions in relation to the Acquisitions.

PRINCIPAL TERMS OF THE SPA 1 AND THE SPA 2

The principal terms of each of the SPA 1 and the SPA 2 are as follows:

SPA 1

Date:	22 June 2017 (after trading hours)
Parties involved:	(1) The Company (2) The First Vendor
Equity interest to be acquired:	15 shares of par value US\$1.00 each in the issued share capital of Ideaplan held by the First Vendor, representing an equity interest of 15% in Ideaplan
Loan assignment:	The Shareholder's Loan 1 is to be assigned to the Company
Principal amount of the Shareholder's Loan 1:	Approximately HK\$150.0 million

SPA 2

Date:	22 June 2017 (after trading hours)
Parties involved:	(1) The Company (2) The Second Vendor
Equity interest to be acquired:	5 shares of par value US\$1.00 each in the issued share capital of Ideaplan held by the Second Vendor, representing an equity interest of 5% in Ideaplan
Loan assignment:	The Shareholder's Loan 2 is to be assigned to the Company
Principal amount of the Shareholder's Loan 2:	Approximately HK\$50.0 million

Subject to satisfaction or where relevant waiver of the conditions pursuant to each of the SPA 1 and the SPA 2, the First Vendor and the Second Vendor shall sell, and the Company shall purchase, the Sale Shares, free from Encumbrances, together with all rights, interest, or benefits now or hereafter attached, accrued or accruing hereto, but without limitation, all rights to receive all dividends distributions declared, made or paid or agreed to be made or paid on or after the date on which Completion takes place.

On and subject to the terms and conditions pursuant to each of the SPA 1 and the SPA 2, the First Vendor and the Second Vendor shall assign and the Company shall take an assignment of the Sale Debts free from all charges, liens, encumbrances, equities or other third party claims or interests of any nature whatsoever. The Company shall not be obliged to complete the sale and purchase of the Sale Shares and/or the Sale Debts unless the sale and purchase of the Sale Shares and the Sale Debts are completed simultaneously at Completion.

Other principal terms of the SPA 1 and the SPA 2

Considerations

The considerations payable to the First Vendor and the Second Vendor pursuant to the SPA 1 and the SPA 2 respectively will be satisfied by the allotment and issue of 19,462,516 and 6,487,505 Consideration Shares, at the issue price of HK\$8.44 per Consideration Share, to the First Vendor and the Second Vendor (and/or nominated allottee(s), as set out below) respectively, credited as fully paid, at Completion.

Each of the First Vendor and the Second Vendor is allowed to nominate not more than two allottees in its stead for the Consideration Shares provided only that: (a) such nomination must be given by notice in writing to the Company within 14 days upon signing of the SPA 1 and the SPA 2 respectively by the First Vendor and/or the Second Vendor; (b) the First Vendor and/or the Second Vendor must provide such information and documents as the Company may reasonably request to verify the identity of the nominated allottee(s); and (c) the Company is satisfied that the allotment of the Consideration Shares (or any part thereof) to such nominated allottee(s) is in compliance with the Listing Rules, the Takeovers Code, and any other applicable laws and regulations.

Basis of the considerations

The consideration due under each of the SPA 1 and the SPA 2 was determined by the Company, the First Vendor and the Second Vendor after arm's length negotiations having considered the net asset position of Polytec Wuxi, Ideaplan's operating subsidiary, of approximately RMB954.4 million as at 31 May 2017.

Consideration Shares

The Consideration Shares will be issued by the Company upon Completion. The Consideration Shares will be issued at the issue price of HK\$8.44 per Consideration Share which represents:

- (a) a discount of approximately 1.2% to the closing price of HK\$8.54 per Share as quoted on the Stock Exchange on the Last Trading Day, being the date of the Agreements;
- (b) a discount of approximately 0.38% to the average closing price of HK\$8.472 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the trading day immediately before the Last Trading Day; and
- (c) a discount of approximately 2.5% to the average closing price of HK\$8.656 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the trading day immediately before the Last Trading Day.

The issue price of the Consideration Shares was arrived at after arm's length negotiations between the Company and each of the First Vendor and the Second Vendor with reference to various factors including the trading price of the Shares as set out above and the financial performance of the Group, and is equal to the closing price of HK\$8.44 per Share as quoted on the Stock Exchange on 16 June 2017. The Directors consider that the issue price of the Consideration Shares is fair and reasonable and the issue of the Consideration Shares is in the interests of the Company and the Shareholders as a whole.

The total number of the Consideration Shares represents approximately:

- (a) 2.26% of the existing issued share capital of the Company; and
- (b) 2.21% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Consideration Shares will be allotted and issued under the General Mandate to allot, issue and deal with additional Shares granted to the Directors at the annual general meeting of the Company held on 7 June 2017 subject to the limit of 230,136,255 Shares (representing 20% of the total number of issued Shares on that date). As at the date of this announcement, besides the proposed issue of the Consideration Shares, the General Mandate has not been utilised previously.

Application for listing

An application will be made by the Company to the Listing Committee for approval of the listing of, and the permission to deal in, the Consideration Shares. Upon allotment and issue, the Consideration Shares will rank pari passu in all respects with the Shares in issue on the date of the allotment and issue of the Consideration Shares, and free and clear of any pledges, liens, Encumbrances and restrictions on transfer.

Conditions precedent

The Company's obligation to acquire the Sale Shares and the Sale Debts is subject to and conditional upon all of the following conditions being fulfilled:

- (a) The Listing Committee granting the listing of, and permission to deal in, the Consideration Shares and such approval not having been revoked; and
- (b) The warranties as set out in the SPA 1 and the SPA 2 remaining true and accurate in all respects and not misleading in any respect as at Completion.

The Company may in its absolute discretion at any time waive in writing the above condition numbered (b) (or any part thereof) and such waiver may be granted subject to such terms and conditions as are determined by the Company.

Each of the Company, the First Vendor and the Second Vendor shall use all reasonable endeavours to procure the fulfilment of the above conditions as soon as reasonably practicable and in any event on or before 30 September 2017, being the Long Stop Date.

In the event that any of the above conditions (which have not previously been waived by the Company) have not been fulfilled on or before the Long Stop Date, then the Company may at its option by notice to each of the First Vendor and the Second Vendor elect to:

- (a) waive the conditions (save and except for the above condition numbered (a)) then unfulfilled;
- (b) postpone the date for fulfilment of the said conditions to a date falling not more than 3 Business Days after the Long Stop Date; or
- (c) terminate the Agreements.

Completion

Subject to satisfaction of all the conditions precedent as stated above (to the extent not waived by the Company), Completion shall take place on or before the fifth Business Day after the date of fulfilment (or waiver) of the above conditions or at such other date as may be agreed between the Company, the First Vendor and the Second Vendor, respectively.

The SPA 1 and the SPA 2 are not inter-conditional. Upon completion of the Acquisitions, Ideaplan will become a wholly-owned subsidiary of the Company.

INFORMATION ON THE FIRST VENDOR, THE SECOND VENDOR AND IDEAPLAN

Each of the First Vendor and the Second Vendor is a company incorporated in the British Virgin Islands with limited liability, which is engaged in investment holding. Each of the First Vendor's and the Second Vendor's sole business activity is the holding of an equity interest in and the provision of a shareholder's loan to Ideaplan.

Ideaplan is a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding. It wholly owns Polytec Wuxi, a company established in the PRC with limited liability which is principally engaged in property development in the PRC. Its principal development project is located in the Chong An district, a central business district of Wuxi, the PRC, with a total site area of approximately 68,833 square metres and a total gross floor area of approximately 404,400 square metres (the "Wuxi Project"). The second phase of the Wuxi Project is currently under construction and is expected to be completed later this year.

Set out below is the unaudited consolidated financial information of Ideaplan for the years ended 31 December 2015 and 2016 respectively, as extracted from the unaudited management accounts of Ideaplan, which were prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended	
	31 December	
	2015	2016
	<i>HK\$ million</i>	<i>HK\$ million</i>
Loss before tax	19.4	9.5
Loss after tax	20.6	9.5

As at 31 May 2017, the unaudited consolidated net liabilities of Ideaplan amounted to approximately HK\$142.3 million. The sole business activity of Ideaplan is the holding of Polytec Wuxi, with an unaudited net asset value of approximately RMB954.4 million as at 31 May 2017.

INFORMATION ON THE GROUP

The Group is principally engaged in investment holding, property development, property investment, property management and oil production.

REASONS FOR AND THE BENEFITS OF THE ACQUISITIONS

As at the date of this announcement, the Company holds an 80% equity interest in Ideaplan. The Acquisitions of the remaining equity interests in Ideaplan would enable the Group to wholly-own the Wuxi Project held through Ideaplan's subsidiary, Polytec Wuxi, and control the entire board of Polytec Wuxi. The Directors consider that the Acquisitions are in line with the business plan of the Group and offer the Group the opportunity to further benefit from the positive business development of Ideaplan in future. Taking into account the prospects of the Wuxi Project, in particular its upcoming phases of development, and more broadly speaking the property market environment in the PRC, the Directors are confident that the Wuxi Project will contribute future profitability to the Group.

The Directors (including the Independent Non-executive Directors) consider that the terms of each of the SPA 1 and the SPA 2 have been determined on an arm's length basis, are fair and reasonable and on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLCATIONS

As at the date of this announcement, the First Vendor holds a 15% equity interest in Ideaplan. As the Directors have confirmed that Ideaplan is an insignificant subsidiary of the Company under Chapter 14A of the Listing Rules, the First Vendor, who is a substantial shareholder at the subsidiary level of the Company, is not regarded as a connected person of the Company under Chapter 14A of the Listing Rules.

Except for (i) the First Vendor and the Second Vendor being current shareholders of Ideaplan and (ii) one of the beneficial owners of the First Vendor being a current director of Polytec Wuxi, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the First Vendor and the Second Vendor, and each of their respective ultimate beneficial owners, are the Independent Third Parties.

Each of the transactions contemplated under the SPA 1 and the SPA 2 constitutes a share transaction for the Company under Chapter 14 of the Listing Rules, since all the applicable percentage ratios, on a standalone and an aggregated basis, are less than 5%. The Acquisitions are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisitions”	the acquisitions contemplated pursuant to the Agreements
“Agreements”	collectively, the SPA 1 and the SPA 2
“Business Day”	a day (excluding Saturday, Sunday, public holiday and a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon) on which banks are generally open for business in Hong Kong
“Company”	Kowloon Development Company Limited (stock code: 34), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisitions
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration Shares”	new Shares to be allotted and issued by the Company to the First Vendor, the Second Vendor and/or the relevant allottee(s) nominated by them to satisfy the consideration pursuant to each of the SPA 1 and the SPA 2
“Director(s)”	the director(s) of the Company

“Encumbrances”	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, retention arrangement) having similar effect
“First Vendor”	Greatpath Group Limited, a company incorporated in the British Virgin Islands with limited liability
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the annual general meeting of the Company held on 7 June 2017 to allot, issue and deal with 230,136,255 Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Ideaplan”	Ideaplan Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding and is beneficially owned as to 80%, 15% and 5% by the Company, the First Vendor and the Second Vendor, respectively
“Independent Third Parties”	parties not connected (within the meaning of the Listing Rules) with any of the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Last Trading Day”	22 June 2017
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange with responsibility for considering applications for listing and the granting of listing on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	30 September 2017, or at such other date as the parties to the Agreements may agree in writing
“Polytec Wuxi”	Polytec Property (Wuxi) Limited, a company established in the PRC with limited liability and wholly-owned by Ideaplan
“RMB”	Renminbi, the lawful currency of the PRC
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Sale Debts”	collectively, the Shareholder’s Loan 1 and the Shareholder’s Loan 2
“Sale Shares”	15 shares and 5 shares of par value US\$1.00 each in the issued share capital of Ideaplan held by the First Vendor and the Second Vendor respectively
“Second Vendor”	Max Great Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Share(s)”	share(s) in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Shareholder’s Loan 1”	the entire amount of the shareholder’s loan advanced by the First Vendor to Ideaplan in the sum of approximately HK\$150.0 million
“Shareholder’s Loan 2”	the entire amount of the shareholder’s loan advanced by the Second Vendor to Ideaplan in the sum of approximately HK\$50.0 million
“SPA 1”	the sale and purchase agreement dated 22 June 2017 entered into between the Company and the First Vendor in relation to the sale and purchase of a 15% equity interest in Ideaplan and the Shareholder’s Loan 1

“SPA 2”	the sale and purchase agreement dated 22 June 2017 entered into between the Company and the Second Vendor in relation to the sale and purchase of a 5% equity interest in Ideaplan and the Shareholder’s Loan 2
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent

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

Hong Kong, 22 June 2017

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