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If you have sold or transferred all your shares in **Kowloon Development Company Limited**, you should at once hand this circular and the accompanying form of proxy 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 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

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF EACH OF BEST AWARD AND HIGH CHEER TOGETHER WITH ASSIGNMENT OF RELATED SHAREHOLDER'S LOANS

Independent Financial Adviser



CIMB

CIMB Securities (HK) Limited

A letter from the Board is set out on pages 4 to 9 of this circular and a letter from the Independent Board Committee is set out on page 10 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and independent shareholders of the Company is set out on pages 11 to 21 of this circular.

A notice convening the extraordinary general meeting of the Company is set out on page 42 of this circular. Whether or not you intend to attend the meeting or any adjournment thereof, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof to the share registrars of the Company, Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment meeting if you so wish.

3 September 2009

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DEFINITIONS

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

“Acquisition”	the proposed purchase of the Acquisition Shares and the assignment of related shareholder’s loans pursuant to the Agreement
“Acquisition Shares”	being the entire issued share capital of each of Best Award and High Cheer
“Agreement”	the agreement dated 13 August 2009 between the Company and the Vendor in relation to the sale and purchase of the Acquisition Shares and the assignment of related shareholder’s loans
“Best Award”	Best Award Investments Limited, a limited liability company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Vendor
“Best Award Group”	Best Award and its subsidiary
“Board”	the board of directors of the Company
“Bond Star”	Bond Star Development Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Best Award
“Company”	Kowloon Development Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed in the main board of the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for approving the Acquisition
“GFA”	gross floor area
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“High Cheer”	High Cheer Investments Limited, a limited liability company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Vendor
“High Cheer Group”	High Cheer and its subsidiaries
“Hong Kong Property”	24-32 Ming Yuen Western Street, North Point, Hong Kong
“Independent Board Committee”	the independent committee of the Board, comprising all independent non-executive Directors, appointed by the Board to advise the independent Shareholders in relation to the Acquisition
“Independent Financial Adviser”	CIMB Securities (HK) Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the independent Shareholders in respect of the terms of the Acquisition
“Latest Practicable Date”	31 August 2009, 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
“PRC”	the People’s Republic of China and for the purpose of this circular, excludes Taiwan, Hong Kong and Macau
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholders of the Company

DEFINITIONS

“Shenyang Property”	three parcels of land (Hun Nan Xin District Central District Lot Nos. D3/D4/D9) located at the northern side of Hun Nan Er Road, Hun Nan Xin District, Shenyang City, Liaoning Province, the PRC
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	Polytec Holdings International Limited, a limited liability company incorporated in the British Virgin Islands
“%”	per cent.

Note: Unless otherwise specified, RMB has been translated into HK\$ at the exchange rate of HK\$1.00 = RMB0.88158 for illustration purpose. Such translation should not be construed as a representation that any amounts in RMB or HK\$ have been, could have been, or could be, converted at the above rate or 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*)

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

3 September 2009

To the Shareholders

Dear Sir or Madam

DISCLOSEABLE AND CONNECTED TRANSACTION

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF EACH OF BEST AWARD AND HIGH CHEER TOGETHER WITH ASSIGNMENT OF RELATED SHAREHOLDER'S LOANS

INTRODUCTION

The Company announced on 13 August 2009 that the Company entered into the Agreement with the Vendor for the acquisition of the entire issued capital of each of Best Award and High Cheer together with assignment of related shareholder's loans.

The Independent Board Committee has been constituted to make recommendation to the independent Shareholders in relation to the Acquisition. CIMB Securities (HK) Limited has been appointed as an independent financial adviser to advise the Independent Board Committee and the independent Shareholders in relation to the Acquisition.

LETTER FROM THE BOARD

The purposes of this circular are:

- (a) to provide you with details on the Acquisition;
- (b) to set out the view of the Independent Board Committee in respect of the terms of the Agreement;
- (c) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders in respect of the fairness and reasonableness of the terms of the Agreement; and
- (d) to give you notice of the EGM to consider and, if thought fit, to approve the Acquisition.

Your attention is hereby drawn to page 42 of this circular where you will find a notice of the EGM to be held on 28 September 2009.

THE ACQUISITION

Pursuant to the Agreement, the Vendor has agreed to sell and the Company has agreed to purchase the entire issued share capital of each of Best Award and High Cheer and the Vendor has also agreed to assign the related shareholder's loans to the Company.

Date : 13 August 2009

Parties : the Company, as purchaser
Polytec Holdings International Limited, as vendor

Information on Best Award and the Hong Kong Property

Best Award, a wholly-owned subsidiary of the Vendor, is an investment holding company. Its sole asset of significance is 100% shareholding in Bond Star, which holds and develops the Hong Kong Property. The Hong Kong Property is located in North Point, Hong Kong with a site area of approximately 706 sq.m. and is planned to be developed into a composite residential building known as Mount East with total GFA of approximately 5,706 sq.m.. As at the Latest Practicable Date, foundation works completed.

In the books of Best Award Group, the carrying value of the Hong Kong Property as at 31 July 2009 based on the management accounts was approximately HK\$186,019,000 which represents the cost incurred by the Vendor. The unaudited net liabilities of Best Award Group were approximately HK\$49,140,000 as at 31 July 2009. As Best Award was set up in July 2009, there were no operating results for it for the last two years. The audited net loss before and after tax of Bond Star for the two years ended 31 December 2007 and 31 December 2008 were HK\$854,000 and HK\$2,711,000 respectively.

As at 31 July 2009, the amount of shareholder's loan owed by Best Award Group to the Vendor was HK\$235,765,337, which will be assigned to the Company upon Completion.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Bond Star, being the developer of the Hong Kong Property, has appointed a subsidiary of the Company as its sole and exclusive agent to provide project management services (including construction management works, marketing, promotion and pre-sale of the Hong Kong Property) on normal commercial terms. The applicable percentage ratios as defined in the Listing Rules for the project management services are less than 0.1% and falls within a de minimis continuing connected transaction which shall be exempted from the reporting, announcement and independent Shareholders' approval requirements.

Information on High Cheer and the Shenyang Property

High Cheer is a wholly-owned subsidiary of the Vendor. The principal business activities of High Cheer Group are property development and investment holding. It holds and develops the Shenyang Property. The Shenyang Property is located in Hun Nan Xin District of Shenyang City, the PRC. The site area is approximately 171,339 sq.m. and is for composite residential and commercial use, with total planned GFA of approximately 578,561 sq.m.. As at the Latest Practicable Date, foundation work of the first phase of the development is in progress.

In the books of High Cheer Group, the carrying value of the Shenyang Property as at 31 July 2009 based on the management accounts was approximately RMB392,720,000 (equivalent to approximately HK\$445,473,000) which represents the cost incurred by the Vendor. The unaudited consolidated net assets value of High Cheer Group was approximately HK\$32,306,000 as at 31 July 2009. The unaudited consolidated net loss before and after tax of High Cheer Group for the two years ended 31 December 2007 and 31 December 2008 were HK\$361,000 and HK\$5,922,000 respectively. As at the Latest Practicable Date, the outstanding land premium for the Shenyang Property was approximately RMB30 million (equivalent to approximately HK\$34 million) and had been accrued as liabilities in its management accounts for the period ended 31 July 2009.

As at 31 July 2009, the amount of shareholder's loan owed by High Cheer Group to the Vendor was HK\$387,302,560, which will be assigned to the Company upon Completion.

Consideration and payment

The aggregate consideration for the Acquisition is HK\$856,506,000, detailed below:

- (a) HK\$235,765,345 for Best Award, of which HK\$235,765,337 as the price for assignment of related shareholder's loan and the balance as the price for the transfer of shares; and
- (b) HK\$620,740,655 for High Cheer, of which HK\$387,302,560 as the price for assignment of related shareholder's loan and the balance as the price for the transfer of shares.

The consideration will be satisfied by internal resources of the Group upon Completion in the following manner:

- (a) HK\$90,000,000 will be paid in cash; and
- (b) the balance of the consideration will be settled by the issue of a promissory note in the principal amount of HK\$766,506,000. The promissory note shall not bear any interest or charges and be payable in full on or, at the option of the Company, before the first anniversary of the Completion.

LETTER FROM THE BOARD

The consideration was determined after arm's length negotiation between the parties with reference to the potential of the development projects and the appraised market value of the underlying properties detailed in the section headed "Reasons for the Acquisition".

Conditions

The Completion is conditional upon:

- (a) all necessary approvals, consents and authorisations in respect of the Agreement and the transactions contemplated therein required by the Vendor and/or the Company having been obtained, including compliance by the Company with all applicable disclosure and shareholders' approval requirements under the Listing Rules;
- (b) there having been no breach by the Vendor of any obligations, undertakings, representations and warranties under the Agreement; and
- (c) there having been no breach by the Company of any obligations, undertakings, representations and warranties under the Agreement.

Completion of the Agreement shall take place within ten days following the satisfaction or waiver of the conditions referred to above. If these conditions are not satisfied by 31 December 2009, or such other date as may be agreed by the parties, the Acquisition will terminate and cease to be of any effect save for any antecedent breach.

After the Completion, Best Award Group and High Cheer Group will become wholly-owned subsidiaries of the Group.

REASONS FOR THE ACQUISITION

The consideration payable on acquisition of Best Award is HK\$235,765,345, representing a purchase price of approximately HK\$41,319 per sq.m. (which is based on the GFA) for the Hong Kong Property. As the market value in existing state of the Hong Kong Property as at 31 July 2009 was HK\$295,000,000 (which is based on a valuation by an independent valuer), the consideration represents a 20.1% discount of its market value.

The consideration payable on acquisition of High Cheer is HK\$620,740,655, representing a purchase price of approximately HK\$1,073 per sq.m. (which is based on the planned GFA) for the Shenyang Property. As the market value on the assumption that all relevant legal title documentation of the Shenyang Property has been obtained as at 31 July 2009 was RMB871,000,000 (equivalent to approximately HK\$987,999,000) (which is based on a valuation by an independent valuer), the consideration represents a 37.2% discount of its market value. The higher discount percentage as compared with the Hong Kong Property is due to the PRC land appreciation tax and corporate income tax which are substantially higher than that of Hong Kong.

LETTER FROM THE BOARD

The Acquisition is in line with business activities of the Group. The Hong Kong Property will be developed into a multi-storey high-end residential building with retail and recreational facilities. The Shenyang Property is for composite residential and commercial use and the Company intends to develop the Shenyang Property into a residential, apartment, commercial, hotel and office complex. In light of the value of these properties, the Acquisition enables the Company to expand its portfolio of development projects and improve its revenue base.

GENERAL

The Group is principally engaged in property development and investment in Hong Kong, Macau and the PRC and financial investments.

The Vendor is a substantial shareholder of the Company and hence a connected person. Therefore, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios as defined in the Listing Rules exceed 5% but less than 25%, the Acquisition also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The Acquisition is subject to the reporting, announcement and the approval of independent Shareholders.

The Vendor is ultimately and wholly-owned by a discretionary family trust, of which the Company's executive directors namely Mr Or Wai Sheun, Ms Ng Chi Man (his wife) and Mr Or Pui Kwan (his son) and their family members are beneficiaries. As at the Latest Practicable Date, the Vendor is interested in 802,830,124 shares of the Company, representing approximately 69.77% of the issued share capital of the Company. The Vendor and its beneficial owners and their associates (as defined in the Listing Rules) including Mr Or Wai Sheun and his family members will abstain from voting at the EGM in relation to the Acquisition.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the independent Shareholders in respect of the terms of the Agreement. None of the members of the Independent Board Committee has any material interest in the Acquisition. CIMB Securities (HK) Limited has been appointed as an independent financial adviser to advise the Independent Board Committee and the independent Shareholders in respect of the fairness and reasonableness of the terms of the Agreement.

Completion of the Acquisition is subject to conditions, which may or may not be fulfilled. Shareholders should exercise caution in dealing in the securities of the Company.

LETTER FROM THE BOARD

EXTRAORDINARY GENERAL MEETING

The EGM will be held on 28 September 2009 for the purpose of considering and, if thought fit, approving the resolution in respect of the Acquisition.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the meeting or any adjournment thereof, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof to the share registrars of the Company, Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof if you so wish. In such event, the form of proxy shall be deemed to be revoked.

The votes to be taken at the EGM will be by a poll in which the Vendor and its beneficial owners and their associates (as defined in the Listing Rules) including Mr Or Wai Sheun and his family members will abstain from voting.

RECOMMENDATION

Your attention is drawn to the letter of advice from the Independent Board Committee and the letter of advice from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the independent Shareholders in relation to the Acquisition set out on page 10 and pages 11 to 21 of this circular, respectively.

The Directors, including independent non-executive Directors, are of the view that the terms of the Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM for approving the Acquisition.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular and the notice of EGM.

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)

3 September 2009

To the Independent Shareholders

Dear Sir or Madam

DISCLOSEABLE AND CONNECTED TRANSACTION

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF EACH OF BEST AWARD AND HIGH CHEER TOGETHER WITH ASSIGNMENT OF RELATED SHAREHOLDER'S LOANS

We refer to the circular of the Company to the Shareholders dated 3 September 2009 (the “Circular”), in which this letter forms a part. Unless the context requires otherwise, capitalised 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 independent Shareholders whether the terms of the 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 CIMB Securities (HK) Limited, the independent financial adviser appointed to advise the Independent Board Committee and the independent Shareholders on the terms of the Agreement as set out on pages 11 to 21 of the Circular, and the letter from the Board set out on pages 4 to 9 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of CIMB Securities (HK) Limited as stated in its letter of advice, we consider that the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the independent Shareholders to vote in favour of the resolution to be proposed at the EGM for approving the Acquisition.

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 from the Independent Financial Adviser, prepared for the purpose of incorporation in this circular in connection with its advice to the Independent Board Committee and the independent Shareholders in relation to the Acquisition.



CIMB Securities (HK) Limited

25th Floor, Central Tower
28 Queen's Road Central
Hong Kong

3 September 2009

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

Dear Sir or Madam

DISCLOSEABLE AND CONNECTED TRANSACTION

**ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
EACH OF BEST AWARD AND HIGH CHEER
TOGETHER WITH ASSIGNMENT OF
RELATED SHAREHOLDER'S LOANS**

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the independent Shareholders (the "Independent Shareholders") of the Company to recommend whether the terms of the Agreement, details of which are contained in a circular (the "Circular") of the Company to the Shareholders dated 3 September 2009 of which this letter forms part, are fair and reasonable and on normal commercial terms and whether the Agreement is in the interests of the Group and the Shareholders as a whole. Expressions used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As the Vendor is a substantial shareholder (as defined in the Listing Rules) of the Company, holding approximately 69.77% of the issued share capital of the Company, the Acquisition constitutes a connected transaction for the Company and is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Vendor and its beneficial owners and their respective associates (as defined in the Listing Rules) including Mr Or Wai Sheun and his family members will abstain from voting at the EGM in relation to the Acquisition.

The Independent Board Committee, comprising Mr Li Kwok Sing, Aubrey, Mr Lok Kung Chin, Hardy, Mr Seto Gin Chung, John and Mr David John Shaw, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Acquisition.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our recommendation, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules including the notes thereto to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the information and facts contained or referred to in the Circular, the information provided by the Company and our review of the relevant public information. We have also assumed that the information, facts and representations contained or referred to in the Circular were true and accurate at the time they were made and up to the date of the EGM. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, the Vendor or any of their respective subsidiaries (as defined in the Listing Rules) or associates. We have no reason to doubt the truth, accuracy and completeness of the information, facts and representations provided and represented to us by the Company. We have also been advised by the Company and believe that no material facts have been omitted from the Circular.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of the Agreement, we have considered the following principal factors and reasons:

1. Background of the Agreement

On 13 August 2009, the Company and the Vendor entered into the Agreement, pursuant to which the Vendor has agreed to sell and the Company has agreed to purchase the entire issued share capital of each of Best Award and High Cheer and the Vendor has also agreed to assign the related shareholder's loans to the Company at an aggregate consideration of HK\$856,506,000. Details of the Agreement are set out in the letter from the Board (the "Letter from the Board") in the Circular.

Best Award, through Bond Star, its wholly-owned subsidiary, holds and develops the Hong Kong Property, and High Cheer Group is principally engaged in development of the Shenyang Property. Upon Completion, Best Award and High Cheer will become wholly-owned subsidiaries of the Group and their results will be consolidated into those of the Group.

2. Reasons for and benefits of entering into of the Agreement

(i) *Principal business of the Group*

As stated in the annual report of the Company for the year ended 31 December 2008 (the "Annual Report"), the Group is principally engaged in, among others, property investment and development in Hong Kong, Macau and the PRC. Accordingly, we consider that acquisitions of property interests, including the Acquisition, fall within the ordinary and usual course of business of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We note from the Annual Report that the Group acquired properties in an aggregate attributable GFA of approximately 120,000 sq.m. for future development in Hong Kong and Zhongshan, the PRC, in 2008.

In view of the above, we consider that the Acquisition is in line with the Group's principal business, and concur with the view of management of the Company that the Acquisition allows the Group to expand its portfolio of development projects and revenue base.

(ii) *Overview of the economic development and the property market in Hong Kong and Shenyang, the PRC*

(a) *the Hong Kong market*

We have reviewed information sourced from Hong Kong Census and Statistics Department in respect of the local economic development and the property market, where the Hong Kong Property is located.

Based on our review, we note that during the period from 2005 to 2008, the city witnessed a growth in its gross regional products ("GRP") and total retail sales, which amounted to approximately HK\$1,676.9 billion and approximately HK\$273.1 billion, respectively, in 2008, representing a compound annual growth rate ("CAGR") of approximately 6.6% and approximately 10.1% as compared to that of 2005.

The local economy has been affected adversely by the global economic downturn in the past two years. Statistics show that the GRP recorded a slowing-down year-on-year ("YoY") growth of 3.8% for 2008 (for illustrative purpose, the YoY growth of the GRP reached 9.5% for 2007) and a YoY decrease of 7.4% for the first quarter of 2009 ("1Q09"). However, the local economy experienced a rebound in the second quarter of 2009 with a narrowed YoY decrease of 2.2% in the GRP in the quarter. Despite that total retail sales for the first half of 2009 recorded a YoY decrease of approximately 4.5% as compared with that of the same period in 2008, we note that, generally, the monthly YoY decrease rate of total retail sales has been narrowing since February 2009.

In respect of the local property market, we note from a report released by an independent valuer that, during 1Q09, sales activity in the local primary and secondary property markets recorded pick-ups with the number of residential sale-and-purchase agreements rising to 16,464 units, representing a quarter-on-quarter ("QoQ") increase of 29.8%. The report also states that the sales market in the later 1Q09 turned active and the average capital values of mass residential properties saw a QoQ rise of 1.9%.

Despite the uncertainty in economic activities, including the real estate sector, which is mainly attributable to the global financial crisis, management of the Company considers that, given the gradual economic recovery in Hong Kong, the demand for premium new residential units remains.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) *the Shenyang market*

We have reviewed information sourced from Shenyang Statistical Information Net in respect of the economic development and the property market in Shenyang, the PRC, where the Shenyang Property is located.

Based on our review, we note that, during the period from 2005 to 2008, the city witnessed a growth in its GRP, which amounted to approximately RMB386.1 billion in 2008 and represented a CAGR of approximately 19.9% as compared to that of 2005 and a YoY growth of 16.3% as compared to that of 2007.

Total investment in fixed assets of the city increased to approximately RMB300.9 billion in 2008, representing a YoY growth of 27.4%, and annual disposable income per capita of urban households of the city amounted to RMB17,295.0 in 2008, representing a YoY growth of 18.4%.

Foreign capital was attracted into the city and the city experienced growth of its business activities. Statistics show that in 2008, factual foreign direct investment amounted to approximately US\$6 billion, representing a YoY growth of 19%, and total retail consumption sales amounted to approximately RMB150.6 billion, representing a YoY growth of 22.2%.

For 1Q09, as compared to that of the same period of 2008, the city recorded a YoY growth of 14.0% in its GRP, a YoY growth of 27.6% in total investment in fixed assets, and a YoY growth of 18.0% in total retail consumption sales. The relevant YoY growth rate slowed down as compared with that of 2008, which, we believe, was mainly attributable to the global financial crisis.

In respect of the local property market, we note that total investment in real estate development of the city amounted to approximately RMB101.1 billion in 2008, representing a YoY growth of 38.4%, and approximately RMB7.1 billion in 1Q09, representing a YoY growth of 25.6%.

We also note that, with an aim to stimulating the development of the property market in Shenyang, the local municipal government promulgated 25 new policies in November 2008, which are effective until 31 December 2009, including, among others, reducing or exempting relevant tax, encouraging house purchase for the purpose of improving living conditions, relaxing measures on housing loans, and optimising land transfer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, the PRC government promulgated supportive measures, including, among others, a RMB4 trillion stimulus package in late 2008, to tackle the global financial turmoil and the news released by National Bureau of Statistics of China in July 2009 states that the economy in the PRC showed a recovery trend as the YoY growth of gross domestic products of the country for the second quarter of 2009 amounted to 7.9%, representing an increase of 1.8 percentage points as compared with that of 1Q09. In this regard, while it remains a challenging task for the PRC government to achieve its target economy growth rate of 8% for the year of 2009, we are of the view that the long term prospects of the PRC economy shall remain strong.

Taking into account the above, including the local economic development and property market and the improvement in the macroeconomic environment in the PRC, we concur with the view of management that there is growth potential of the property market in Shenyang in the future.

(iii) *Information on Best Award and High Cheer*

(a) *Best Award and the Hong Kong Property*

As stated in the Letter from the Board, Best Award is principally engaged in investment holding and its sole significant asset is 100% shareholding in Bond Star, which holds and develops the Hong Kong Property.

As stated in the valuation report prepared by an independent valuer set out in Appendix I of the Circular (the “HK Valuation Report”), the Hong Kong Property, which is a development site located in North Point, Hong Kong, has a total registered site area of approximately 706 sq.m. and is planned to be developed into a composite building, known as Mount East, comprising residential units and shop and recreational facilities with approved total GFA of approximately 5,706 sq.m.. Based on the HK Valuation Report, the market value of the Hong Kong Property in existing state as at 31 July 2009 is HK\$295 million.

As at the Latest Practicable Date, the Hong Kong Property is vacant with foundation works completed. Accordingly, Bond Star did not record any revenue for each of the two years ended 31 December 2008 and the seven months ended 31 July 2009 and recorded an audited loss of approximately HK\$0.9 million and HK\$2.7 million for each of the two years ended 31 December 2007 and 31 December 2008, respectively, which was mainly attributable to operating and administrative expenses and finance costs incurred by Bond Star during the relevant period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the unaudited management accounts of Best Award Group as at 31 July 2009, which were prepared in accordance with the accounting principles generally accepted in Hong Kong, Best Award Group had unaudited net liabilities, total assets and total liabilities of approximately HK\$49.1 million, HK\$186.7 million and HK\$235.8 million, respectively. The total assets mainly comprised the Hong Kong Property with carrying value of approximately HK\$186.0 million, which, as stated in the Letter from the Board, represents the cost incurred by the Vendor, and the total liabilities mainly comprised the shareholder's loan (the "Best Award Shareholder's Loan") of approximately HK\$235.8 million owed by Best Award Group to the Vendor, which, under the Agreement, will be assigned to the Company upon Completion.

As advised by the Company, the total estimated construction cost for the Hong Kong Property as at 31 July 2009 is approximately HK\$180.2 million, which will be funded by internal resources of the Group, bank facilities and proceeds from pre-sale of the Hong Kong Property, and the cost incurred up to 31 July 2009 was approximately HK\$27.3 million. The development of the Hong Kong Property is scheduled to be completed by the first half of 2011.

(b) *High Cheer and the Shenyang Property*

As stated in the Letter from the Board, High Cheer Group is principally engaged in development of properties and investment holding.

As stated in the valuation report prepared by an independent valuer set out in Appendix I of the Circular (the "SY Valuation Report"), the Shenyang Property comprises three parcels of land located in Hun Nan Xin District of Shenyang city, the PRC, with a total site area of approximately 171,339 sq.m.. We have reviewed public information regarding Hun Nan Xin District of Shenyang and note that, in 2001, the local municipal government put forward a strategic objective to develop Hun Nan Xin District into a "Pudong" in North China. Hun Nan Xin District, also known as Shenyang National New and High-Tech Industrial Development Zone, is located opposite to the old city town of Shenyang and is one of the state-level high-tech industrial development zones in the PRC. According to the overall planning and development strategy of the local municipal government, Hun Nan Xin District will be developed into a modern technological new district with a high-tech industrial development zone, a high-grade commercial and business centre, a high-quality residential area, a university town and a Hun River tourism zone.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the SY Valuation Report, the Shenyang Property is planned to be developed into a residential, commercial, hotel and office development with a total planned GFA of approximately 578,561 sq.m.. As at the Latest Practicable Date, High Cheer, through its wholly-owned subsidiary, being Polytec Property (Shenyang) High Cheer Company Limited (“Polytec Shenyang”, 保利達地產(瀋陽)高悅有限公司), has obtained the land use rights certificate for two parcels of land under the Shenyang Property and has yet to obtain legal title document for the remaining one (“Land D3”). As advised by management of the Company, Polytec Shenyang has not yet entered into the state-owned land use rights grant contract and therefore has not yet paid up the relevant land premium in respect of the Land D3. The PRC legal advisors of the Company advised that there are no legal impediments for Polytec Shenyang to enter into a state-owned land use rights grant contract and to obtain the state-owned land use rights certificate for the Land D3 if the land premium is settled in full after the land use rights grant contract has been entered into. Based on the SY Valuation Report, the market value of the Shenyang Property in existing state under the assumption that Polytec Shenyang has obtained all relevant legal title documents of the Shenyang Property as at 31 July 2009 is RMB871 million.

As at the Latest Practicable Date, the foundation work of the first phase of the Shenyang Property is in progress, and according to the construction schedule of the Shenyang Property, the first phase of the development is scheduled to be completed at the end of 2010. Accordingly, High Cheer did not record any significant revenue for each of the two years ended 31 December 2008 and the seven months ended 31 July 2009.

According to the unaudited management accounts of High Cheer Group as at 31 July 2009, which were prepared in accordance with the accounting principles generally accepted in Hong Kong, High Cheer Group had unaudited net assets, total assets and total liabilities of HK\$32.3 million, HK\$458.2 million and HK\$425.9 million, respectively. The total assets mainly comprised the Shenyang Property with carrying value of approximately HK\$445.5 million, which, as stated in the Letter from the Board, represents the cost incurred by the Vendor, and the total liabilities mainly comprised the shareholder’s loan (the “High Cheer Shareholder’s Loan”) of approximately HK\$387.3 million owed by High Cheer Group to the Vendor, which, under the Agreement, will be assigned to the Company upon Completion, and accrual for the outstanding land premiums of the Land D3 for approximately RMB30 million (equivalent to approximately HK\$34 million). The High Cheer Group recorded unaudited net loss for each of the two years ended 31 December 2007 and 31 December 2008 of approximately HK\$0.4 million and HK\$5.9 million, respectively, which was mainly attributable to administrative expenses incurred by High Cheer Group during the relevant period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Major terms of the Agreement

(i) *Consideration*

The Agreement stipulates that the aggregate consideration (the “Aggregate Consideration”) for the Acquisition is HK\$856,506,000, being the aggregate of:

- (a) HK\$235,765,345 for Best Award, of which HK\$235,765,337 as the price for assignment of the Best Award Shareholder’s Loan, and the balance of HK\$8 as the price for the transfer of shares of Best Award (the “Best Award Share Consideration”); and
- (b) HK\$620,740,655 for High Cheer, of which HK\$387,302,560 as the price for assignment of the High Cheer Shareholder’s Loan, and the balance of HK\$233,438,095 as the price for the transfer of shares of High Cheer (the “High Cheer Share Consideration”).

As stated in the Letter from the Board, the Aggregate Consideration was determined after arm’s length negotiation between the parties with reference to the following factors:

- (a) the potential of the development projects; and
- (b) the respective appraised market value of the Hong Kong Property and the Shenyang Property as at 31 July 2009.

We note that the respective price for assignment of the Best Award Shareholder’s Loan and the High Cheer Shareholder’s Loan is equal to the face value of relevant shareholder’s loan in the books of Best Award and High Cheer.

Based on the net liabilities value of Best Award Group of approximately HK\$49.1million as at 31 July 2009 and taking into account the net-of-tax appreciation of the Hong Kong Property of approximately HK\$91.0 million as at 31 July 2009 (being the market value of the Hong Kong Property of HK\$295 million as stated in the HK Valuation Report less the carrying value of the Hong Kong Property of approximately HK\$186.0 million and the estimated related taxation), the adjusted net assets value of Best Award Group would be approximately HK\$41.9 million. Accordingly, the Best Award Share Consideration represents a significant discount to the adjusted net assets value of Best Award Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the net assets value of High Cheer Group of approximately HK\$32.3 million as at 31 July 2009 and taking into account the net-of-tax appreciation of the Shenyang Property of approximately HK\$290.9 million as at 31 July 2009 (being the market value of the Property of RMB871 million (equivalent to approximately HK\$988.0 million) as stated in the SY Valuation Report less the carrying value of the Shenyang Property of approximately RMB392.7 million (equivalent to approximately HK\$445.5 million) and the related PRC land appreciation tax and corporate income tax), the adjusted net assets value of High Cheer Group would be approximately HK\$323.2 million. Accordingly, the High Cheer Share Consideration represents an approximately 27.8% discount to the adjusted net assets value of High Cheer Group.

Having considered the above, we are of the view that the Aggregate Consideration is fair and reasonable.

(ii) *Terms of payment*

The Agreement stipulates that the Aggregate Consideration shall be paid by the Company on the date of Completion in the following manner:

- (a) HK\$90,000,000 be paid in cash; and
- (b) the balance, being HK\$766,506,000, be paid by the issue of a promissory note in the same amount, which shall not bear any interest or charges and shall be payable in full on, or at the option of the Company before, the first anniversary of the date of Completion.

As stated in the Letter from the Board, the Aggregate Consideration will be satisfied by the internal resources of the Group.

(iii) *Pre-Completion obligations*

The Agreement stipulates the Vendor's general obligations pending Completion, including, among others, (i) the Vendor shall procure that Best Award Group and High Cheer Group (collectively, the "Target Group") will carry on business only in the ordinary and usual course; (ii) the Company will be allowed access to the books and records of the Target Group; (iii) the Target Group shall take all reasonable steps to preserve and protect its assets and to preserve the validity of its title to the Hong Kong Property and the Shenyang Property.

The Agreement also stipulates that the Vendor shall collaborate fully with the Company in relation to all material matters concerning the running of the Target Group during the period from the date of the Agreement to the date of Completion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iv) Completion

Completion shall take place within ten days (or such other dates as otherwise agreed by the parties) following the satisfaction or waiver of the conditions referred to in the Letter from the Board.

If those conditions are not satisfied or waived by 31 December 2009, or such other time as the parties may agree, the non-defaulting party may terminate the Agreement and no party shall have any claim against the other party, save for any claim arising from antecedent breach.

Our view

Having considered the above, we are of the view that the terms of the Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

4. Possible financial effects of the Acquisition

(i) Earnings

As stated in the Letter from the Board, upon Completion, both Best Award Group and High Cheer Group will be accounted for as subsidiaries of the Company and hence their respective results will be consolidated into the results of the Group.

(ii) Net assets value

For illustrative purpose, under the assumption that the aggregate of the aforementioned adjusted net assets value of Best Award and High Cheer represents the fair value of the Target Group, the net assets value of the Group is expected to be increased by approximately HK\$131.6 million, subject to audit, as a result of the Acquisition, which is principally attributable to a negative goodwill arising from business combination. On the other hand, for illustrative purpose, with the assumption that the Aggregate Consideration represents the fair value of the Target Group, the Acquisition would not result in any goodwill, subject to audit, on consolidation.

As compared with the net assets value of the Group as at 31 December 2008, being approximately HK\$19,104 million, we concur with the view of management of the Company that there will be no material impact on the net assets value of the Group immediately upon Completion.

However, Shareholders should note that the exact goodwill and net assets value shall only be ascertained with determination of the fair value of net assets of the Target Group on the date of Completion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) Working capital

As stated in the Letter from the Board, the Aggregate Consideration will be funded by the internal resources of the Group.

Based on our review of a summary of cashflow forecast for the 12-month period from August 2009 to July 2010 provided by the Company, we concur with the view of management of the Company that the Company has sufficient internal resources to fulfil its payment obligation under the Agreement and the Acquisition has no material impact on the Group's working capital position immediately upon Completion.

(iv) Gearing ratio

Given that the Company will pay up the Aggregate Consideration by its internal resources, we concur with the view of management of the Company that there will be no material impact on the Group's gearing ratio (being calculated on the basis of net bank borrowings and amounts payable to ultimate holding company over equity attributable to the Shareholders) immediately upon Completion.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the terms of the Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the entering into of the Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

CIMB Securities (HK) Limited

Alex Lau

Heidi Cheng

Director

Director

Head of Corporate Finance

The following is the text of the letter and valuation certificate received from DTZ Debenham Tie Leung Limited, an independent property valuer, prepared for the purpose of incorporation in this circular in connection with their valuation of the Hong Kong Property as at 31 July 2009.



16/F, Jardine House
1 Connaught Place
Central
Hong Kong

3 September 2009

The Directors
Kowloon Development Company Limited
23/F, Pioneer Centre
750 Nathan Road
Kowloon

Dear Sirs

INSTRUCTIONS, PURPOSE & DATE OF VALUATION

In accordance with your instructions for us to value the property interest in which is to be acquired by Kowloon Development Company Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) in Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 31 July 2009 (“the date of valuation”).

BASIS OF VALUATION

Our valuation of the property interest represents its market value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

VALUATION ASSUMPTIONS

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In valuing the property interest, we have assumed that the grantee of the property interest has free and uninterrupted right to use or to assign the property interest for the whole of the unexpired terms as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

METHOD OF VALUATION

In the course of our valuation, we have valued the property interest on the basis that it will be developed and completed in accordance with latest development proposal provided to us by the Group. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposal have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our valuation, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the cost that will be expended to complete the development to reflect the quality of the completed development.

In valuing the property interest, we have complied with the requirements set out in Chapter 5 of the Listing Rules of the Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) of the Hong Kong Institute of Surveyors.

SOURCE OF INFORMATION

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us on such matters as statutory notices, easements, tenure, completion date of building, particulars of occupancy, identification of property, site and floor areas, site and floor plans, development schemes, construction costs expended, estimated outstanding construction costs and all other relevant matters.

TITLE INVESTIGATION

We have not been provided with copies of the title documents relating to the property. However, we have caused searches to be made at the Land Registry for the property but we have not searched the original documents to verify ownership or any amendments which may not appear on the copies of documents handed to us. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate.

SITE INSPECTION

We have inspected the exterior of the property. No structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the property is free of rot, infestation or any other structural defects. No tests were carried out on any of the services. Moreover, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. for future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the property and we have assumed that the areas advised by the Group or shown on the documents handed to us are correct.

Our valuation certificate is hereby enclosed for your attention.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
K. B. Wong
Registered Professional Surveyor
M.R.I.C.S., M.H.K.I.S.
Director

Note: Mr K.B. Wong is a Registered Professional Surveyor who has over 25 years' experience in the valuation of properties in Hong Kong.

VALUATION CERTIFICATE

Property interest to be acquired by the Group for development

			Capital value in existing state as at 31 July 2009
Property	Description and tenure	Particulars of occupancy	
24-32 Ming Yuen Western Street, North Point, Hong Kong	The property comprises a development site with a total registered site area of approximately 7,604.34 sq.ft. (706.46 sq.m.).	The property is vacant with foundation works completed.	HK\$295,000,000
Situated within Section A of Sub-section 1, Section A and the Remaining Portion of Sub-section 5, Section A and the Remaining Portion of Sub-section 8 and Sub-section 9 all of Section B of Inland Lot No. 897	<p>A proposed 32 storeys composite building is being developed on site. The proposed building will accommodate a shop on the ground floor, recreational facilities on the 5th floor, a sky garden on the 6th floor, a total of 74 residential units from 8th to 36th floors.</p> <p>The development is expected to be completed in the first half of 2011.</p> <p>The property is held from the Government for a term of 999 years commencing from 8 October 1883. The current Government Rent payable for the property is HK\$28.75 per annum.</p>		

Notes:

- (1)

The registered owner of the property is Bond Star Development Limited.
- (2)

According to the information provided by the Group, the total estimated construction cost as at 31 July 2009 is about HK\$180,210,000 and the cost expended up to 31 July 2009 is about HK\$27,340,000. We have taken into account such amounts in our valuation.
- (3)

The capital value of the property interest as if completed on 31 July 2009 is HK\$532,000,000.
- (4)

The property is currently zoned under the North Point Outline Zoning Plan No. S/H8/22 dated 22 May 2009 for “Residential (Group A)” purpose.
- (5)

The use and development of the property are principally governed by the Government Lease of Inland Lot No. 897. The whole of the document should be noted, but the following conditions are of particular relevance:–

“..... Executors, Administrators or Assigns, or any other person or persons, shall not nor will, during the continuance of this demise, use, exercise or follow, in or upon the said premises, or any part thereof, the trade or business of a Brazier, Slaughterman, Soap-maker, Sugar-baker, Fellmonger, Melter of tallow, Oilman, Butcher, Distiller, Victualler, or Tavern-keeper, Blacksmith, Nightman, Scavenger, or any other noisy, noisome or offensive trade or business whatever, without the pervious licence of His said Majesty, His Heirs, Successors or Assigns, signified in writing by the governor of the said Colony of Hongkong or other person duly authorized in that behalf;”
- (6)

According to the approved building plans dated 24 July 2009 and the information provided by the Group, the proposed property development will comprise a composite building and details are as follows:–

	Gross Floor Area	
	sq.m.	sq.ft.
Domestic	5,577.057	60,031
Retail	128.602	1,384
Total:	5,705.659	61,415

The following is the text of the letter and valuation certificate received from Vigers Appraisal & Consulting Limited, an independent property valuer, prepared for the purpose of incorporation in this circular in connection with their valuation of the Shenyang Property as at 31 July 2009.

Vigers Appraisal & Consulting Limited**International Property Consultants**

10th Floor, The Grande Building

398 Kwun Tong Road

Kowloon

Hong Kong



3 September 2009

The Directors

Kowloon Development Company Limited

23rd Floor

Pioneer Centre

No. 750 Nathan Road

Kowloon

Hong Kong

Dear Sirs

In accordance with Kowloon Development Company Limited's (the "Company") instructions for us to value the property interest held by the 保利達地產 (瀋陽) 高悅有限公司 (Polytec Property (Shenyang) High Cheer Limited) ("Polytec Shenyang") in the People's Republic of China (the "PRC") on the basis assuming Polytec Shenyang has obtained all relevant legal title documents of the property, we confirm that we have carried out inspections, 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 such property interest as at the 31 July 2009 ("date of valuation") for the purpose of incorporation in the circular.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the property interest by direct comparison approach assuming sale of the property interest in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Our valuation has been made on the assumption that the owner sells the property interest on the open market in their existing state without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property interest in the PRC. However, we have not inspected the original documents to verify the ownership, encumbrances or existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest in the PRC, we have relied on the legal opinions provided by the Company's PRC legal advisers, Dacheng Law Offices (大成律師事務所).

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matters. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only. All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the property. However, no structural survey has been made. In the course of our inspection, we did not note any serious defects. We are not, therefore, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out investigations on site to determine the suitability of ground conditions and services etc. for any future development, nor have we undertaken any ecological or environmental surveys. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation is prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all monetary amounts stated are in Renminbi. The exchange rate used in valuing the property in the PRC as at 31 July 2009 was HK\$1.00 = RMB0.88158. There has been no significant fluctuation in the exchange rates for RMB against Hong Kong Dollars between that date and the date of this letter.

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor
MRICS MHKIS MSc (e-com)
Managing Director

Note: Mr Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty years' experience in undertaking valuations of properties in Hong Kong and has over thirteen years' experience in valuations of properties in the PRC, Macau and Taiwan.

Notes:

1. Pursuant to an Auction Confirmation Document Shen Nan Xin District Jiao Zi 【2006】 No. 14 (瀋南新區交字【2006】14號) entered into between Shenyang Plan & Land Resources Bureau Hun Nan Xin District Branch (瀋陽市規劃和國土資源局渾南新區分局) and Polytec Shenyang dated 31 October 2006, the bidder of the land use rights of Hun Nan Xin District Central District Lot Nos. D3/D4/D9 of the property having a total site area of approximately 171,339.1 sq.m. was Polytec Shenyang.
2. Pursuant to 2 Shenyang City State-owned Land Use Rights Grant Contracts entered into between Shenyang Plan & Land Resources Bureau Hun Nan Xin District Branch (瀋陽市規劃和國土資源局渾南新區分局) and Polytec Shenyang dated 25 September 2007 and 26 May 2008 respectively, the land use rights of Hun Nan Xin District Central District Lot Nos. D9 and D4 of the property were granted to Polytec Shenyang. Details of the Contracts are as follows:

No.	Land Lot No.	Contract Ref. No.	Useable Site Area (sq.m.)	Use	Term	Contracted Price RMB (Contract Date)
1	Hun Nan Xin District Lot No. D9	Shen Nan Tu Chu He Zi (2007) No. 21 (瀋南土出合字(2007) 21號)	Approx. 18,653.0	Commercial	40 years	22,644,742 (25/9/2007)
2	Hun Nan Xin District Lot No. D4	Shen Nan Tu Chu He Zi (2008) No. 31 (瀋南土出合字(2008) 31號)	Approx. 87,224.6	Composite residential	50 years for residential 40 years for commercial	207,158,425 (26/5/2008)
Total			Approx. 105,877.6			

3. Pursuant to 2 State-owned Land Use Rights Certificates, the land use rights of Hun Nan Xin District Lot Nos. D9 and D4 of the property having a total site area of approximately 105,877.6 sq.m. were granted to Polytec Shenyang. Details of the Certificates are as follows:

No.	Land Lot No.	Document No.	Location	Site Area (sq.m.)	Use	Expiring Date	Issuance Date
1	D9-1	Shen Nan Guo Yong (2008) Di No. 057 (瀋南國用(2008) 第057號)	No. 6 Hun Nan Er Road, Hun Nan Xin District	Approx. 18,653.0	Commercial	24/9/2047	14/10/2008
2	D4	Shen Nan Guo Yong (2009) Di No. 003 (瀋南國用(2009) 第003號)	No. 6 Hun Nan Er Road, Hun Nan Xin District	Approx. 87,224.6	Composite residential	25/5/2058 for residential 25/5/2048 for commercial	6/2/2009
Total				Approx. 105,877.6			

4. As advised by the Company, the status of the property is as follows:

Land Lot No.	Auction Confirmation Document	State-owned Land Use Rights Grant Contract	State-owned Land Use Rights Certificate
D9	Yes	Yes	Yes
D4	Yes	Yes	Yes
D3	Yes	No	No

5. According to a Construction Land Use Planning Permit dated 17 October 2007 issued by Shenyang Plan & Land Resources Bureau Hun Nan Xin District Branch (瀋陽市規劃和國土資源局渾南新區分局) in favor of Polytec Shenyang, the total permitted site area for construction of commercial portion of the development is approximately 78,592.9 sq. m..
6. According to a Construction Land Use Planning Permit dated 17 October 2007 issued by Shenyang Plan & Land Resources Bureau Hun Nan Xin District Branch (瀋陽市規劃和國土資源局渾南新區分局) in favor of Polytec Shenyang, the total permitted site area for construction of residential portion of the development is approximately 88,099 sq. m..
7. According to a Construction Work Planning Permit dated 10 November 2008 issued by Shenyang Plan & Land Resources Bureau (瀋陽市規劃和國土資源局) in favor of Polytec Shenyang, part of the development comprises 3 blocks of commercial buildings and 9 blocks of residential buildings with a total gross floor area of approximately 190,956 sq.m. (among which 56,300 sq.m. is basement gross floor area) is permitted to be developed.
8. According to 3 Construction Commencement Permits issued by Shenyang National New and High-tech Industrial Development Zone (瀋陽高新技術產業開發區) all dated 18 May 2009 in favor of Polytec Shenyang, 3 blocks of commercial buildings and 9 blocks of residential buildings of the development is permitted to commence the construction work with a construction scale of approximately 190,956 sq. m..
9. According to the information given, the construction costs incurred at the date of valuation was approximately RMB68,200,000 (equivalent to approximately HK\$77,361,000). In the course of our valuation, we have taken into account of the said construction costs.
10. As per information provided by the Company, the whole development comprises four phases and lasts for about 7 years and the development plan for Phase II to Phase IV is of a preliminary stage which is subject to changes and finalization. The development details of the property provided by the Company are summarized as follows:

Existing stage of development: The construction works of Phase I was in progress as at the date of valuation.

Estimated completion date: The whole development will be completed in or about 2016.

Estimated cost of carrying out/completing the development: It is inapplicable under existing status of the property.

Estimated capital value after completion: It is inapplicable under existing status of the property.

11. We have been provided with a legal opinion on the property prepared by the Company’s PRC legal advisors, which contains, inter alia, the following information:

Lot Nos. D9 and D4

- i. Polytec Shenyang has obtained the State-owned Land Use Rights Certificate of the Lot Nos. D9 and D4 of the property and is the sole land use rights holder thereof whose ownership is complete and is recognized and protected under PRC laws;
- ii. The land premium of the Lot Nos. D9 and D4 of the property has been fully settled;
- iii. The Lot Nos. D9 and D4 of the property are free from any mortgages or third party encumbrance restriction; and
- iv. Polytec Shenyang has the right to use and occupy the Lot Nos. D9 and D4 of the property and to transfer, lease, mortgage or dispose of the land use rights of the Lot Nos. D9 and D4 of the property.

Lot No. D3

- i. Polytec Shenyang was the bidder of the land use rights of Hun Nan Xin District Central District Lot Nos. D3/D4/D9 of the property having a total site area of approximately 171,339.1 sq.m. in a Land Auction held by Shenyang Plan & Land Resources Bureau Hun Nan Xin District Branch (瀋陽市規劃和國土資源局渾南新區分局) on 31 October 2006; and
- ii. There are no legal impediments for Polytec Shenyang to make a State-owned Land Grant Contract and obtain the State-owned Land Use Rights Certificate of the Lot No. D3 if Polytec Shenyang fully settles land premiums.

12. In the course of our valuation, we have made the following assumptions:–

- i. The State-owned Land Use Rights Grant Contract and the State-owned Land Use Rights Certificate of the Lot No. D3 of the property have been made and obtained respectively;
- ii. The Lot No. D3 of the property has been granted the land use rights for a term of 50 years for residential uses or/and for a term of 40 years for commercial uses;
- iii. The Lot No. D3 of the property is free from any mortgage or third party encumbrance restriction;
- iv. The owner of the Lot No. D3 of the property has the right to use and occupy the property and to transfer, lease, mortgage or dispose of the land use rights of the property; and
- v. All land premiums of the Lot No. D3 of the property have been paid and settled in full.

13. A summary of major certificates/approvals is shown as follows:

i.	Business Licence of Polytec Shenyang	Yes
ii.	Auction Confirmation Document of Lot Nos. D9/D4/D3	Yes
iii.	State-owned Land Use Rights Grant Contract of Lot Nos. D9 and D4	Yes
iv.	State-owned Land Use Rights Grant Contract of Lot No. D3	No
v.	State-owned Land Use Rights Certificate of Lot Nos. D9 and D4	Yes
vi.	State-owned Land Use Rights Certificate of Lot No. D3	No
vii.	Construction Land Planning Permit	Yes
viii.	Construction Work Planning Permit	Yes
ix.	Construction Work Commencement Permit	Yes

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); (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 interests	Number of Shares		Approximate percentage of total issued Shares (Note 1)
		Long position	Short position	
Or Wai Sheun	Founder and beneficiary of a trust (Note 2)	802,830,124	Nil	69.77%
	Corporate (Note 3)	277,500	Nil	0.02%
Ng Chi Man	Beneficiary of a trust (Note 2)	802,830,124	Nil	69.77%
Or Pui Kwan	Beneficiary of a trust (Note 2)	802,830,124	Nil	69.77%
	Personal	43,500	Nil	0.00%
Lok Kung Chin, Hardy	Founder and beneficiary of a trust (Note 4)	1,425,000	Nil	0.12%
Lai Ka Fai	Personal	701,000	Nil	0.06%

Name of Director	Nature of interests	Number of Shares		Approximate percentage of total issued Shares (Note 1)
		Long position	Short position	
Keith Alan Holman	Personal	567,000	Nil	0.05%
Tam Hee Chung	Personal	300,000	Nil	0.03%
David John Shaw	Personal	133,500	Nil	0.01%
	Family (Note 5)	67,000	Nil	0.01%
Yeung Kwok Kwong	Personal	165,000	Nil	0.01%

- Notes:
1.

The percentage of shareholding is calculated based on 1,150,681,275 Shares, being the total number of issued Shares as at the Latest Practicable Date.
2.

Such interest in Shares is owned by Intellinsight Holdings Limited (“Intellinsight”), a wholly-owned subsidiary of Polytec Holdings International Limited (“Polytec Holdings”) which is ultimately wholly-owned by a discretionary trust, the trustee of which is Or Family Trust Limited Inc. The said trust is in turn wholly-owned by another discretionary trust, the trustee of which is HSBC International Trustee Limited.

As Mr Or Wai Sheun is the founder of the trust and the discretionary objects of the trust include Mr Or Wai Sheun, Ms Ng Chi Man (his wife) and Mr Or Pui Kwan (his son), they are taken to be interested in the same block of shares held by the trust.

Mr Or Wai Sheun and Ms Ng Chi Man are directors of Polytec Holdings and Intellinsight. Mr Lai Ka Fai is a director of Intellinsight.
3.

Such interest in Shares is held by China Dragon Limited which is wholly-owned by Mr Or Wai Sheun.
4.

Such interest in Shares is owned by discretionary trust of which Mr Lok Kung Chin, Hardy is the founder and a beneficiary respectively.
5.

Such interest in Shares is held by the spouse of Mr David John Shaw.

(ii) *Interests in shares, underlying shares and debentures of the associated corporation - Polytec Asset Holdings Limited (“Polytec Asset”)*

Name of Director	Nature of interests	Number of shares		Approximate percentage of total issued shares (Note 1)
		Long position	Short position	
Or Wai Sheun	Founder and beneficiary of a trust (Note 2)	3,260,004,812	Nil	73.44%
Ng Chi Man	Beneficiary of a trust (Note 2)	3,260,004,812	Nil	73.44%
Or Pui Kwan	Beneficiary of a trust (Note 2)	3,260,004,812	Nil	73.44%
Yeung Kwok Kwong	Personal	2,000,000	Nil	0.05%
Tam Hee Chung	Personal	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 of shareholding is calculated based on 4,438,967,838 shares, being the total number of issued ordinary shares of Polytec Asset 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 Asset, 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 ordinary shares in Polytec Asset.

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, 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:

(i) *The Company*

Name	Nature of interests	Number of Shares		Approximate percentage of total issued Shares (Note 1)
		Long position	Short position	
HSBC International Trustee Limited	Trustee	805,176,974 (Note 2)	Nil	69.97%
Or Family Trustee Limited Inc.	Trustee	802,830,124 (Note 2)	Nil	69.77%

Notes:

1. The percentage of shareholding is calculated based on 1,150,681,275 Shares, being the total number of issued Shares as at the Latest Practicable Date.
2. Out of the 805,176,974 Shares held by HSBC International Trustee Limited, 802,830,124 Shares are held in its capacity as trustee of a discretionary trust. Such interest in the Shares relates to the same block of Shares as described in note 2 under subsection on “Interests in Shares, underlying Shares and debentures of the Company”. Mr Or Wai Sheun and Mr Keith Alan Holman are directors of Or Family Trustee Limited Inc.

(ii) Subsidiaries (excluding Polytec Asset and its subsidiaries) of the Company

Name of subsidiary	Name of shareholder	Approximate percentage of issued share capital of the subsidiary
Brilliant Idea Investments Limited	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%

(iii) Polytec Asset and its subsidiaries

Name of subsidiary	Name of shareholder	Approximate percentage of issued share capital of the subsidiary
New Cosmos Holdings Limited	Dak Tai Luen Limited	15.00%
	JHK International Limited	10.00%
	CSC Investment Company Limited	10.00%
Think Bright Limited	U Sio Man	29.50%

Save as disclosed above, as at the Latest Practicable Date, the Directors 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, a company ultimately and wholly owned by a discretionary trust of which Mr Or Wai Sheun (the Chairman of the Company) is the founder and the discretionary objects of the trust include Mr Or Wai Sheun, Ms Ng Chi Man (an executive Director) and Mr Or Pui Kwan (an executive Director), 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, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, the date to which the latest published audited accounts of the Company were made up.

6. QUALIFICATION AND CONSENT OF EXPERTS

The followings are the qualifications of the experts who have been named in this circular or have given opinions, letters or advice contained in this circular:

Name	Qualification
CIMB Securities (HK) Limited	A licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
DTZ Debenham Tie Leung Limited	Registered professional surveyors, valuers and property advisers
Vigers Appraisal & Consulting Limited	Registered professional surveyors, valuers and property advisers

Each of CIMB Securities (HK) Limited, DTZ Debenham Tie Leung Limited, and Vigers Appraisal & Consulting Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of CIMB Securities (HK) Limited, DTZ Debenham Tie Leung Limited and Vigers Appraisal & Consulting Limited 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 2008, 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) Save as the Acquisition disclosed herein, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of by or leased to any member of the Group since 31 December 2008, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.
- (b) As at the Latest Practicable Date, save for the financial support to the Group from Polytec Holdings of which 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 any member of the Group, which was subsisting and was significant in relation to the business of the Group.
- (c) The registered office of the Company is 23rd Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong. The share registrars of the Company is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The secretary of the Company is Ms Look Pui Fan, a fellow member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.
- (e) 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 principal place of business in Hong Kong 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 28 September 2009:

- (a) the letter from the Independent Board Committee to the independent Shareholders, the text of which is set out on page 10 of this circular;
- (b) the letter from CIMB Securities (HK) Limited to the Independent Board Committee and the independent Shareholders, the text of which is set out on pages 11 to 21 of this circular;
- (c) the property valuation report from DTZ Debenham Tie Leung Limited, the text of which is set out in Appendix I to this circular;
- (d) the property valuation report from Vigers Appraisal & Consulting Limited, the text of which is set out in Appendix I to this circular;
- (e) the written consent referred to in the paragraph headed "Qualification and Consent of Experts" in this Appendix; and
- (f) the Agreement.

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 IS HEREBY GIVEN that an extraordinary general meeting of Kowloon Development Company Limited (the “Company”) will be held at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 28 September 2009 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company (with or without amendments):—

ORDINARY RESOLUTION

“**THAT:**—

- (a) the agreement dated 13 August 2009 entered into between the Company and Polytec Holdings International Limited in respect of the acquisition by the Company of the entire issued share capital of each of Best Award Investments Limited and High Cheer Investments Limited together with assignment of related shareholder’s loans (the “Agreement”) be and is hereby approved and confirmed; and
- (b) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in or relating to the Agreement and completion thereof as he/she may consider necessary, desirable or expedient.”

By Order of the Board
Kowloon Development Company Limited
Look Pui Fan
Company Secretary

Hong Kong, 3 September 2009

Notes:

- 1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- 2. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be returned to the share registrars of the Company, Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment meeting.
- 3. The votes of the shareholders to be taken at the meeting will be by a poll in which Polytec Holdings International Limited and its beneficial owners and their associates (as defined in the Listing Rules) including Mr Or Wai Sheun and his family members will abstain from voting.
- 4. The English text of this notice shall prevail over the Chinese text.