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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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 licensed securities dealer or registered institution 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 to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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九龍建業有限公司

**KOWLOON DEVELOPMENT COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 34)**

**DISCLOSEABLE TRANSACTION**

**IN RELATION TO  
THE ON MARKET PURCHASE OF  
SHARES IN POLYTEC ASSET HOLDINGS LIMITED**

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## DEFINITIONS

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

“Acquisitions”	acquisitions of Polytec Shares on market on 17 and 18 December 2008 by the Group for an aggregate of 48,000,000 Polytec Shares
“Board”	the board of Directors
“Company”	Kowloon Development Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	director(s) of the Company
“Further Acquisitions”	further acquisitions of Polytec Shares on market by the Group following the Acquisitions
“Group”	the Company and its subsidiaries (excluding the Polytec Group)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	2 January 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	Macau Special Administrative Region of the PRC
“Polytec”	Polytec Asset Holdings Limited, a non wholly owned subsidiary of the Company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange (Stock code: 208)
“Polytec Group”	Polytec and its subsidiaries
“Polytec Share(s)”	share(s) of HK\$0.10 each in the share capital of Polytec
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Taiwan and Macau

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## DEFINITIONS

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“Previous Acquisitions”	acquisitions of Polytec Shares on market during the period from 28 October 2008 to 1 December 2008 (both dates inclusive) by the Group for an aggregate of 451,000,000 Polytec Shares, with a total consideration of approximately HK\$184,415,860 (before transaction costs and levies)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	shareholder(s) of the Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Or Wai Sheun (*Chairman*)

Ms. Ng Chi Man

Mr. Lai Ka Fai

Mr. Or Pui Kwan

*Registered Office:*

23rd Floor, Pioneer Centre

750 Nathan Road

Kowloon

Hong Kong

*Non-executive Directors:*

Mr. Keith Alan Holman (*Deputy Chairman*)

Mr. Tam Hee Chung

Mr. Yeung Kwok Kwong

*Independent Non-executive Directors:*

Mr. Li Kwok Sing, Aubrey

Mr. Lok Kung Chin, Hardy

Mr. Seto Gin Chung, John

Mr. David John Shaw

7 January 2009

*To the Shareholders*

Dear Sir or Madam

### **DISCLOSEABLE TRANSACTION**

### **IN RELATION TO THE ON MARKET PURCHASE OF SHARES IN POLYTEC ASSET HOLDINGS LIMITED**

#### **INTRODUCTION**

The Board announced on 18 December 2008 that on 17 and 18 December 2008, the Group acquired an aggregated of 48,000,000 Polytec Shares with an average price of approximately HK\$0.44 per Polytec Share (before transaction costs and levies) on market. The Acquisitions and the Previous Acquisitions together constituted a discloseable transaction of the Company under the Listing Rules.

The purpose of this circular is to provide you with information in respect of, among other things, the Acquisitions.

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## LETTER FROM THE BOARD

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### THE ACQUISITIONS

On 17 and 18 December 2008, the Group acquired an aggregate of 48,000,000 Polytec Shares with an average price of approximately HK\$0.44 per Polytec Share (before transaction costs and levies) on market. The Acquisitions represent approximately 1.08% of the issued share capital of Polytec based on Polytec's issued share capital of 4,438,967,838 Polytec Shares as at 30 June 2008. The total consideration for the Acquisitions amounted to approximately HK\$21,166,025 (before transaction costs and levies) which was satisfied by the Group's internal cash resources.

As at the Latest Practicable Date, the Group owned 3,260,004,812 Polytec Shares, representing approximately 73.44% of the issued share capital of Polytec.

### INFORMATION ON POLYTEC AND REASONS FOR THE ACQUISITIONS

The Group, together with the Polytec Group, is principally engaged in property development and investment and holding of investments. The Polytec Group, the Macau property investment arm of the Group, is principally engaged in property investment, development and trading, securities investment and trading and manufacturing of ice and provision of cold storage service.

As set out in the 2008 interim report of Polytec for the six-month period ended 30 June 2008, the unaudited consolidated net asset value attributable to the equity holders of Polytec was approximately HK\$11,287 million. As set out in the annual report of Polytec for the year ended 31 December 2007, the audited profits before tax were approximately HK\$65 million and HK\$338 million respectively for the year ended 31 December 2006 and 2007 whereas the audited net profits attributable to the equity holders were approximately HK\$30 million and HK\$222 million respectively.

The recent market price of Polytec Shares represents about 80% discount to the unaudited consolidated net asset value of Polytec of HK\$2.54 per Polytec Share as at 30 June 2008. Accordingly, the Board considers that the Acquisitions and the Previous Acquisitions are of good investment value and is of the view that they are in the interests of the Shareholders as a whole. Since the Acquisitions and the Previous Acquisitions were made on market, the Board believes that the terms of the Acquisitions and the Previous Acquisitions are fair and reasonable.

Subject to, among other things, the market price of Polytec Shares, the Group may or may not further acquire Polytec Shares on market.

The Acquisitions are treated as an additional interest in Polytec by the Group. The Group would recognise a one-off non-cash gain on consolidation in relation to the negative goodwill regarding the Acquisitions and the Previous Acquisitions. In addition, the Group has utilised cash of approximately HK\$206 million (before transaction costs and levies) to satisfy the consideration of the Acquisitions and the Previous Acquisitions. The Acquisitions and the Previous Acquisitions have no immediate significant impact on the Group's total liabilities.

### GENERAL

Based on the "five-test" calculation according to the Listing Rules, the applicable percentage ratios in respect of the Acquisitions together with the Previous Acquisitions in aggregate exceed 5% but are less than 25%. Therefore, the Acquisitions and the Previous Acquisitions together constituted a discloseable transaction of the Company under the Listing Rules.

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## LETTER FROM THE BOARD

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No further announcements will be made by the Company for the Further Acquisitions if such Further Acquisitions, when aggregated with the Acquisitions and the Previous Acquisitions in accordance with Rule 14.22 of the Listing Rules, only constitute a discloseable transaction under the Listing Rules. The Company will issue an announcement and comply with the relevant Listing Rules requirement if (i) such Further Acquisitions, when aggregated with the Acquisitions and the Previous Acquisitions in accordance with Rule 14.22 of the Listing Rules, constitute a major or any other type of notifiable transaction (other than a discloseable transaction) under the Listing Rules; or (ii) such Further Acquisitions, on a stand-alone basis, constitute a discloseable transaction under the Listing Rules.

Your attention is drawn to the general information set out in the appendix to this circular.

By Order of the Board  
**Kowloon Development Company Limited**  
**Or Wai Sheun**  
*Chairman*

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors’ interests and short positions

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company or any of their respective associates in any Shares, underlying Shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which are required: (a) 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 he is taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

*Interests in Shares, underlying Shares and debentures of the Company*

Name of Director	Nature of interest	Number of Shares		Approximate percentage of total issued Shares (Note 1)
		Long position	Short position	
Or Wai Sheun	Beneficiary (Note 2)	802,830,124	Nil	69.77%
	Corporate (Note 3)	277,500	Nil	0.02%
Ng Chi Man	Beneficiary (Note 4)	802,830,124	Nil	69.77%

Name of Director	Nature of interest	Number of Shares		Approximate percentage of total issued Shares (Note 1)
		Long position	Short position	
Or Pui Kwan	Beneficiary (Note 5)	802,830,124	Nil	69.77%
	Personal (Note 5)	43,500	Nil	0.00%
Lok Kung Chin, Hardy	Under Trust (Note 6)	1,425,000	Nil	0.12%
Lai Ka Fai	Personal (Note 7)	701,000	Nil	0.06%
Keith Alan Holman	Personal (Note 7)	567,000	Nil	0.05%
Tam Hee Chung	Corporate (Note 8)	300,000	Nil	0.03%
David John Shaw	Personal (Note 7)	133,500	Nil	0.01%
	Family (Note 9)	67,000	Nil	0.01%
Yeung Kwok Kwong	Personal (Note 7)	165,000	Nil	0.01%

Notes:

1. The percentage holding is calculated based on the total number of issued Shares of 1,150,681,275 Shares as at the Latest Practicable Date.
2. Mr. Or Wai Sheun was interested in 802,830,124 Shares ultimately and wholly owned by a discretionary family trust of which Mr. Or Wai Sheun is the founder and a beneficiary. These Shares were the Shares disclosed under Ms. Ng Chi Man and Mr. Or Pui Kwan in the above table and in the section on “Interests of substantial Shareholders and other persons in the Company and other members of the Group” below.
3. Mr. Or Wai Sheun was also interested in 277,500 Shares owned by China Dragon Limited due to his corporate interest therein.
4. Ms. Ng Chi Man is the spouse of Mr. Or Wai Sheun. Ms. Ng was deemed to be interested in 802,830,124 Shares as a beneficiary of the discretionary family trust referred in Note 2 above.

5. Mr. Or Pui Kwan is the son of Mr. Or Wai Sheun and Ms. Ng Chi Man. Mr. Or Pui Kwan was the beneficial owner of 43,500 Shares and was also deemed to be interested in 802,830,124 Shares as a beneficiary of the discretionary family trust referred in Note 2 above.
6. Mr. Lok Kung Chin, Hardy was taken to be interested in 1,425,000 Shares owned by discretionary trusts of which Mr. Lok is the founder and a beneficiary respectively.
7. Shares were held by the respective Directors in their capacity as beneficial owners.
8. Mr. Tam Hee Chung was deemed to be interested in 300,000 Shares owned by Larry H.C. Tam & Associates Limited by virtue of his 48% interest therein.
9. Shares were held through the family interest of Mr. David John Shaw.

*Interests in shares, underlying shares and debentures of the associated corporation — Polytec*

Name of Director	Nature of interest	Number of shares		Approximate percentage of total issued shares (Note 1)
		Long position	Short position	
Or Wai Sheun	Beneficiary (Note 2)	3,260,004,812	Nil	73.44%
Ng Chi Man	Beneficiary (Note 2)	3,260,004,812	Nil	73.44%
Or Pui Kwan	Beneficiary (Note 2)	3,260,004,812	Nil	73.44%
Yeung Kwok Kwong	Personal	2,000,000	Nil	0.05%
Tam Hee Chung	Corporate (Note 3)	1,100,000	Nil	0.02%
Keith Alan Holman	Personal	722,000	Nil	0.02%
Lai Ka Fai	Personal	430,000	Nil	0.01%

*Notes:*

1. The percentage holding is calculated based on the total number of issued Polytec Shares of 4,438,967,838 as at the Latest Practicable Date.

2. Through their respective interests in the Company disclosed under the subsection on “Interests in Shares, underlying Shares and debentures of the Company”, and by virtue of 100% interest in Marble King International Limited, the immediate holding company of Polytec, held by the Company, Mr. Or Wai Sheun, Ms. Ng Chi Man and Mr. Or Pui Kwan were deemed to be interested in 3,260,004,812 Polytec Shares.
3. By virtue of a 48% interest in Larry H.C. Tam & Associates Limited which owns such Polytec Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV and the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

**(b) Interests of substantial Shareholders and other persons in the Company and other members of the Group**

As at the Latest Practicable Date, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as is known to the Directors or the chief executive of the Company, the persons, other than Directors or the chief executive of the Company, who had an interest or a short position in the Shares and underlying Shares 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, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and any other members of the Group and the amount of each of such persons’ interest in such securities, together with any options in respect of such capital, were as follows:

Name of Shareholder	Nature of interest	Number of Shares		Approximate percentage of total issued Shares (Note 1)
		Long position	Short position	
HSBC International Trustee Limited	Trustee	803,512,624 (Note 2)	Nil	69.83%
Or Family Trustee Limited Inc.	Trust	802,830,124 (Notes 2&3)	Nil	69.77%

Notes:

1. The percentage holding is calculated based on the total number of issued Shares of 1,150,681,275 Shares as at the Latest Practicable Date.
2. Out of the 803,512,624 Shares in which HSBC International Trustee Limited was interested as trustee of certain discretionary trusts that it manages 802,830,124 Shares were the Shares held by the Or Family Trustee Limited Inc. as trustee disclosed in the above table and referred in the section “Directors’ interests and short positions”. Mr. Or Wai Sheun and Mr. Keith Alan Holman are directors of Or Family Trustee Limited Inc.
3. As trustee for The Or Unit Trust, owning all the shares of Polytec Holdings International Limited, which in turn owns all the shares of Intellinsight Holdings Limited, which in turn owns 802,830,124 Shares in the Company.

Subsidiaries (excluding Polytec Group)

Name of subsidiary	Name of shareholder	Approximate percentage of issued share capital of the subsidiary
Brilliant Idea Investments Limited	Mr. Lau Wai Chi	15.00%
Golden Princess Amusement Company Limited	Variety Entertainment Company Limited	15.00%
Polytec Binhai Property (Tianjin) Co., Ltd	Tianjin Binhai Mass Transit Development Co., Ltd.	10.00%
Polytec CITIC Property (Tianjin) Co., Ltd	Tianjin CITIC Real Estate Investment Co., Ltd.	30.00%
	Tianjin Binhai Mass Transit Development Co., Ltd.	10.00%
San Iao Lek Development Company Limited	All Virtue International Limited	30.00%

**Polytec Group**

Name of subsidiary	Name of shareholder	Approximate percentage of issued share capital of the subsidiary
New Cosmos Holdings Limited	Sino-Asia Investments Limited	15.00%
	JHK International Limited	10.00%
	CSC Investment Company Limited	10.00%
Think Bright Limited	Mr. U Sio Man	29.50%

Save as disclosed above, as at the Latest Practicable Date, the Directors or the chief executive of the Company were not aware of any other persons or corporations (other than Directors or the chief executive of the Company and the respective companies controlled by them whose interests have been disclosed above) who had an interest or short position in the Shares or underlying Shares 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, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or in any options in respect of such capital.

**3. COMPETING INTEREST**

As at the Latest Practicable Date, save as disclosed below, none of the Directors or any of their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Polytec Holdings International Limited (“Polytec Holdings”), a company ultimately and wholly owned by the Or Family Trust in which Mr. Or Wai Sheun (the “Chairman”), Ms. Ng Chi Man (an executive Director), Mr. Or Pui Kwan (an executive Director) and their family members are beneficiaries, is engaged in property investment and development business in Hong Kong, Macau and the PRC. As a result, Mr. Or Wai Sheun, Ms. Ng Chi Man and Mr. Or Pui Kwan are considered to have interest in a business which competes, or is likely to compete, either directly or indirectly, with the business of the Group. Polytec Holdings had granted a right of first refusal in favour of the Group in respect of properties or property projects that will be made available to it to acquire or participate in development in Hong Kong, Macau and the PRC.

**4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, there is no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

**5. LITIGATION**

As far as the Directors are aware, as at the Latest Practicable Date, no members of the Group were engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

**6. MISCELLANEOUS**

- (a) The share registrar of the Company is Computershare Hong Kong Investor Services Limited on 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (b) The qualified accountant and secretary of the Company is Ms. Wai Yuk Hing, Monica. Ms. Wai holds a Bachelor of Business degree from Monash University, Melbourne, Australia, and is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and an associate member of CPA Australia.
- (c) The English text of this circular will prevail over the Chinese text.