

---

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

---

**If you are in any doubt** as to any aspect of this circular, 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 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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



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  
CORPORATE GUARANTEE FOR A JOINT VENTURE COMPANY**

**Independent Financial Adviser**

**Access**   
**Capital**

---

A letter from the Board is set out on pages 3 to 6 of this circular and a letter from the Independent Board Committee is set out on page 7 of this circular. A letter from Access Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Shareholders is set out on pages 8 to 13 of this circular.

23 January 2009

---

## CONTENTS

---

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	3
<b>Letter from the Independent Board Committee</b> .....	7
<b>Letter from the Independent Financial Adviser</b> .....	8
<b>Appendix — General Information</b> .....	14

---

## DEFINITIONS

---

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“CITIC South China”	中信華南(集團)有限公司 (CITIC South China (Group) Co., Ltd.), a limited liability company incorporated in the PRC which is principally engaged in property development and is a shareholder holding a 50% interest in the Joint Venture;
“Company”	Kowloon Development Company Limited, a company incorporated in Hong Kong, the shares of which are listed on the main board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Guarantee”	the 50% proportional guarantee to be provided by the Company pursuant to the Guarantee Agreement in favour of the Lender in respect of the Loan;
“Guarantee Agreement”	the agreement entered into between the Company and the Lender on 2 January 2009 in respect of the Guarantee;
“Access Capital” or “Independent Financial Adviser”	Access Capital Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO, the independent financial adviser to the Independent Board Committee and the Shareholders in relation to the Guarantee;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Independent Board Committee”	an independent committee of the Board, comprising the independent non-executive Directors, established to advise the Shareholders in respect of the terms of the Guarantee Agreement;

---

## DEFINITIONS

---

“Joint Venture”	中信保利達地產(佛山)有限公司 (CITIC Polytec Property (Foshan) Company Limited), a Sino-foreign equity joint venture company established in the PRC and is owned as to 50% by the Company and as to 50% by CITIC South China;
“Latest Practicable Date”	20 January 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“Lender”	中國銀行股份有限公司佛山分行 (Bank of China Limited, Foshan Branch), the lender of the Loan;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan”	a term loan facility extended by the Lender to the Joint Venture in the principal amount of RMB380 million;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“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; and
“%”	per cent.

---

## 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*)

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

23 January 2009

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION CORPORATE GUARANTEE FOR A JOINT VENTURE COMPANY**

#### **INTRODUCTION**

Reference is made to the announcements of the Company dated 2 January 2009 and 5 January 2009 in relation to the Guarantee Agreement, pursuant to which the Company agreed to provide a proportional guarantee of up to RMB190 million of the loan principal amount, and relevant interests, fees and expenses thereon, in favour of the Lender in respect of a RMB380 million term loan facility extended by the Lender to the Joint Venture.

---

## LETTER FROM THE BOARD

---

The purposes of this circular are:

- (i) to provide the Shareholders with information on the Guarantee Agreement;
- (ii) to set out the view of the Independent Board Committee in respect of the terms of the Guarantee Agreement; and
- (iii) to set out the letter of advice from Access Capital, the independent financial adviser to the Independent Board Committee and the Shareholders, in respect of the fairness and reasonableness of the terms of the Guarantee Agreement.

### THE GUARANTEE AGREEMENT

#### Date

2 January 2009

#### Parties:

- (1) The Company, as the guarantor; and
- (2) Bank of China Limited, Foshan Branch (中國銀行股份有限公司佛山分行), as the lender. The Lender is a state-owned commercial bank in the PRC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Lender is a third party independent of the Company and any of its connected persons. There are no transactions between the Company and the Lender that would be subject to aggregation with the Guarantee in accordance with Rule 14.22 of the Listing Rules.

#### Guarantee

Pursuant to the Guarantee Agreement, the Company, as a shareholder holding a 50% interest in the Joint Venture, will provide a proportional guarantee of up to RMB190 million of the loan principal and relevant interests, fees and expenses thereon in favour of the Lender in respect of a RMB380 million term loan facility extended by the Lender to the Joint Venture. In the event of defaults by the Joint Venture for any outstanding principal amounts or interests and fees thereon under the Loan, the Company will be jointly liable with the Joint Venture to repay the outstanding amounts under the Loan, subject to the Company's maximum liability under the Guarantee of up to RMB190 million in respect of the loan principal, equivalent to 50% of the Loan, and relevant interests, fees and expenses thereon.

CITIC South China, as the other shareholder holding a 50% interest in the Joint Venture, will provide a separate proportional guarantee under the same terms as the Guarantee to the Lender to guarantee the other 50% of the outstanding amounts under the Loan.

---

## LETTER FROM THE BOARD

---

### **The Loan**

The Loan is a term loan facility extended by the Lender to the Joint Venture in the amount of RMB380 million for the Joint Venture's development of a project in Nanhai District, Foshan, the PRC. The Loan has a term of 36 months from the date of the first loan drawdown and bears interest at the prevailing market rate. Certain land use rights owned by the Joint Venture have been provided as securities (the "Securities") for the Loan.

### **REASONS FOR THE TRANSACTION**

The purpose of the Guarantee is to enable the Joint Venture to release the Securities given under the Loan from the Lender for its normal business operation of property development in Foshan, the PRC. The project was acquired by the Joint Venture in 2006 and the presale of the first phase of the residential development of this project is expected to commence soon.

The Company is of the view that the terms of the Guarantee are similar to those required by other banks for financing facilities and reflect normal banking practices in the PRC. The Directors (including the independent non-executive Directors) are of the view that (i) the terms of the Guarantee are on normal commercial terms and (ii) CITIC South China has also provided a corresponding guarantee under the same terms, the Guarantee is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### **IMPLICATIONS UNDER THE LISTING RULES**

CITIC South China is a holding company of Tianjin CITIC Real Estate Investment Co., Ltd., a substantial shareholder holding 30% interest of Polytec CITIC Property (Tianjin) Co., Ltd., a 51% owned subsidiary of the Company. It is also a shareholder holding a 50% interest in the Joint Venture and the Joint Venture is thus a connected person of the Company.

As disclosed in the announcement of the Company dated 24 July 2008, the Company has already provided a joint and several guarantee to the Joint Venture to guarantee a term loan of the Joint Venture in the amount of RMB200 million with a PRC financial institution. The Guarantee would thus need to be aggregated with this previous guarantee in accordance with Rules 14.22 and 14A.25 of the Listing Rules. As the relevant percentage ratios in respect of the Guarantee, when aggregated with the guarantee already provided by the Company to the Joint Venture in respect of the other term loan facility are more than 2.5% but less than 25%, the provision of the Guarantee by the Company, after aggregation with the previous guarantee provided, constitutes a discloseable and non-exempted connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

---

## LETTER FROM THE BOARD

---

As the Lender and CITIC South China are not interested in any Shares of the Company and no Shareholder is interested in the Guarantee Agreement, no Shareholder is required to abstain from voting for the resolution to approve the Guarantee Agreement. Accordingly, the Company has applied for, and the Stock Exchange has granted, a waiver from the requirement to hold a general meeting in accordance with Rule 14A.43 of the Listing Rules on the basis of a written certificate dated 5 January 2009 given by Intellinsight Holdings Limited (“**Intellinsight**”), which is beneficially interested in 802,830,124 Shares, representing approximately 69.77% of the issued share capital of the Company, to approve the provision of the Guarantee.

### **GENERAL**

The Group is principally engaged in real estate investment and development in Hong Kong, Macau and the PRC. The Joint Venture is a Sino-foreign equity joint venture established in the PRC by the Company and CITIC South China for the purposes of developing 7 plots of land located in Nanhai District, Foshan, the PRC. It is 50% owned by the Company and 50% owned by CITIC South China and is accounted for as a jointly-controlled entity of the Company.

Your attention is drawn to the letter from the Independent Board Committee set out on page 7 of this circular which contains its view on the Guarantee Agreement. Your attention is also drawn to the letter of advice from Access Capital which contains its opinion on the terms and conditions of the Guarantee Agreement.

### **FURTHER INFORMATION**

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

Yours faithfully,  
For and on behalf of the Board  
**Kowloon Development Company Limited**  
**Or Wai Sheun**  
*Chairman*

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---



九龍建業有限公司

### KOWLOON DEVELOPMENT COMPANY LIMITED

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 34)**

23 January 2009

*To the Shareholders*

Dear Sir or Madam,

#### **DISCLOSEABLE AND CONNECTED TRANSACTION CORPORATE GUARANTEE FOR A JOINT VENTURE COMPANY**

We refer to the circular of the Company to the Shareholders dated 23 January 2009 (the “**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed “**Definitions**” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Shareholders whether the terms of the Guarantee Agreement are fair and reasonable so far as the Company and the Shareholders are concerned.

We wish to draw your attention to the letter of advice from Access Capital, the independent financial adviser, appointed to advise the Independent Board Committee and the Shareholders on the terms of the Guarantee Agreement as set out on pages 8 to 13 of the Circular and the letter from the Board set out on pages 3 to 6 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of Access Capital as stated in its letter of advice, we consider that the terms of the Guarantee Agreement are fair and reasonable so far as the Company and the Shareholders are concerned.

Yours faithfully,

*Independent Board Committee*

**Kowloon Development Company Limited**

**Li Kwok Sing, Aubrey  
Seto Gin Chung, John**

**Lok Kung Chin, Hardy  
David John Shaw**

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*The following is the text of the letter of advice from Access Capital to the Independent Board Committee and the Shareholders in relation to the Guarantee Agreement prepared for the purpose of incorporation in this circular.*



Suite 606, 6th Floor  
Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

23 January 2009

*To: The Independent Board Committee  
and the Shareholders of Kowloon Development Company Limited*

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION CORPORATE GUARANTEE FOR A JOINT VENTURE COMPANY**

#### **I. INTRODUCTION**

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Shareholders with regard to the Guarantee Agreement, details of which have been set out in the circular to the Shareholders dated 23 January 2009 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise specifies.

The Board announced that on 2 January 2009, the Company entered into the Guarantee Agreement with the Lender, pursuant to which the Company agreed to provide a proportional guarantee of up to RMB190 million of the loan principal amount and relevant interests, fees and expenses thereon, in favour of the Lender in respect of a RMB380 million term loan facility extended by the Lender to the Joint Venture.

CITIC South China, as the other shareholder holding a 50% interest in the Joint Venture, will provide a separate proportional guarantee under the same terms as the Guarantee to the Lender to guarantee the other 50% of the outstanding amounts under the Loan.

The provision of the Guarantee when aggregated with the guarantee already provided by the Company constitutes a discloseable and non-exempted connected transaction for the Company under Chapter 14 and 14A of the Listing Rules respectively and is subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As the Lender and CITIC South China are not interested in any Shares and no Shareholder is interested in the Guarantee Agreement, no Shareholder is required to abstain from voting for the resolution to approve the Guarantee Agreement. Accordingly, the Company has applied for, and the Stock Exchange has granted, a waiver from the requirement to hold a general meeting in accordance with Rule 14A.43 of the Listing Rules on the basis of a written certificate given by Intellinsight Holdings Limited, which is beneficially interested in 802,830,124 Shares, representing approximately 69.77% of the issued share capital of the Company, to approve the provision of the Guarantee.

### **II. THE INDEPENDENT BOARD COMMITTEE**

The Board currently comprises four executive Directors, namely Mr. Or Wai Sheun, Ms. Ng Chi Man, Mr. Lai Ka Fai and Mr. Or Pui Kwan; three non-executive Directors, namely Mr. Keith Alan Holman, Mr. Tam Hee Chung and Mr. Yeung Kwok Kwong; and four independent non-executive Directors, namely Mr. Li Kwok Sing, Aubrey, Mr. Lok Kung Chin, Hardy, Mr. Seto Gin Chung, John and Mr. David John Shaw.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Li Kwok Sing, Aubrey, Mr. Lok Kung Chin, Hardy, Mr. Seto Gin Chung, John and Mr. David John Shaw, has been established to advise the Shareholders on the terms of Guarantee Agreement.

We have been appointed to advise the Independent Board Committee and the Shareholders as to whether the terms of the Guarantee Agreement were agreed on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and to give our opinion in relation to the Guarantee Agreement for the Independent Board Committee's consideration when making their recommendation to the Shareholders.

### **III. BASIS AND ASSUMPTIONS OF THE ADVICE**

In formulating our advice, we have relied solely on the statements, information, opinions and representations for matters relating to the Group contained in the Circular and the information and representations provided to us by the Group and/or its senior management staff and/or the Directors. We have assumed that all such statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular or otherwise provided or made or given by the Group and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations for matters relating to the Group made or provided by the Directors and/or the senior management staff of the Group contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Group and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

We consider that we have reviewed all currently available information and documents which are available to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company or any of its subsidiaries.

#### IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

##### 1. Background to and reasons for the Guarantee Agreement

The Group is principally engaged in real estate investment and development in Hong Kong, Macau and the PRC.

As disclosed in the Company's circular dated 13 October 2006, the Joint Venture was established as a Sino-foreign equity joint venture owned as to 50% by the Company and 50% by CITIC South China for the purposes of developing 7 plots of land located in Nanhai District, Foshan, the PRC (the "Project"). The Joint Venture is accounted for a jointly-controlled entity of the Company.

According to the Company's interim report 2008, the Project will consist of low-rise residential blocks and a five-star hotel equipped with golf course. The approval for commencing construction works on the Project was obtained for the first phase development. The hotel is scheduled to complete and operate in early 2010 while the residential units of the first phase are expected to be completed in the second half of 2009. According to the Company's management, presale of the first phase of the residential development is expected to commence soon.

As stated in the "Letter from the Board" and discussed with the management of the Company, the Loan is extended by the Lender to the Joint Venture in the amount of RMB380 million for the Joint Venture's development of the Project. We have reviewed the loan agreement dated 27 November 2008 entered into between the Joint Venture and the Lender. The Loan, to be repayable by instalments, has a term of 36 months from the date of the first loan drawdown and bears interest at the prevailing market rate. Certain land use rights owned by the Joint Venture have been provided as securities (the "Securities") for the Loan. We have also reviewed the 最高額抵押合同 (pledge agreement\*) dated 27 November 2008 entered into between the Joint Venture and the Lender in relation to the Securities and noted that the Securities comprised land properties in Foshan, the PRC of approximately 233,000 square metres, the value of which stated in the pledge agreement exceeded the amount of the Loan.

\* For identification purpose only

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The purpose of the Guarantee is to enable the Joint Venture to release the Securities given under the Loan from the Lender for its normal business operation of property development in Foshan, the PRC. The Company is of the view that the terms of the Guarantee are similar to those required by other banks for financing facilities and reflect normal banking practices in the PRC. The Directors (including the independent non-executive Directors) are of the view that (i) the terms of the Guarantee are on normal commercial terms and (ii) CITIC South China has also provided a corresponding guarantee under the same terms, the Guarantee is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### 2. Terms of the Guarantee Agreement

#### Date

2 January 2009

#### Parties:

- (1) The Company, as the guarantor; and
- (2) Bank of China Limited, Foshan Branch (中國銀行股份有限公司佛山分行), as the lender. The Lender is a state-owned commercial bank in the PRC.

Pursuant to the Guarantee Agreement, the Company, as a shareholder holding a 50% interest in the Joint Venture, will provide a proportional guarantee of up to RMB190 million of the loan principal and relevant interests, fees and expenses thereon in favour of the Lender in respect of a RMB380 million term loan facility extended by the Lender to the Joint Venture. In the event of defaults by the Joint Venture for any outstanding principal amounts or interests and fees thereon under the Loan, the Company will be jointly liable with the Joint Venture to repay the outstanding amounts under the Loan, subject to the Company's maximum liability under the Guarantee of up to RMB190 million in respect of the loan principal, equivalent to 50% of the Loan, and relevant interests, fees and expenses thereon.

CITIC South China, as the other shareholder holding a 50% interest in the Joint Venture, will provide a separate proportional guarantee under the same terms as the Guarantee to the Lender to guarantee the other 50% of the outstanding amounts under the Loan.

### 3. Financial effect to the Group

Based on our discussions with the management of the Company, we understand that the provision of the Guarantee by the Company will not have any impact on the profitability, liabilities or gearing of the Company unless such time that the Guarantee happens to be called upon.

References are made to the interim report of the Company for the six months ended 30 June 2008 and the announcement issued by the Company dated 27 October 2008 (the “**October Announcement**”) in respect of the losses in the financial investment activities of the Group of approximately HK\$3.7 billion (the “**Losses**”). As stated in the October Announcement, the unaudited net assets of the Group as at 30 June 2008 after deducting the Losses represented approximately HK\$11.8 per Share (which is equivalent to approximately HK\$13.6 billion based on 1,150,681,275 Shares in issue). In the event that the entire amount of the Guarantee was called upon, the Company would bear the liability of the Loan up to RMB190 million (approximately HK\$214.7 million based on the exchange rate of RMB1 to HK\$1.13) (before including any interest, fees and expenses), which represents approximately 1.6% of the Group’s unaudited net assets after deducting the Losses as mentioned above. Based on the total bank borrowings as stated in interim report of the Company for the six months ended 30 June 2008 and the unaudited net assets after deducting the Losses, the gearing ratio (total bank borrowings over the unaudited net assets after deducting the Losses) of the Group was approximately 17.4%. The Group’s gearing ratio would increase should the Joint Venture fail to meet its repayment obligation under the Loan and the Company, as the guarantor, would be called upon to assume its portion of repayment obligation under the Guarantee.

In view of the analysis above, Shareholders should note that in the event of default by the Joint Venture on the Loan, the repayment obligation of RMB190 million of the Loan and relevant interests, fees and expenses thereon will be borne by the Company. Nevertheless, taking into consideration that (i) the provision of the Guarantee for the Loan is to finance the development of the Project; (ii) the release of the Securities given under the Loan; (iii) the presale of the first phase of the residential development of the Project is expected to commence soon, we consider that the benefits from the provision of Guarantee to the Joint Venture would outweigh the risks associated with the provision of the Guarantee.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### 4. Our view

We have reviewed the management accounts of the Joint Venture as at 30 November 2008 and noted that the Joint Venture was mainly financed by loans from the Lender, other financial institutions in the PRC and its shareholders. Apart from the Guarantee, as set out in the Company's announcement dated 24 July 2008, the Company and CITIC South China had also provided a joint and several guarantee in favour of a PRC financial institution in respect of a loan of RMB200 million extended to the Joint Venture. Furthermore, as set out in the announcement dated 24 July 2008, the Company entered into a mutual indemnification agreement with CITIC South China and the Joint Venture that the Company and CITIC South China shall indemnify each other on a 50:50 basis from any loss which may be incurred by either of the Company or CITIC South China in connection with or arising of such guarantee as a result of any default of such loan and any interest thereon and expenses related thereto by the Joint Venture.

Given that (i) the Guarantee is to support the Loan extended by the Lender to the Joint Venture for the development of the Project which is in line with the Group's overall business objectives; (ii) the amount of the Guarantee is in proportion to the Company's shareholdings in the Joint Venture; (iii) the Guarantee was provided in favour of a financial institution which is an independent third party; and (iv) the Company's past record of providing guarantee in favour of financial institution in respect of loans to the Joint Venture, we consider that the provision of Guarantee under the Guarantee Agreement is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

### V. RECOMMENDATION

Having considered the above mentioned factors, we are of the view that the terms of the Guarantee Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable so far as the Shareholders are concerned and the entering into of the Guarantee Agreement is in the interests of the Company and the Shareholders as a whole.

Yours faithfully,  
For and on behalf of  
**ACCESS CAPITAL LIMITED**  
**Jimmy Chung**  
*Principal Director*

## 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:

#### (i) *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%
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%

Name of Director	Nature of interest	Number of Shares		Approximate percentage of total issued Shares (Note 1)
		Long position	Short position	
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 “SUBSTANTIAL SHAREHOLDERS” 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.

(ii) *Interests in shares, underlying shares and debentures of the associated corporation — Polytec Asset Holdings Limited (“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 4,438,967,838 issued shares of Polytec 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 shares of Polytec.
3. By virtue of a 48% interest in Larry H.C. Tam & Associates Limited which owns such shares of Polytec.

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) Directors' Service Contracts**

As at the Latest Practicable Date, there was 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).

**(c) Directors' Other Interest**

- (i) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries;
- (ii) As at the Latest Practicable Date, save for the financial support to the Group from Polytec Holdings International Limited (“**Polytec Holdings**”) of which both Mr. Or Wai Sheun and Ms. Ng Chi Man are directors, none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group; and
- (iii) As at the Latest Practicable Date, other than (aa) Mr. Or Wai Sheun and Ms. Ng Chi Man who are directors of Polytec Holdings and Intellinsight; (bb) Mr. Lai Ka Fai who is a director of Intellinsight; and (cc) Mr Or Wai Sheun and Mr Keith Alan Holman who are directors of Or Family Trustee Limited Inc. (“Or Family Trustee”), of which Polytec Holdings, Intellinsight and Or Family Trustee are substantial Shareholders holding 802,830,124 Shares of the Company, none of the Directors and the chief executive of the Company is a director or employee of a company which has an interest or 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.

### 3. SUBSTANTIAL SHAREHOLDERS

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, which in turn owns all the shares of Intellinsight, which in turn owns 802,830,124 Shares in the Company.

**Subsidiaries (excluding Polytec and its subsidiaries)**

<b>Name of subsidiary</b>	<b>Name of shareholder</b>	<b>Approximate percentage of issued share capital of the subsidiary</b>
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 and its subsidiaries**

<b>Name of subsidiary</b>	<b>Name of shareholder</b>	<b>Approximate percentage of issued share capital of the subsidiary</b>
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.

#### 4. 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, a company ultimately and wholly owned by the Or Family Trust in which Mr. Or Wai Sheun (the Chairman of the Company), 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.

#### 5. MATERIAL ADVERSE CHANGE

The Company disclosed in its announcement dated 27 October 2008 that based on the preliminary estimate of the Company, the Group has incurred losses of approximately HK\$3.7 billion (including fair value changes in respect of the Group's long-term financial investments) from its financial investment activities for the period from 1 January 2008 to 22 October 2008 and it is expected that the final results of the Group for the financial year ended 31 December 2008 will be affected by such losses. Save as disclosed, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, the date to which the latest published audited accounts of the Company were made up.

#### 6. EXPERT'S QUALIFICATION AND CONSENT

Access Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Access Capital Limited	a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO

As at the Latest Practicable Date, Access Capital did not have any direct or indirect interest in any asset which had been acquired, 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, since 31 December 2007, the date to which the latest audited financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

## **7. GENERAL**

- (a) The registered office of the Company is 23rd Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong. The share registrar of the Company is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (b) The 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 shall prevail over the Chinese text.

## **8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the Company's registered office at 23rd Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong during normal business hours from the date of this circular up to and including 6 February 2009:

- (a) the letter from the Independent Board Committee to the Shareholders, the text of which is set out on page 7 of this circular;
- (b) the letter from the Independent Financial Adviser to the Independent Board Committee and the Shareholders, the text of which is set out on pages 8 to 13 of this circular;
- (c) the written consent from Access Capital referred to in the paragraph headed "Expert's Qualification and Consent" in this Appendix; and
- (d) the Guarantee Agreement.