
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 you should take, you should consult your stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold 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 to the agent through whom the sale was effected for transmission to the purchaser.

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KOWLOON DEVELOPMENT COMPANY LIMITED

九龍建業有限公司

(Incorporated in Hong Kong with limited liability)

**PROPOSALS RELATING TO
GENERAL MANDATES TO ISSUE SHARES AND
TO REPURCHASE SHARES AND
NOTICE OF ANNUAL GENERAL MEETING**

25 April 2003

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LETTER FROM THE CHAIRMAN



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*

Registered Office:

23rd Floor, Pioneer Centre
750 Nathan Road
Kowloon
Hong Kong

* *Independent Non-Executive Director*

25 April 2003

To the Shareholders

Dear Sir or Madam,

**PROPOSALS RELATING TO
GENERAL MANDATES TO ISSUE SHARES AND
TO REPURCHASE SHARES
(“Proposals”)**

INTRODUCTION

The purpose of this circular is to provide you with information regarding the Proposals and to seek your approval of the Proposals. Your approval will be sought at the annual general meeting of the Company to be held on Wednesday, 21 May 2003 (“Annual General Meeting”).

LETTER FROM THE CHAIRMAN

GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES

At the annual general meeting of the Company held on 23 May 2002, resolutions were passed giving general mandates to the directors of the Company (“Directors”) to allot, issue and deal with additional shares of HK\$0.10 each in the share capital of the Company (“Shares”) and to exercise the powers of the Company to repurchase its own Shares in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). These general mandates will lapse at the conclusion of the forthcoming Annual General Meeting unless renewed at that meeting.

Consequently, the Directors propose that:

- (a) the Directors be granted a general mandate to allot, issue and deal with additional Shares up to a limit of 20% of the issued share capital of the Company as at the date of passing of the relevant resolution (the “Share Issue Mandate”);
- (b) the Directors be granted a general mandate to repurchase on the Stock Exchange Shares representing up to 10% of the issued share capital of the Company as at the date of passing of the relevant resolution (the “Repurchase Mandate”); and
- (c) if the Repurchase Mandate is granted, the number of Shares which the Directors may issue under the Share Issue Mandate be increased by the number of Shares repurchased under the Repurchase Mandate, subject to a maximum of 10% of the issued share capital of the Company as at the date of passing of the relevant resolution.

Ordinary resolutions referred to in items (5), (6) and (7) of the notice convening the Annual General Meeting as set out on pages 7 to 10 of this circular will therefore be proposed at the Annual General Meeting to approve the Share Issue Mandate and the Repurchase Mandate.

The authority conferred on the Directors by the general mandates in paragraphs (a) and (b) above would continue in force until whichever is the earliest of the conclusion of the next annual general meeting of the Company; the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and the revocation or variation of the authority given under such resolutions by ordinary resolution of the shareholders in general meeting. The Directors believe that the grant of the general mandates is in the interests of the Company.

LETTER FROM THE CHAIRMAN

An explanatory statement as required under the Rules Governing the Listing of Securities on the Stock Exchange giving certain information regarding the Repurchase Mandate is set out in the Appendix.

ACTION TO BE TAKEN

Notice of the Annual General Meeting of the Company to be held in Hong Kong at the Crystal Ballroom, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Kowloon, Hong Kong on Wednesday, 21 May 2003 is set out on pages 7 to 10 of this circular.

A form of proxy for the Annual General Meeting is enclosed for your use. Whether or not you intend to attend the Annual General Meeting, you are requested to complete and return the proxy form in accordance with the instructions printed thereon. **Proxy forms should be returned as soon as possible and in any event so as to be received not later than 48 hours before the time appointed for the holding of the Annual General Meeting.** Lodging a proxy form will not preclude you from attending and voting at the meeting should you desire.

RECOMMENDATION

The Directors believe that the Proposals are in the best interests of the Company and its shareholders and recommend that all shareholders vote in favour of the resolutions relating to the Proposals to be proposed at the Annual General Meeting.

Yours faithfully,
Or Wai Sheun
Chairman

APPENDIX

The following is the Explanatory Statement required to be sent to shareholders under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) in connection with the proposed Repurchase Mandate.

- (i) As at 17 April 2003 (the latest practicable date prior to the printing of this circular), the issued share capital of the Company comprised 483,767,850 Shares. Subject to the passing of the necessary ordinary resolutions and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, exercise in full of the Repurchase Mandate could accordingly result in up to 48,376,785 Shares being repurchased by the Company during the course of the period prior to the next annual general meeting.
- (ii) A repurchase of Shares may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and/or its earnings per share and will only be made when the Directors believe that such purchase will be to the benefit of the Company and its shareholders.
- (iii) The Company may only apply funds legally available for the repurchase of Shares in accordance with its Memorandum and Articles of Association, the Listing Rules and the applicable laws of Hong Kong.
- (iv) There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited financial statements as at 31 December 2002) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.
- (v) There are no Directors or (to the best of the knowledge of the Directors, having made all reasonable enquiries) any associates (within the meaning of the Listing Rules) of Directors who have a present intention to sell Shares to the Company if the Repurchase Mandate is approved by shareholders.
- (vi) The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make purchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Hong Kong.

APPENDIX

(vii) If as a result of a repurchase of Shares a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeover Code"). As a result, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 and 32 of the Takeover Code. As at 17 April 2003 (the latest practicable date prior to the printing of this circular), the Company's single largest shareholder, Intellinsight Holdings Limited, together with parties acting in concert with it held 353,023,083 Shares which represented approximately 72.97% of the issued share capital of the Company. In the event that the Directors exercise in full the power to repurchase Shares pursuant to the Repurchase Mandate, the percentage shareholding of Shares held by Intellinsight Holdings Limited would increase to approximately 81.1% of the total issued Shares of the Company. Such an increase would result in the aggregate amount of issued share capital of the Company in public hands to be reduced to less than 25%, the minimum public float requirement pursuant to Rule 8.08 of the Listing Rules. Save as aforesaid, the Directors are not aware of any other consequences that would arise under the Takeover Code as a result of a repurchase pursuant to the Repurchase Mandate.

The Directors do not intend to exercise the power of the Company to repurchase Shares pursuant to the Repurchase Mandate to the extent that would render the aggregate amount of the issued share capital of the Company in public hands to less than 25%.

- (viii) The Company has not purchased any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular.
- (ix) No connected person (as defined in the Listing Rules) of the Company has notified the Company that he has a present intention to sell Shares to the Company and no such person has undertaken not to sell any such Shares to the Company, if the Repurchase Mandate is approved by shareholders.

APPENDIX

- (x) The highest and lowest prices at which the Shares have traded on the Stock Exchange in each of the previous twelve months were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
April 2002	4.750	3.775
May 2002	4.875	4.075
June 2002	4.100	3.800
July 2002	3.900	3.275
August 2002	3.675	3.300
September 2002	3.850	3.600
October 2002	3.650	3.450
November 2002	3.900	3.575
December 2002	3.750	3.525
January 2003	3.650	3.475
February 2003	3.600	3.550
March 2003	3.600	3.500

NOTICE OF ANNUAL 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 the Annual General Meeting of 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 11:00 a.m. for the following purposes:

- (1) To receive and consider the audited accounts and the reports of the directors and auditors for the year ended 31 December 2002.
- (2) To declare a final dividend.
- (3) To elect directors and to fix their remuneration.
- (4) To appoint auditors and to authorise the directors to fix their remuneration.

As special business, to consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

- (5) **THAT:**
 - (A) subject to paragraph (C), the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be generally and unconditionally approved;
 - (B) the approval in paragraph (A) shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
 - (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (A), otherwise than pursuant to (i) a Rights

NOTICE OF ANNUAL GENERAL MEETING

Issue, (ii) the exercise of options granted under any share option scheme adopted by the Company or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company, shall not exceed the aggregate of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution plus (bb) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the aggregate nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution), and the said approval shall be limited accordingly; and

(D) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, Hong Kong or any territory outside Hong Kong).

NOTICE OF ANNUAL GENERAL MEETING

(6) **THAT:**

- (A) subject to paragraph (B) below, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to purchase shares of the Company be generally and unconditionally approved;
- (B) the aggregate nominal amount of shares which may be purchased on The Stock Exchange of Hong Kong Limited or any other stock exchange on which the securities of the Company may be listed and which is recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (A) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly;
- (C) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
 - (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting.
- (7) **THAT** the directors of the Company be authorised to exercise the powers of the Company referred to in paragraph (A) of the resolution set out in item (5) in the Notice of this Meeting in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (C) of such resolution.

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

Hong Kong, 9 April 2003

NOTICE OF ANNUAL GENERAL MEETING

Notes:

- (a) The Register of Members of the Company will be closed from Tuesday, 13 May 2003 to Wednesday, 21 May 2003, both dates inclusive, during which period no transfer of shares will be registered. To qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 12 May 2003.
- (b) Every member entitled to attend and vote at the above meeting 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.
- (c) To be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited on 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy will not preclude a member from attending and voting in person if such member is subsequently able to be present.
- (d) With reference to items (5), (6) and (7) set out in this Notice, the directors wish to state that they have no immediate plans to repurchase any existing shares or to issue any new shares pursuant to the relevant mandate.