
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Kowloon Development Company Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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KOWLOON DEVELOPMENT COMPANY LIMITED
九龍建業有限公司

(Incorporated in Hong Kong with limited liability)

PROPOSAL FOR ADOPTION OF A NEW SHARE OPTION SCHEME
AND
TERMINATION OF THE EXISTING SHARE OPTION SCHEME

A notice convening an extraordinary general meeting of the Company to be held at the Crystal Ballroom, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 21 May 2003 at 11:15 a.m. (or immediately after the conclusion of the annual general meeting of the Company convened at the same place and date at 11:00 a.m.) is set out on pages 18 to 19 of this circular. Whether or not you are able to attend the meeting, please complete and return the relevant form of proxy accompanying this circular in accordance with the instructions printed thereon, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, to the Share Registrars of the Company, Computershare Hong Kong Investor Services Limited at 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and, in any event, not later than 48 hours before the time appointed for the holding of the meeting or at any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

25 April 2003

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Appendix I – Principal terms of New Share Option Scheme	8
Notice of Extraordinary General Meeting	18

DEFINITIONS

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

“Articles of Association”	the articles of association of the Company
“associates”	has the meaning set out in the Listing Rules
“Board”	the board of Directors or a duly authorised committee thereof
“business day”	a day on which the Stock Exchange is open for the business of dealing in securities
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	Kowloon Development Company Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance and whose securities are listed on the Stock Exchange
“Connected Persons”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors (including independent non-executive directors) of the Company
“Eligible Person(s)”	(a) any employee (including full time and part time employee); (b) any director (including executive, non-executive and independent non-executive director); (c) any supplier; (d) any customer; (e) any business partner or business associate; (f) any consultant or adviser providing consultancy or advisory services in relation to the businesses;

DEFINITIONS

(g) any trading agent; or

(h) any holder of any securities (issued by any member of the Group or any Invested Entity)

of any member of the Group or any Invested Entity who, in the discretion of the Board, has contributed or will contribute to the growth and development of the Group or any Invested Entity.

For the avoidance of doubt, the grant of any Options by the Company to any person who falls within any of the above categories of Eligible Persons shall not, by itself, unless the Board otherwise determined, be construed as a grant of Options under the New Share Option Scheme.

“Employee”	any person employed by the Company or any of its subsidiaries (including any person who is an executive director of the Company or any of its subsidiaries)
“Existing Share Option Scheme”	the existing share option scheme of the Company for the Employees (including any executive directors) of the Company and its subsidiaries adopted by the Company at its general meeting on 19 June 2000
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at the Crystal Ballroom, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 21 May 2003 at 11:15 a.m. (or immediately after the conclusion of the annual general meeting of the Company convened at the same place and date at 11:00 a.m.), notice of which is set out on pages 18 and 19 of this circular, or any adjournment thereof
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Invested Entity”	any entity in which the Group holds an equity interest

DEFINITIONS

“Latest Practicable Date”	17 April 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“New Share Option Scheme”	the share option scheme in its present or any amended form proposed to be adopted by the Company at the Extraordinary General Meeting, a summary of the principal terms of which is set out in Appendix I to this circular
“Option”	an option to subscribe for Shares granted pursuant to the New Share Option Scheme
“Share(s)”	Ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holders of Share(s) in issue from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	means a subsidiary (within the meaning of the Companies Ordinance) of the Company from time to time
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



KOWLOON DEVELOPMENT COMPANY LIMITED

九龍建業有限公司

(Incorporated in Hong Kong with limited liability)

Directors:

Or Wai Sheun (*Chairman*)
Keith Alan Holman (*Deputy Chairman*)
Ng Chi Man (*Executive Director*)
Lai Ka Fai (*Executive Director*)
Tam Hee Chung
Yeung Kwok Kwong
*Chau Cham Son
*Seto Gin Chung, John
*Lok Kung Chin, Hardy
*Li Kwok Sing, Aubrey

* *Independent Non-Executive Director*

Registered Office:

23rd Floor
Pioneer Centre
750 Nathan Road
Kowloon
Hong Kong

Company Secretary:

Wai Yuk Hing, Monica

Date: 25 April 2003

To Shareholders

Dear Sir or Madam,

**PROPOSAL FOR ADOPTION OF A NEW SHARE OPTION SCHEME
AND
TERMINATION OF THE EXISTING SHARE OPTION SCHEME**

INTRODUCTION

The purpose of this circular is to provide you with information regarding the proposed adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme, and to give you notice of the Extraordinary General Meeting to be held on 21 May 2003.

LETTER FROM THE BOARD

NEW SHARE OPTION SCHEME AND TERMINATION OF THE EXISTING SHARE OPTION SCHEME

The Directors propose to adopt the New Share Option Scheme which will be put to Shareholders for approval at the Extraordinary General Meeting and at the same time to cancel the Existing Share Option Scheme. The Existing Share Option Scheme was adopted on 19 June 2000 and unless terminated early would expire on 18 June 2010. Any further grant of options under the Existing Share Option Scheme must comply with the requirements under the amended Chapter 17 of the Listing Rules. Although it is still possible to grant new options under the Existing Share Option Scheme provided that such grant of options comply with the requirements under the amended Chapter 17 of the Listing Rules, the Board proposes to adopt the New Share Option Scheme for the purposes of administrative convenience. The Existing Share Option Scheme will terminate upon the adoption of the New Share Option Scheme.

The New Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Listing Rules and the adoption of the New Share Option Scheme is subject to the approval of the Shareholders at the Extraordinary General Meeting.

Application has been made to the Stock Exchange for the grant of listing of and permission to deal in the Shares to be issued pursuant to the exercise of Options which may be granted under the New Share Option Scheme to the extent of 10% of the total number of Shares in issue as at the date of approval of the New Share Option Scheme at the Extraordinary General Meeting.

The Directors believe that the New Share Option Scheme may provide Eligible Persons with the opportunity of participating in the growth of the Company by acquiring Shares and may, in turn, assist in the attraction and retention of Eligible Persons who have made or may make contributions to the success of the Company. The purpose of the New Share Option Scheme is to provide incentives to Eligible Persons. The rules of the New Share Option Scheme do not specify any minimum holding period and/or performance targets as conditions of any Option but provide that the Board is empowered with the authority to determine the terms, conditions, restrictions or limitations of any Option based in each case on relevant factors as the Board considers appropriate. The Board believes that the authority given to the Board under the New Share Option Scheme to specify any minimum holding period (if any) and/or performance targets (if any) as conditions in any Option granted and the requirement for a minimum subscription price as well as the selection criteria prescribed by the rules of the New Share Option Scheme will serve to protect the value of the Company and encourage Eligible Persons to acquire proprietary interests in the Company and serve the purpose of the New Share Option Scheme.

It is proposed that subject to the adoption of the New Share Option Scheme, the Existing Share Option Scheme be terminated with effect from the adoption of the New Share Option Scheme. As at the Latest Practicable Date, the Company has granted options relating to 15,150,000 Shares under the Existing Share Option Scheme which represents approximately

LETTER FROM THE BOARD

3.13% of the issued share capital of the Company and all options granted under the Existing Share Option Scheme have either lapsed or been cancelled. The Board has no intention of granting any further options under the Existing Share Option Scheme during the period from the Latest Practicable Date up to the date of the Extraordinary General Meeting.

As at the Latest Practicable Date, the issued share capital of the Company comprised of 483,767,850 Shares. Assuming that there is no change in the issued capital of the Company between the period from the Latest Practicable Date and the date of passing the Shareholders' resolution to adopt the New Share Option Scheme, the total number of Shares issuable pursuant to the New Share Option Scheme on the date of its adoption will be 48,376,785 Shares, representing 10% of the total number of Shares in issue as at the date of approval of the New Share Option Scheme.

The Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the New Share Option Scheme as if they had been granted at the Latest Practicable Date. The Directors believe that any statement regarding the value of the Options as at Latest Practicable Date will not be meaningful to the Shareholders, taking into account the number of variables which are crucial for the calculation of the value of the Options which have not been determined. Such variables include the exercise price, exercise period, any lock-up period, any performance targets set and other relevant variables.

A summary of the principal terms of the New Share Option Scheme is set out in Appendix I to this circular. This serves as a summary of the terms of the New Share Option Scheme but does not constitute the full terms of the same. The full terms of the New Share Option Scheme may be inspected at the registered office of the Company at 23rd Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong from the date of this circular up to and including the date of the Extraordinary General Meeting and at the Extraordinary General Meeting.

NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the Extraordinary General Meeting to be held at the Crystal Ballroom, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 21 May 2003 is set out on pages 18 and 19 of this circular. At the Extraordinary General Meeting, ordinary resolutions will be proposed (i) to approve the New Share Option Scheme and authorise the Directors to grant Options thereunder and to allot and issue shares pursuant to the New Share Option Scheme; and (ii) to terminate the Existing Share Option Scheme.

A proxy form for use at the Extraordinary General Meeting is enclosed. Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof to the Company's Share Registrars, Computershare Hong

LETTER FROM THE BOARD

Kong Investor Services Limited at 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting. Completion and return of the proxy form will not prevent shareholders from attending and voting at the Extraordinary General Meeting if they so wish.

In accordance with the requirements of the Listing Rules, the Company will publish in the newspapers an announcement on the outcome of the Extraordinary General Meeting in respect of the resolution relating to the adoption of the New Share Option Scheme on the business day following the date of the Extraordinary General Meeting.

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, statements of fact expressed herein are true, accurate and not misleading, statements of opinion expressed herein have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

RECOMMENDATION

The Directors believe that the termination of the Existing Share Option Scheme and adoption of the New Share Option Scheme are in the best interests of the Company and the Shareholders. Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions in relation to the above proposals to be proposed at the Extraordinary General Meeting.

GENERAL

Your attention is also drawn to Appendix I to this circular.

By Order of the Board
Or Wai Sheun
Chairman

NEW SHARE OPTION SCHEME

The following is a summary of the principal terms of the New Share Option Scheme proposed to be approved at the Extraordinary General Meeting:

(a) Purpose

The purpose of the New Share Option Scheme is to attract and retain the best quality personnel for the development of the Company's businesses; to provide incentives to Eligible Persons for their contributions to, and continuing efforts to promote the interests of, the Group; and to promote the long term financial success of the Group by aligning the interest of the grantees with that of the Shareholders.

(b) Who may join

On and subject to the terms of the New Share Option Scheme and the requirements of the Listing Rules, the Board may offer to grant an Option to any Eligible Person as the Board may in its absolute discretion select.

(c) Administration

The New Share Option Scheme shall be subject to the administration of the Board at its absolute discretion and the decision of the Board shall be final and binding on all parties. The Board's administrative powers include (without limitation):

- (i) to select Eligible Persons to whom Options may be granted under the New Share Option Scheme;
- (ii) to determine, subject to the requirements of the Listing Rules and law, the time of the grant of Options;
- (iii) to determine the number of Shares to be covered by each Option granted under the New Share Option Scheme;
- (iv) to approve forms of option agreement;
- (v) to determine, subject to the terms of the New Share Option Scheme and the requirements of the Listing Rules, the terms and conditions of any Option based in each case on such factors as the Board may determine. Such terms and conditions may include:
 - (A) the exercise price;
 - (B) the option period;

- (C) the minimum period, if any, for which an Option must be held before it can be exercised;
- (D) the performance targets, if any, that must be achieved before the Option can be exercised;
- (E) the amount, if any, payable on application or acceptance of the Option and the period within which payments or calls must or may be made or loans for such purposes must be repaid;
- (vi) to construe and interpret the terms of the New Share Option Scheme and Options granted pursuant to the New Share Option Scheme;
- (vii) subject to and without prejudice to paragraph (u), to prescribe or amend any rules and regulations relating to the New Share Option Scheme; and
- (viii) to vary the terms and conditions of any option agreement (provided that such variation is not inconsistent with the terms of the Listing Rules and the New Share Option Scheme).

(d) Grant of Option

On and subject to the terms of the New Share Option Scheme and the requirements of the Listing Rules, the Board shall be entitled at any time within 10 years commencing on the date of adoption of the New Share Option Scheme to make an offer for the grant of an Option to any Eligible Person as the Board may in its absolute discretion select.

(e) Payment on acceptance

An offer shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the date of the offer (or such longer period as the Board may specify in writing). HK\$1.00 is payable by the Eligible Person to the Company on acceptance of the offer of the Option.

(f) Subscription price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option but the subscription price shall not be less than whichever is the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on such date of offer, which must be a business day; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share.

(g) Time for exercise of Options and Performance Targets

The grantee of an Option may subscribe for Shares during such period as may be determined by the Board (which shall not be more than ten years commencing on the date on which the Option is granted and accepted in accordance with the New Share Option Scheme).

There are provisions in the New Share Option Scheme to give authority to the Board at its absolute discretion to require a grantee of an Option to fulfil performance target (if any) or to hold the Option for a minimum period (if any) before exercising the Option.

(h) Rights are personal to grantee

An Option shall be personal to the grantee of an Option and shall not be assignable or transferable.

(i) Rights attaching to Shares allotted

The Shares to be issued and allotted upon the exercise of an Option shall be subject to all the provisions of the Company's Articles of Association and shall rank pari passu in all respects with the existing fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions declared or recommended or resolved to be paid or made with respect to a record date falling on or after the date of allotment.

(j) Rights on ceasing to be Eligible Person

Subject to the provision in the paragraph below headed "Rights on death", the sub-paragraph (p)(iv) under the paragraph below headed "Termination on sale of Subsidiary or Invested Entity" and the sub-paragraph (q)(iv) under the paragraph below headed "Lapse of Option", if a holder of an Option ceases to be an Eligible Person, the holder may only exercise the Option within a period of 3 months thereafter.

(k) Rights on death

If a holder of an Option dies, the personal representatives of the holder may only exercise the Option within a period of 12 months thereafter.

(l) Rights on dismissal

If a grantee of an Option ceases to be an Eligible Person by reason of summary dismissal, the right to exercise the Option shall thereupon terminate immediately.

(m) Rights on a general offer

If a general offer is made to all the Shareholders, the grantee of an Option may by notice in writing to the Company within 28 days after the date on which the offer becomes or is declared unconditional exercise the Option (to its full extent or to the extent specified in such notice), and to the extent that it has not been so exercised. The right to exercise the Option shall upon the expiry of such period terminate immediately.

(n) Rights on a scheme of arrangement

If a general offer by way of a scheme of arrangement is made to all the Shareholders and the scheme has been approved by the necessary number of Shareholders at the requisite meetings, the grantee of an Option (or his personal representatives) may thereafter (but before such time as shall be notified by the Company) by notice in writing to the Company exercise the Option (to its full extent or to the extent specified in such notice).

(o) Rights on winding-up

If a notice is given of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Company, each grantee of an Option shall be entitled to exercise all or any of his Options at any time not later than 2 business days prior to the proposed general meeting of the Company. The right to exercise the Options shall, to the extent that they have not been exercised, terminate immediately on the date of the commencement of the voluntary winding-up of the Company.

(p) Termination on sale of Subsidiary or Invested Entity

If the Board considers that a grantee has ceased to be an Eligible Person due to the sale or separate listing of a Subsidiary or Invested Entity, or if the Company is merged, reorganized or consolidated with another entity (subject to the exception of the situations contemplated in sub-paragraphs (m) and (n)), the Board may at its sole discretion:

- (i) make such arrangements as it considers appropriate for the grant of substitute option(s) or share purchase rights of equivalent fair value to the option in that Subsidiary or Invested Entity or the resulting or surviving entity as a result of the merger reorganisation or consolidation mentioned in this paragraph;
- (ii) provide cash compensation to the grantee equivalent to the fair value of the Option to the extent not exercised;

- (iii) waive any conditions attached to the Option; or
- (iv) permit the continuation of the Option in accordance with its original terms

provided that if the Board does not make any of the arrangements specified in (i) to (iv) above, the Option shall lapse.

(q) Lapse of Option

The right to exercise an option (to the extent not already exercised) shall terminate immediately upon the earliest of:

- (i) the expiry of the option period as described in the above paragraph headed “Time for exercise of Options and Performance Targets”;
- (ii) the expiry of any of the periods referred to in the paragraphs above headed “Rights on ceasing to be Eligible Person”, “Rights on death” and “Rights on a general offer”;
- (iii) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in the paragraph above headed “Rights on a scheme of arrangement”;
- (iv) the date on which the grantee of an Option ceases to be an Eligible Person by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his or her creditors generally or on which he or she has been convicted of any criminal offence involving his or her integrity or honesty;
- (v) subject to the provision in the paragraph headed “Rights on winding-up”, the date of the commencement of the voluntary winding-up of the Company;
- (vi) the date on which the grantee of an Option commits a breach of the provision of the New Share Option Scheme that an Option shall be personal to the grantee and shall not be assignable nor transferable and that no grantee shall sell, transfer, charge, mortgage or encumber or create any interest in favour of a third party over or in relation to any Option;
- (vii) the date on which the grantee ceases to be an Eligible Person unless the Board make any arrangement in accordance with sub-paragraph (p) above.

(r) Cancellation of Option

Options granted but not exercised may be cancelled by the Company with the approval of the holder of such Options. Where the Company cancels Options and offers to issue new ones to the same grantee, the issue of such new Options may only be made under the New Share Option Scheme with available unissued Options (excluding the cancelled Options) within the limits set out in sub-paragraph (s)(v) below.

(s) Maximum number of Shares available under the New Share Option Scheme

(i) Overriding Limit

The limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other schemes of the Company must not, in aggregate, exceed 30% of the Shares in issue from time to time. No Option may be granted under any scheme of the Company if this will result in such limit being exceeded.

(ii) Mandate Limit

In addition to the limit set out in sub-paragraph (s)(i) above and prior to the approval of a refreshed mandate limit as referred to in sub-paragraph (s)(iii) below, the aggregate number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other schemes must not in aggregate exceed 10% of the total number of Shares in issue as at the date of adoption of the New Share Option Scheme, being 48,376,785 Shares (“Mandate Limit”) based on 483,767,850 total issued Shares as at the Latest Practicable Date and assuming there is no change in the issued share capital of the Company prior to the date of adoption of the New Share Option Scheme. Options lapsed in accordance with the terms of the New Share Option Scheme or any other schemes of the Company will not be counted for the purpose of calculating the 10% limit.

(iii) Refreshing of Mandate Limit

The Company may by ordinary resolutions of the Shareholders refresh the Mandate Limit. However, the total number of Shares which may be issued upon exercise of all Options to be granted under all of the schemes of the Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of approval of refreshing of the limit. Options previously granted under the schemes (including those outstanding, cancelled, lapsed in accordance with the schemes of the Company or exercised Options) shall not be counted for the purpose of calculating the limit as refreshed. In such event, the Company must

send a circular to its shareholders containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Grant to specifically identified grantees

Specifically identified grantees may be granted Options beyond the Mandate Limit. The Company must seek separate approval by its Shareholders in general meeting for granting Options beyond the Mandate Limit provided the Options in excess of the limit are granted only to grantees specifically identified by the Company before such approval is sought. The date of board meeting for proposing such further grant should be taken as the date of grant for such Options. In such event, the Company must send a circular to the shareholders containing a generic description of the specified grantees with an explanation as to how the terms of the Options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(v) Limit for each grantee

The total number of Shares issued and to be issued upon exercise of Options granted under the New Share Option Scheme and other schemes of the Company (whether exercised or outstanding) in any 12-month period granted to each grantee must not exceed 1% of the Shares in issue for the time being. Where any further grant of Options to a grantee would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be subject to the issue of a circular to Shareholders and separate approval by the Shareholders in general meeting with the relevant grantee and his associates abstaining from voting. The date of board meeting for proposing such further grant should be taken as the date of grant for such Options.

In such event, the Company must send a circular to the Shareholders setting out the purpose of granting Options to the specified grantees with an explanation as to how the terms of the Options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

The number and terms (including the exercise price) of Options to be granted to such grantee must be fixed before the date on which shareholders' approval is sought and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price.

(t) Effects of reorganisation of capital structure

In the event of a capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company, the Company shall make corresponding alterations (if any) to:

- (I) the number of Shares subject to Options already granted so far as it remains exercisable; and/or

- (II) the subscription price;

provided that

- (i) each grantee is given the same proportion of the equity capital of the Company as that to which he was previously entitled;

- (ii) no alterations shall be made which would result in the subscription price for a Share being less than its nominal value;

- (iii) no such alterations shall be made in respect of an issue of securities by the Company as consideration in a transaction;

- (iv) any such alterations, save as those made on a capitalisation issue, shall be confirmed by the auditors of the Company or the independent financial adviser in writing to the Directors as satisfying the requirements of the foregoing paragraphs (i) and (ii); and

- (v) any such alterations made pursuant to a subdivision or consolidation of share capital shall be made on the basis that the aggregate subscription price payable by a grantee on full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event.

(u) Grant of Option to Connected Persons

Any grant of Options to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a prospective grantee of the Options).

Where Options are proposed to be granted to a substantial shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of Options would result in the Shares issued and to be issued upon exercise of all Options already granted (including Options exercised, cancelled and outstanding) to

such person in the 12-month period up to and including the date of the grant of such Options to represent in aggregate over 0.1% of the total number of issued Shares for the time being and have an aggregate value (based on the closing price of the Shares at the date of each grant of these Options) exceeding HK\$5,000,000, the proposed grant shall be subject to the issue of a circular and the approval of the Shareholders in general meeting (taken on a poll) in accordance with the requirements of the Listing Rules at which all Connected Persons shall abstain from voting (but a Connected Person may vote against the resolution at the general meeting provided that his intention to do so has been stated in the circular).

In calculating the aforesaid limit of 0.1%, Options that have already been lapsed shall not be counted.

(v) Alteration and termination

The New Share Option Scheme may be altered in any respect by resolution of the Board except that certain provisions as to:

- (i) the definitions of grantee and Eligible Person;
- (ii) the provisions relating to the matters set out in Rule 17.03 of the Listing Rules including those relating to the purpose, duration and administration of the New Share Option Scheme, grant of Options (except for the provisions that an offer shall be in writing and contain the terms of the offer and that an offer may be accepted in full or in part), subscription price, exercise of Option, lapse of Option, maximum number of Shares available for subscription, reorganisation of capital structure, alteration of the New Share Option Scheme and cancellation of Options granted and termination of the New Share Option Scheme;

shall not be altered to the advantage of grantees or prospective grantees except with the prior approval of Shareholders in general meeting (with participants and their respective associates abstaining from voting). No such alterations shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alterations except with the consent or sanction in writing of such majority of the grantees as would be required of the Shareholders under the Articles of Association for the time being for a variation of the rights attached to the Shares.

Any alteration to the provisions of the New Share Option Scheme which are of a material nature (except where alterations take effect automatically under the provisions of the New Share Option Scheme) or any change to the terms of Options granted must be approved by the Shareholders in general meeting. Any change to the authority of the Board in relation to any alterations to the terms of the New Share Option Scheme must be approved by Shareholders in general meeting.

APPENDIX I PRINCIPAL TERMS OF NEW SHARE OPTION SCHEME

The Company, by resolution in general meeting or the Board, may terminate the operations of the New Share Option Scheme at any time and Options granted prior to such termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

The amended terms of the New Share Option Scheme must comply with Chapter 17 of the Listing Rules in force from time to time.

NOTICE OF EXTRAORDINARY GENERAL MEETING



KOWLOON DEVELOPMENT COMPANY LIMITED 九龍建業有限公司

(Incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of Kowloon Development Company Limited (the “Company”) will be held at the Crystal Ballroom, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 21 May 2003 at 11:15 a.m. (or immediately after the conclusion of the annual general meeting of the Company convened at the same place and date at 11:00 a.m.) for the purpose of considering, and if thought fit, passing the following resolutions as ordinary resolutions:-

ORDINARY RESOLUTIONS

1. **“THAT**, subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, any shares in the capital of the Company or any part thereof to be issued pursuant to the exercise of any options that may be granted under the new share option scheme of the Company (the “New Share Option Scheme”, the rules of which are contained in the document marked “A” produced to the meeting and for the purposes of identification signed by the Chairman of the meeting), the New Share Option Scheme be and is hereby approved and adopted and that the directors of the Company be and are hereby authorised to implement the same and to grant options and to allot and issue shares of the Company pursuant thereto and to do all such acts as may be necessary or expedient in order to give full effect to the New Share Option Scheme.”
2. **“THAT**, subject to ordinary resolution numbered 1 set out in the notice of extraordinary general meeting of the Company dated 25 April 2003 of which this resolution forms part, being passed and becoming unconditional, the existing share option scheme of the Company which was adopted by the Company on 19 June 2000 be terminated with effect from the date on which such resolution shall become unconditional.”

By Order of the Board
Wai Yuk Hing, Monica
Company Secretary

Hong Kong, 25 April 2003

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. All proxy forms, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's Share Registrars, Computershare Hong Kong Investor Services Limited at 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting, or adjourned meeting or the taking of the poll, as the case may be.
- (2) Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting, or any adjourned meeting, if you so wish.
- (3) A proxy form for use at the meeting is enclosed.