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

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

**If you have sold or transferred** all your shares in **Kowloon Development Company Limited**, you should at once hand this circular 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 80% EQUITY INTEREST IN  
IDEAPLAN INVESTMENTS LIMITED TOGETHER WITH  
ASSIGNMENT OF RELATED SHAREHOLDER'S LOAN**

**Independent Financial Adviser to the  
Independent Board Committee and the Independent Shareholders**



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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 18 of this circular.

A notice convening the extraordinary general meeting of the Company is set out on pages 34 to 35 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 17M 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 in person at the meeting or any adjournment meeting if you so wish.

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## DEFINITIONS

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

“Acquisition”	the acquisition of the Ideaplan Sale Shares by the Company and the assignment of the Sale Loan to the Company pursuant to the terms of the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 13 May 2011 between the Company and Win Talent in relation to the Acquisition
“Board”	the board of directors of the Company
“Company”	Kowloon Development Company Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	Completion of the Acquisition pursuant to the Acquisition 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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Ideaplan”	Ideaplan Investments Limited, a company incorporated in the British Virgin Islands
“Ideaplan Sale Shares”	80 shares of US\$1.00 each in the issued share capital of Ideaplan, representing 80% of the issued share capital of Ideaplan
“Independent Board Committee”	an independent committee of the Board, comprising all the Independent Non-executive Directors, appointed by the Board to advise the Independent Shareholders in relation to the Acquisition

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## DEFINITIONS

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“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
“Independent Shareholders”	shareholders of the Company other than Mr Or and his associates
“Latest Practicable Date”	30 May 2011, 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 of Hong Kong Limited
“Mr Or”	Mr Or Wai Sheun, an Executive Director and the substantial shareholder of the Company
“Polytec Wuxi”	Polytec Property (Wuxi) Limited, a wholly foreign owned enterprise established in the PRC and is a wholly-owned subsidiary of Ideaplan
“PRC”	the People’s Republic of China and for the purpose of this circular, excludes Hong Kong, Taiwan and Macau
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loan”	the amount advanced by Win Talent to Ideaplan, which stands at HK\$823,885,004 as at 31 March 2011 and shall not be of any lesser amount at completion of the Acquisition, and will be transferred to the Company pursuant to the terms of the Acquisition Agreement
“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)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“US\$”	United States dollar, the lawful currency of the United States of America
“Win Talent”	Win Talent Investments Limited, a company incorporated in the British Virgin Islands, indirectly owned by Mr Or and his family
“Wuxi Property”	five composite use sites with a total site area of approximately 51,437 square metres located at Tongyun Road and Gongyun Road, Congan District, Wuxi, Jiangsu Province of the PRC

*Note:* Unless otherwise specified, RMB has been translated into HK\$ at the exchange rate of HK\$1.00 = RMB0.84225 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.

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## LETTER FROM THE BOARD

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# 九龍建業有限公司 KOWLOON DEVELOPMENT COMPANY LIMITED

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 34)**

*Executive Directors*

Or Wai Sheun (*Chairman*)

Ng Chi Man

Lai Ka Fai

Or Pui Kwan

*Registered Office*

23rd Floor, Pioneer Centre

750 Nathan Road

Kowloon

Hong Kong

*Non-executive Directors*

Keith Alan Holman (*Deputy Chairman*)

Tam Hee Chung

Yeung Kwok Kwong

*Independent Non-executive Directors*

Li Kwok Sing, Aubrey

Lok Kung Chin, Hardy

Seto Gin Chung, John

David John Shaw

3 June 2011

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

### **ACQUISITION OF 80% EQUITY INTEREST IN IDEAPLAN INVESTMENTS LIMITED TOGETHER WITH ASSIGNMENT OF RELATED SHAREHOLDER'S LOAN**

#### **INTRODUCTION**

The Board announced on 13 May 2011 that the Company entered into the Acquisition Agreement with Win Talent for the acquisition of the Ideaplan Sale Shares together with assignment of the Sale Loan.

The Independent Board Committee has been formed to make recommendation to the Independent Shareholders in relation to the Acquisition. CIMB Securities (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition.

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## LETTER FROM THE BOARD

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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 Acquisition 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 Acquisition 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 pages 34 to 35 of this circular where you will find a notice of the EGM to be held on 27 June 2011.

### THE ACQUISITION AGREEMENT

**Date:** 13 May 2011

#### **Parties to the Acquisition Agreement:**

- (1) The Company; and
- (2) Win Talent, which is an investment holding company and is indirectly owned by Mr Or (a Director and the substantial shareholder of the Company) and his family. Win Talent is therefore an associate of a connected person of the Company and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

#### **The Acquisition**

Pursuant to the Acquisition Agreement, the Company has agreed to purchase from Win Talent the Ideaplan Sale Shares and the Sale Loan is to be assigned to the Company. The Ideaplan Sale Shares represent 80% of the issued share capital of Ideaplan. After completion of the Acquisition, Ideaplan will become a non-wholly owned subsidiary of the Company.

Ideaplan is a company incorporated in the British Virgin Islands and its share interest is owned as to 80% by Win Talent and as to 15% by Greatpath Group Limited, an independent third party and as to 5% by Max Great Investments Limited, an independent third party. The only asset of significance of Ideaplan is its interest in the entire registered capital of Polytec Wuxi, a wholly foreign owned enterprise established in the PRC. Polytec Wuxi acquired the Wuxi Property in 2006 with a cost of RMB630,000,000, which comprises five composite residential and commercial sites with a total site area of approximately 51,437 square metres and is being developed into a combined residential and commercial development with a gross floor area of approximately 479,647 square metres of which approximately 308,622 square metres are above ground. Phase 1 of the development with a planned total gross floor area of approximately 107,927 square metres of which approximately 82,427 square metres are above ground, is currently under construction.

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## LETTER FROM THE BOARD

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As at 31 March 2011, based on the unaudited management accounts, the consolidated net asset value of Ideaplan was approximately HK\$54,522,000 which represented mainly exchange reserve credit and the carrying value of the Wuxi Property was approximately RMB837,600,000 (equivalent to approximately HK\$994,479,000) which represented the costs incurred on the Wuxi Property. The land and other related costs of the Wuxi Property have been fully settled and no committed payment/contingent consideration is payable for the Wuxi Property. The unaudited consolidated before and after tax losses of Ideaplan for the two years ended 31 December 2009 and 2010 were as follows:

	<b>Year ended 31 December 2009</b>	<b>Year ended 31 December 2010</b>
(Loss) before tax	HK\$(5,140,213)	HK\$(12,755,809)
(Loss) after tax	HK\$(5,140,213)	HK\$(12,755,809)

As at 31 March 2011, the amount of the shareholder's loan owed by Ideaplan to Win Talent was HK\$823,885,004 which was largely made proportionate to Win Talent's 80% equity interest in Ideaplan and the amount will be assigned to the Company upon completion of the Acquisition Agreement.

As at 31 March 2011, based on the unaudited consolidated management accounts, Ideaplan had assets amounting to approximately HK\$249 million other than the Wuxi Property, which comprised mainly deposits, cash and cash equivalents, and liabilities amounting to approximately HK\$165 million other than shareholders' loans, which represented mainly bank loan.

### **Consideration**

The aggregate consideration for the Acquisition is HK\$1,319,651,404, comprising the consideration for the Ideaplan Sale Shares in the sum of HK\$495,766,400 plus the face value of the Sale Loan in the sum of HK\$823,885,004. The consideration for the Ideaplan Sale Shares was determined after arm's length negotiations between the parties based on 80% of the adjusted net asset value of Ideaplan of approximately HK\$619.7 million. The adjusted net assets value was calculated based on the net assets value of Ideaplan of approximately HK\$54.5 million as at 31 March 2011 and taking into account the net-of-tax appreciation of the Wuxi Property of approximately HK\$565.2 million as at 31 March 2011 (being the market value of the Wuxi Property of RMB1,700 million (equivalent to approximately HK\$2,018,403,000) as at 31 March 2011 less the carrying value of the Wuxi Property of approximately HK\$994.5 million and the estimated related land appreciation tax and corporate income tax estimated to approximately HK\$458.7 million arising from the acquisition of the Wuxi Property). The market value of the Wuxi Property of RMB1,700 million is based on a property valuation by an independent valuer using the direct comparison method.

The consideration has been paid/will be payable by the Company in cash in accordance with the following schedule:

- 10% of the consideration, equivalent to HK\$131,965,140, has been paid by the Company upon the signing of the Acquisition Agreement; and

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## LETTER FROM THE BOARD

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- the balance of 90% of the consideration, equivalent to HK\$1,187,686,264, will be payable by the Company at Completion.

The Company intends to satisfy the consideration of the Acquisition by internal resources, bank financing and loans from the ultimate holding company under normal commercial terms.

As at the Latest Practicable Date, loans from and amount payable to the ultimate holding company, Polytec Holdings International Limited (“Polytec Holdings”), aggregated to the amount of approximately HK\$1,648.2 million. An additional loan facility of amount HK\$1,187 million has been granted by the ultimate holding company to the Company for financing the Acquisition. The loan from the ultimate holding company is on normal commercial terms where no security over the assets of the Company is granted, it is exempted from reporting, announcement and Independent Shareholders’ approval under Rule 14A.65(4) of the Listing Rules.

The Directors considered that the Group will have sufficient resources to fulfill its payment obligation under the Acquisition Agreement. The loan from the ultimate holding company will have no fixed repayment term. And, the ultimate holding company has confirmed to the Company that sufficient repayment notice period will be provided to the Company and such demand will occur at such time when the repayment will not adversely affect the Group’s cashflow and working capital position. Having considered the above and the facilities currently available to and arranged by the Group, we consider that the Acquisition and such sources of funding will not have an immediate adverse impact on the Group’s liquidity and working capital position.

### Conditions

The Completion is conditional upon:

- (a) the compliance by the Company of all applicable requirements of the Listing Rules in relation to the transactions contemplated under the Acquisition Agreement, including where necessary, the obtaining of Independent Shareholders’ approval with respect to the transactions under the Acquisition Agreement;
- (b) the Company being satisfied with the results of the due diligence on the Ideaplan Sale Shares and the Sale Loan;
- (c) the other shareholders of Ideaplan, Greatpath Group Limited and Max Great Investments Limited, granting consents to the transfer of the Ideaplan Sale Shares from Win Talent to the Company;
- (d) the receipt of a valuation report on the Wuxi Property held by Polytec Wuxi in terms to the satisfactory of the Company, with the appraised value of not less than RMB1,700,000,000; and
- (e) if applicable, the obtaining of all other consents, approvals and authorisations in relation to the transactions contemplated under the Acquisition Agreement.

As at the date of this circular, conditions (c) and (d) have been satisfied.

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## LETTER FROM THE BOARD

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### REASONS FOR THE ACQUISITION

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

The consideration payable for the Acquisition is based on the net asset value of Ideaplan adjusted by the effect of change in fair value of the Wuxi Property to the market value of RMB1,700,000,000 (equivalent to approximately HK\$2,018,403,000) and the Sale Loan to be assigned. The Wuxi Property is located at the centre of Wuxi in the prosperous Jiangsu Province, which by high speed train, only takes approximately 30 minutes to travel to Shanghai. The Wuxi Property is for composite residential and commercial use and the Company intends to develop the Wuxi Property into a residential, commercial, hotel and office complex. The Acquisition is in line with the business activities of the Company and will enable the Company to expand its portfolio of development projects and improve its revenue base. Phase 1 of the development of the Wuxi Property is currently under construction and this will save substantial time and avoid potential risks and uncertainties associated with the start-up of a property development project and is thus to the advantage of the Company. Having regarded to the above, the Directors (including the Independent Non-executive Directors) are of the view that the terms of the Acquisition Agreement were concluded after arm's length negotiations on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### GENERAL

Win Talent is a wholly-owned subsidiary of Polytec Holdings. Polytec Holdings through its wholly-owned subsidiary (Intellinsight Holdings Limited), holds 72.16% interest of the Company and Polytec Holdings is ultimately wholly-owned by a discretionary trust of which Mr Or (the Chairman of the Company) is the founder and the discretionary objects of the trust include Mr Or, Ms Ng Chi Man (an Executive Director) and Mr Or Pui Kwan (an Executive Director).

Given that Win Talent is indirectly owned as to 100% by Mr Or and his family members (of which Ms Ng Chi Man and Mr Or Pui Kwan are also Directors of the Company), the Acquisition constitutes a connected transaction for the Company. As one of the applicable percentage ratios for the Acquisition is over 5% but less than 25%, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Acquisition also constitutes a discloseable transaction under Chapter 14 of the Listing Rules.

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 Acquisition Agreement. None of the members of the Independent Board Committee has any interest in the Acquisition. CIMB Securities (HK) Limited has been appointed as the 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 Acquisition 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.**

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## LETTER FROM THE BOARD

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### EXTRAORDINARY GENERAL MEETING

The EGM will be held on 27 June 2011 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 17M 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 in person 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 Intellinsight Holdings Limited ("Intellinsight") and the beneficial owners and associates of Polytec Holdings, Intellinsight and Win Talent (as defined in the Listing Rules) including Mr Or, Ms Ng Chi Man and Mr Or Pui Kwan, being Directors of the Company, 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 18 of this circular, respectively.

The Directors, including Independent Non-executive Directors, are of the view that the terms of the Acquisition Agreement represent normal commercial terms and 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*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)

3 June 2011

*To the Independent Shareholders*

Dear Sir or Madam,

#### **DISCLOSEABLE AND CONNECTED TRANSACTION**

#### **ACQUISITION OF 80% EQUITY INTEREST IN IDEAPLAN INVESTMENTS LIMITED TOGETHER WITH ASSIGNMENT OF RELATED SHAREHOLDER'S LOAN**

We refer to the circular of the Company to the Shareholders dated 3 June 2011 (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 Acquisition 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 Acquisition Agreement as set out on pages 11 to 18 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 Acquisition Agreement represent normal commercial terms and 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**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*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**

Units 7706-08, Level 77  
International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

3 June 2011

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

Dear Sir or Madam

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

### **ACQUISITION OF 80% EQUITY INTEREST IN IDEAPLAN INVESTMENTS LIMITED TOGETHER WITH ASSIGNMENT OF RELATED SHAREHOLDER'S LOAN**

#### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to recommend whether the terms of the Acquisition Agreement, details of which are contained in a circular of the Company (the "Circular") to the Shareholders dated 3 June 2011, of which this letter forms part, are fair and reasonable and on normal commercial terms and whether the Acquisition Agreement is in the interest of the Group and Shareholders as a whole. Expressions used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Win Talent is indirectly owned as to 100% by Mr Or and his family members (of which Ms Ng Chi Man and Mr Or Pui Kwan are also Directors of the Company), the Acquisition therefore constitutes a connected transaction for the Company. As one of the applicable percentage ratios for the Acquisition is over 5% but less than 25%, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Acquisition also constitutes a discloseable transaction under the Listing Rules.

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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **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, Win Talent 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 Acquisition Agreement, we have considered the following principal factors and reasons:

#### **1. Background of the Acquisition Agreement**

On 13 May 2011, the Company entered into the Acquisition Agreement with Win Talent pursuant to which the Company agreed to purchase the Ideaplan Sale Shares together with the assignment of the Sale Loan for an aggregate consideration of HK\$1,319,651,404. The Ideaplan Sale Shares represent 80% equity interest in the issued share capital of Ideaplan. Details of the Acquisition Agreement are set out in the letter from the Board (the “Letter from the Board”) in the Circular.

Ideaplan is an investment holding company and its only asset of significance is its interest in the entire registered capital of Polytec Wuxi, which in turn owns the Wuxi Property. Upon the completion of the transfer of the Ideaplan Sale Shares and the Sale Loan to the Company (the “Completion”), Ideaplan will become a non-wholly owned subsidiary of the Company and its results will be consolidated into the Group.

#### **2. Reasons for and benefits of entering into of the Acquisition Agreement**

##### ***(i) Principal business of the Group***

The Group is principally engaged in property investment and development in Hong Kong, Macau and the PRC. We note from the annual report of the Company for the year ended 31 December 2010 (the “Annual Report”) that it is the Group’s intention to focus its efforts on the property development projects and to expand its landbank in Hong Kong, Macau and the PRC.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Wuxi Property is located at the centre of Wuxi in the prosperous Jiangsu Province, which by high speed train, only takes approximately 30 minutes to travel to Shanghai. The Wuxi Property is for composite residential and commercial use and the Company intends to develop the Wuxi Property into a residential, commercial, hotel and office complex. Phase 1 of the development of the Wuxi Property is currently under construction and this will save substantial time and avoid potential risks and uncertainties associated with the start-up of a property development project and is thus to the advantage of the Company.

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 property development projects and improve revenue base.

*(ii) Overview of the economic development and the property market in Wuxi, the PRC*

We have reviewed information sourced from National Bureau of Statistics of China and Wuxi Statistical Bureau in respect of the economic development and the property market in Wuxi, the PRC, where the Wuxi Property is located.

Wuxi is a major city of Jiangsu Province and is one of the fifteen economic centres in China. According to the Wuxi Statistical Bureau, we note that during the period between 2005 and 2010, the city recorded a strong growth in its Gross Domestic Product ("GDP"). The GDP has grown to approximately RMB575.8 billion in 2010 from approximately RMB280.8 billion in 2005, representing a Compound Annual Growth Rate ("CAGR") of approximately 15.4% and with a growth rate of 13.5% per year; and the GDP per capita (based on the resident population) increased from approximately RMB60,000 in 2005 to approximately RMB90,000 in 2010 with a CAGR of 8.4%.

According to the Wuxi Statistical Bureau, the total investment fulfilled in fixed assets (固定資產投資完成額) of the city increased to approximately RMB298.6 billion in 2010, representing a growth rate of 25.1% as compared to that of 2009; and annual disposable income per capita of urban households of the city was approximately RMB27,750 in 2010 with a growth rate of 10.9% over the previous year.

The city continued to attract foreign capital and witnessed a growth in its foreign investments in terms of number and value. According to the Wuxi Statistical Bureau, the number of newly approved foreign investment projects was about 587 in 2010, and contracted foreign capital reached USD4.75 billion in 2010 and fulfilled value (到位註冊外資金額) exceeded USD3 billion for three consecutive years, achieving USD3.3 billion in 2010, which has created a historically high record. The domestic consumer goods market continued to boom. The total retail consumption sales amounted to approximately RMB180.9 billion in 2010, representing a year-over-year growth of 18.6%.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to a research report available in the public domain in relation to the property market in the PRC for the fourth quarter in 2010, due to a variety of government regulations and control policies aiming to cool down the overheating of property market, which began to affect investment activities in the first-tier cities, more domestic developers were drawn to the property market in the second-tier cities. In respect of Wuxi's property market, according to the Wuxi Statistical Bureau, the total fulfilled investment of real estate (房地產開發投資完成金額) of the city amounted to approximately RMB61.3 billion in 2010, representing a growth rate of 32.2% over the last year; the construction floor area of commodity housing was approximately 44.8 million square metres in 2010, increased by 36.4% as compared to the last year; while the completed floor area of commodity housing was approximately 10 million square metres in 2010, representing a year-over-year growth of 39.2%. The annual sales in floor area of commodity housing decreased by 9.1% to approximately 10.1 million square metres in 2010, but the annual sales value of commodity housing represented a 16.6% growth, reaching a total amount of RMB77.6 billion.

According to the National Bureau of Statistics of China, the whole year in 2010, GDP of China reached RMB39.8 trillion, representing an increase of 10.3% year over the previous year; the per capita disposable income of urban households increased from RMB8,472 in 2003 to RMB19,109 in 2010 with a CAGR of 12.3%; and the urban population increased from 523.8 million in 2003 to 621.9 million in 2009, representing a CAGR of 2.0% (the urbanization rate increased from 41% to 47% over the same period of time).

Having considered the above, while measures to cool down the property market from the PRC government is expected to continue to affect the property market in the PRC in 2011, we are of the view that the long term prospects of the PRC property market shall remain positive as the fundamental growth drivers of the PRC property market, including, among others, the overall growth of the China's economy, increases in disposable income and savings and rapid urbanization, remains positive.

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 Wuxi in the future.

**(iii) *Information on Ideaplan***

As stated in the Letter from the Board, Ideaplan is principally an investment holding company and its only asset of significance is its interest in the entire registered capital of Polytec Wuxi, which in turn owns the Wuxi Property. Polytec Wuxi acquired the Wuxi Property in 2006.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the valuation report prepared by an independent valuer (“Valuer”) set out in Appendix I of the Circular (the “Valuation Report”), the Wuxi Property is planned as a composite residential and commercial development to be erected on 5 parcels of nearby land with a total site area of approximately 51,437.1 square metres and is planned to be developed into a property, comprising residential, retail, apartment, hotel and office units with total gross floor area of approximately 479,647 square metres of which approximately 308,622 square metres are above ground. Based on the Valuation Report, the market value of the Wuxi Property in existing state as at 31 March 2011 is RMB1,700 million.

As at the Latest Practical Date, Phase 1 of the development with a planned total gross floor area of approximately 107,927 square metres of which approximately 82,427 square metres are above ground, is currently under construction and is scheduled for completion in 2012. The Company expects the remaining portions of Wuxi Property will be completed in 2016.

According to the unaudited management accounts of Ideaplan as at 31 March 2011, Ideaplan had unaudited net assets, total assets and total liabilities of approximately HK\$54.5 million, HK\$1,243.4 million and HK\$1,188.9 million, respectively. The total assets mainly comprised the Wuxi Property with carrying value of approximately HK\$994.5 million, which represents the cost incurred, and the total liabilities mainly comprised the shareholder’s loan (the “Shareholder’s Loan”) of approximately HK\$823.9 million owed by Ideaplan to Win Talent, which, under the Acquisition Agreement, was mainly used for the payment of the land cost of the Wuxi Property and will be assigned to the Company upon Completion.

Having regard to the above factors, in particular it is the Group’s strategy to focus on the development of property development projects and the growth potential of the property market in Wuxi, we concur with the views of the Directors that the Acquisition in line with the business activities of the Company and would enable the Company to expand its portfolio of property development projects and revenue base, and is in the interest of the Group and its shareholders as whole.

### **3. Major terms of the Acquisition Agreement**

#### **(i) Consideration**

The Acquisition Agreement stipulates that the aggregate consideration (the “Aggregate Consideration”) for the Acquisition is HK\$1,319,651,404, being the aggregate of:

- (a) HK\$495,766,400 for the Ideaplan Sale Shares; and
- (b) HK\$823,885,004 for the face value of the Sale Loan.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the Letter from the Board, the Aggregate Consideration was determined after arm's length negotiation between the parties based on the net asset value of Ideaplan adjusted to reflect the market value of the Wuxi Property of RMB1,700,000,000 (equivalent to approximately HK\$2,018,403,000) as at 31 March 2011, based on a property valuation by an independent property valuer and taking account of the tax effect of the appreciation of the Wuxi Property.

We note that the price for assignment of the Shareholder's Loan is equal to the face value of relevant shareholder's loan in the books of Ideaplan.

Based on the net assets value of Ideaplan of approximately HK\$54.5 million as at 31 March 2011 and taking into account the net-of-tax appreciation of the Wuxi Property of approximately HK\$565.2 million as at 31 March 2011 (being the market value of the Wuxi Property of HK\$2,018.4 million as stated in the Valuation Report less the carrying value of the Wuxi Property of approximately HK\$994.5 million and the estimated related taxation of approximately HK\$458.7 million (which is calculated based on the estimated land appreciation and corporate income tax amount arising from the acquisition of the Wuxi Property by applying the appropriate land appreciation tax rate and corporate tax rate in the PRC), the adjusted net assets value of Ideaplan would be approximately HK\$619.7 million. Accordingly, the consideration of HK\$495.8 million for the Ideaplan Sale Shares represents the same amount to 80% share of the adjusted net assets value of Ideaplan of approximately HK\$619.7 million as at 31 March 2011.

Based on our discussion with the Valuer, we note that in performing the valuation for the Wuxi Property, the Valuer has adopted the market approach by making reference to the comparable transactions in the relevant locality. We have been advised by the Valuer that given the particulars of the Wuxi Property, the above valuation methodologies are commonly used in arriving at the valuation.

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

**(ii) Terms of payment**

The Acquisition Agreement stipulates that the Aggregate Consideration shall be satisfied by the Company in cash in accordance with the following schedule:

- 10% of the consideration, equivalent to HK\$131,965,140, has been paid by the Company upon the signing of the Acquisition Agreement; and
- the balance of 90% of the consideration, equivalent to HK\$1,187,686,264, will be payable by the Company at Completion.

As stated in the Letter from the Board, the Aggregate Consideration will be satisfied by the internal resources, bank financing and loans from the ultimate holding company under normal commercial terms.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(iii) *Pre-Completion Obligations***

The Acquisition Agreement stipulates Win Talent's general obligations pending Completion, including, among others, Win Talent shall procure that the business of Ideaplan will be operated in the ordinary course and that it will not do or omit to do any act or thing which would or may have a material adverse effect on Ideaplan, its subsidiary and the Wuxi Property.

**(iv) *Completion***

Completion shall take place within seven business days following the satisfaction of the conditions referred to the Letter from the Board.

If those conditions are not fulfilled or waived before 30 September 2011, the Acquisition Agreement shall forthwith become null and void and cease to have any effect whatsoever save for any antecedent breach.

***Our view***

Having considered the above, we are of the view that the terms of the Acquisition Agreement represent normal commercial terms and 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, Ideaplan and Polytec Wuxi will be accounted for as subsidiaries of the Company and their respective results will be consolidated into the results of the Group.

**(ii) *Net assets value***

We noted that (i) the Ideaplan Sale Shares represents the same amount to 80% of the adjusted net assets value of Ideaplan and (ii) the price for assignment of the Shareholder's Loan is equal to the face value of relevant shareholder's loan in the books of Ideaplan, the Acquisition would not result in any goodwill, subject to audit, in consolidation.

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 Ideaplan on the date of the Completion.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(iii) Working capital*

As stated in the Letter from the Board, the Aggregate Consideration will be funded by the internal resources, bank financing and loans from the ultimate holding company under normal commercial terms.

The Directors considered that the Group will have sufficient resources to fulfill its payment obligation under the Acquisition Agreement. As advised by the Company, the loan from the ultimate holding company will have no fixed repayment term. And, the ultimate holding company has confirmed to the Company that sufficient repayment notice period will be provided to the Company and such demand will occur at such time when the repayment will not adversely affect the Group's cashflow and working capital position. Having considered the above and the facilities currently available to and arranged by the Group, we consider that the Acquisition and such sources of funding will not have an immediate adverse impact on the Group's liquidity and working capital position.

### RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the Acquisition is in the ordinary and usual course of business of the Group and in the interest of the Group and the Shareholders as a whole, and the terms of the Acquisition Agreement represent normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we advise the Independent Shareholders and 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 Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

**CIMB Securities (HK) Limited**

**Alex Lau**

**Mabel Lam**

*Director*

*Director*

*Head of Corporate Finance*

*The following is the text of the letter and valuation certificate received from DTZ Debenham Tie Leung Limited in connection with its opinion of market value of the property in the PRC as at 31 March 2011 prepared for the purpose of incorporation in this circular.*



16th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

3 June 2011

The Directors  
Kowloon Development Company Limited  
23rd Floor  
Pioneer Centre  
750 Nathan Road  
Kowloon  
Hong Kong

Dear Sirs,

**Re: Five composite use sites, with a total site area of approximately 51,437.10 sq.m., located at Tongyun Road and Gongyun Road, Congan District, Wuxi, Jiangsu Province, the PRC**

## **I. INSTRUCTIONS, PURPOSE & DATE OF VALUATION**

In accordance with your instructions for us to value the property (the “Property”) which is held in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing Kowloon Development Company Limited (the “Company”) with our opinion of market value of the Property as at 31 March 2011 (the “date of valuation”).

## **II. DEFINITION OF MARKET VALUE**

Our valuation of the Property represents its market value which in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by 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 Basis and Assumption**

Our valuation of the Property exclude 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 the course of our valuations of the Property situated in the PRC, we have assumed that transferable land use rights in respect of the Property for its specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by Company and the opinion of the Company's PRC legal adviser, Dacheng Law Offices, regarding the titles to the Property and the interest in the Property. In valuing the Property, we have assumed that the owner has enforceable title to the Property and has free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired term as granted.

No allowance has been made in our valuations 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 outgoing of an onerous nature which could affect its value.

### **III. METHOD OF VALUATION**

In valuing the Property, which is held under development in the PRC, we have valued it on the basis that it will be developed and completed in accordance with the latest development proposal provided to us. In arriving at our opinion of value of the Property, we have adopted the Direct Comparison Method by making reference to comparable sales evidence as available in the relevant market and where appropriate, we have also taken into account the expended construction costs.

We have valued the whole interest in the Property.

In valuing the Property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

### **IV. SOURCE OF INFORMATION**

We have relied to a very considerable extent on the information given by the Company and the opinion of the Company's PRC legal adviser as to the PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of Property, particulars of occupancy, development scheme, construction costs, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

#### V. TITLE INVESTIGATION

We have not searched the original documents to ascertain ownership or to verify any lease amendments which may not appear on the copies handed to us. We are also unable to ascertain the title to the Property in the PRC and we have therefore relied on the advice given by the Company and the PRC legal opinion regarding the interest in the PRC Property.

#### VI. SITE INSPECTION

We have inspected the exterior, and where possible, the interior of the Property. However, we have not carried out any investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no unexpected 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 shown on the copies of documents handed to us are correct.

#### VII. EXCHANGE RATE AND CURRENCY

Unless otherwise stated, all money amounts stated are in Hong Kong Dollars. The exchange rate adopted for the valuation of the property is approximately HK\$1=RMB0.84225. There has been no substantial fluctuation in exchange rate between the date of the valuation and the date of this circular.

We attach herewith a summary of valuations and our valuation certificate.

Yours faithfully,  
For and on behalf of  
**DTZ Debenham Tie Leung Limited**  
**K B Wong**  
*Registered Professional Surveyor*  
*Registered China Real Estate Appraiser*  
*MRICS, MHKIS*  
*Senior Director*

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

*Contributing PRC valuers of DTZ Shanghai with professional qualifications include, but not limited to, China Real Estate Appraiser, China Land Valuer and MRICS.*

## VALUATION CERTIFICATE

## Property held under development in the PRC

Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 March 2011																										
Five composite use sites, with a total site area of approximately 51,437.10 sq.m., located at Tongyun Road and Gongyun Road, Congan District, Wuxi, Jiangsu Province, the PRC	<p>The Property is planned as a composite residential and commercial development to be erected on five parcels of nearby sites with a total site area of approximately 51,437.10 sq.m.</p> <p>According to the information provided by the Company, the Property is planned with a total gross floor area of approximately 479,647 sq.m. with details as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2" style="text-align: center;">Approximate Gross Floor Area sq.m.</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Residential</td> <td style="text-align: right;">155,327</td> </tr> <tr> <td style="text-align: left;">Retail</td> <td style="text-align: right;">68,731</td> </tr> <tr> <td style="text-align: left;">Apartment</td> <td style="text-align: right;">62,649</td> </tr> <tr> <td style="text-align: left;">Hotel</td> <td style="text-align: right;">18,591</td> </tr> <tr> <td style="text-align: left;">Office</td> <td style="text-align: right;">3,324</td> </tr> <tr> <td style="text-align: left;">Above ground</td> <td style="text-align: right; border-top: 1px solid black;">308,622</td> </tr> <tr> <td style="text-align: left;">Basement</td> <td></td> </tr> <tr> <td style="text-align: left;">    car park</td> <td style="text-align: right;">162,391</td> </tr> <tr> <td style="text-align: left;">Refuge</td> <td style="text-align: right;">6,648</td> </tr> <tr> <td style="text-align: left;">Structure</td> <td style="text-align: right; border-top: 1px solid black;">1,986</td> </tr> <tr> <td style="text-align: left;">Non Plot Ratio Gross Floor Area</td> <td style="text-align: right; border-top: 1px solid black;">171,025</td> </tr> <tr> <td style="text-align: left;"><b>Grand total:</b></td> <td style="text-align: right; border-top: 3px double black;"><b>479,647</b></td> </tr> </tbody> </table> <p>The land use rights of the Property have been granted for commercial, office and residential uses. The land use term is due to expire on 21 June 2046 for commercial use, 21 June 2056 for office use and 21 June 2076 for residential use respectively.</p>	Approximate Gross Floor Area sq.m.		Residential	155,327	Retail	68,731	Apartment	62,649	Hotel	18,591	Office	3,324	Above ground	308,622	Basement		car park	162,391	Refuge	6,648	Structure	1,986	Non Plot Ratio Gross Floor Area	171,025	<b>Grand total:</b>	<b>479,647</b>	<p>The Property is scheduled to be developed by 3 phases.</p> <p>Phase 1 of the development with a planned gross floor area of approximately 107,927 sq.m. (of which 82,427 sq.m. are above ground), is currently under construction. Foundation works are carried out and Phase 1 is scheduled for completion in 2012.</p> <p>The remaining portion of the Property is vacant land pending for development and is scheduled for completion in 2016.</p>	<p>RMB1,700,000,000  (equivalent to HK\$2,018,403,000)</p>
Approximate Gross Floor Area sq.m.																													
Residential	155,327																												
Retail	68,731																												
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Structure	1,986																												
Non Plot Ratio Gross Floor Area	171,025																												
<b>Grand total:</b>	<b>479,647</b>																												

## Notes:

- (1) According to 5 Certificates for the Use of State-owned Land, the legal title of the Property with a total site area of approximately 51,437.10 sq.m. are vested in Polytec Property (Wuxi) Limited (保利達地產(無錫)有限公司) for commercial, office and residential uses. The land use term is due to expire on 21 June 2046 for commercial use, 21 June 2056 for office use and 21 June 2076 for residential use respectively.

Certificate No.	Lot No.	Site Area <i>sq.m.</i>	Location
(2009)47	4	4,655.10	Either side of Tongyun Road
(2009)48	2	7,638.90	West side of Gongyun Road
(2009)49	3	5,573.90	Either side of Tongyun Road
(2009)50	1	9,792.00	West side of Tongyun Road
(2009)51	5	23,777.20	West side of Gongyun Road
<b>Total</b>		<b><u>51,437.10</u></b>	

- (2) According to Grant Contract of State-owned Land Use Rights No. (2003) 28 dated 28 February 2003 and its Supplement dated 25 August 2003, Supplement No. 1 dated 26 May 2009 and Supplement No. 2 dated 22 March 2010, Transfer Contract of State-owned Land Use Rights dated 20 February 2006, the land use rights of the Property with a total site area of approximately 51,437.10 sq.m. have been transferred to Polytec Property (Wuxi) Limited (保利達地產(無錫)有限公司) for commercial, office and residential uses. The land use term is granted 40 years for commercial use, 50 years for office use and 70 years for residential use respectively. The plot ratio is  $\leq 6.0$ .

According to Transfer Contract of State-owned Land Use Rights dated 20 February 2006, the land use rights of the Property with a total site area of approximately 51,437.10 sq.m. have been transferred from the former land owner to Polytec Property (Wuxi) Limited (保利達地產(無錫)有限公司) for a land transfer fee of RMB630,000,000.

According to Supplement No. 1 dated 26 May 2009, a supplemental land premium of RMB50,000,000 was payable due to change of land use from commercial and office to commercial, office and residential uses.

- (3) According to Wuxi Development and Reform Committee Approvals, part of the sites are approved with proposed development:

Approval Number (issue date)	Proposed Project Name	Site Area <i>sq.m.</i>	Total Gross Floor Area <i>sq.m.</i>	Above Ground Gross Floor Area <i>sq.m.</i>	Basement Area <i>sq.m.</i>
(2009)348 (22/9/2009)	Polytec Plaza Phase 1 Lot A	9,792.00	45,641	32,641	13,000
(2009)366 (13/10/2009)	Polytec Plaza Phase 1 Lot B	7,638.90	62,286	49,786	12,500
	Sub-total of Phase 1	17,430.90	107,927	82,427	25,500
(2009)479 (3/12/2009)	Polytec Riverside Garden	5,573.90	32,675	26,175	6,500

According to the above approvals, the construction period is 3 years and the development is to comply with the plot ratio and green ratio requirements.

- (4) According to Planning Permit for Construction Works No. F-320201201000019 dated 29 January 2010, the construction of foundation works of Phase 1 of the Property was in compliance with the requirement of urban planning and was permitted to be developed.

According to Planning Permit for Construction Works No. F-320201201000263 dated 23 November 2010, the construction of 2 levels of basement works of Phase 1 of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total underground floor area of approximately 2,425 sq.m.

According to Planning Permit for Construction Works No. F-320201201100029 dated 31 January 2011, the construction of 2 levels of basement works of Phase 1 of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total underground floor area of approximately 20,362 sq.m.

- (5) According to Permit for Commencement of Construction Works No. 3202002010080600001A dated 6 August 2010, the construction of foundation works of Phase 1 of the Property was in compliance with the requirement of works commencement and was permitted to be developed.
- (6) According to the information provided by the Company regarding Phase 1 of the proposed development of the Property, with a planned total gross floor area including basement of approximately 107,927 sq.m., a construction cost of approximately RMB94,800,000 has been expended as at 31 March 2011. In the course of our valuation, we have taken into account the above expended construction cost.
- (7) The Estimated Market Value as if completed of Phase 1 of the proposed development of the Property, with a planned total gross floor area including basement of approximately 107,927 sq.m. as at 31 March 2011 was RMB1,496,000,000.
- (8) According to Business License No. 320200400029668 dated 19 November 2007, Polytec Property (Wuxi) Limited (保利達地產(無錫)有限公司) was established as a limited company with a registered capital of HKD442,500,000 for an operation period from 12 December 2005 to 11 December 2035.
- (9) According to the PRC legal opinion:—
- (i) Polytec Property (Wuxi) Limited (保利達地產(無錫)有限公司) has legally obtained Certificate for the Use of State-owned Land of five sites with a total site area of 51,437.10 sq.m.;
  - (ii) Polytec Property (Wuxi) Limited (保利達地產(無錫)有限公司) is the legal owner and its full ownership is protected by the PRC laws;
  - (iii) Within the land use term, Polytec Property (Wuxi) Limited (保利達地產(無錫)有限公司) has the rights to occupy, use, mortgage, transfer, lease and handle the land use rights;
  - (iv) Polytec Property (Wuxi) Limited (保利達地產(無錫)有限公司) has fully settled the land transfer fee of RMB630,000,000 and the supplemental land premium of RMB50,000,000;
  - (v) Five sites are subject to a mortgage to China CITIC Bank Co., Ltd. Wuxi Branch;
  - (vi) Polytec Property (Wuxi) Limited (保利達地產(無錫)有限公司) has the rights to develop the sites within the period as stipulated; and
  - (vii) Polytec Property (Wuxi) Limited (保利達地產(無錫)有限公司) can legally carry out the construction of Polytec Plaza Phase 1 and Polytec Riverside Garden.

- (10) The status of title and grant of major approvals and licences in accordance with the information provided by Company and the opinion of the PRC legal adviser are as follows:—

Certificate for the Use of State-owned Land	Yes
Grant Contract of State-owned Land Use Rights and Supplement	Yes
Transfer Contract of State-owned Land Use Rights	Yes
Wuxi Development and Reform Committee Approval	Yes (portion)
Planning Permit for Construction Works	Yes (portion)
Permit for Commencement of Construction Works	Yes (portion)
Business License	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)	830,330,124	Nil	72.16%
	Corporate (Note 3)	277,500	Nil	0.02%
Ng Chi Man	Beneficiary of a trust (Note 2)	830,330,124	Nil	72.16%
Or Pui Kwan	Beneficiary of a trust (Note 2)	830,330,124	Nil	72.16%
	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 the 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	832,644,474 (Note 2)	Nil	72.36%
Or Family Trustee Limited Inc.	Trustee	830,330,124 (Notes 2)	Nil	72.16%

*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 832,644,474 Shares held by HSBC International Trustee Limited, 830,330,124 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*

<b>Name of subsidiary</b>	<b>Name of shareholder</b>	<b>Approximate percentage of issued share capital of the subsidiary</b>
Golden Princess Amusement Company Limited	Variety Entertainment Company Limited	15.00%
San Iao Lek Development Company Limited	All Virtue International Limited	30.00%

*(iii) Polytec Asset and its subsidiaries*

<b>Name of subsidiary</b>	<b>Name of shareholder</b>	<b>Approximate percentage of issued share capital of the subsidiary</b>
New Cosmos Holdings Limited	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 2010, 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:

<b>Name</b>	<b>Qualification</b>
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

Each of CIMB Securities (HK) Limited and DTZ Debenham Tie Leung 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, save for a minimal odd lot of less than 500 Shares held by an associate of CIMB Securities (HK) Limited, each of CIMB Securities (HK) Limited and DTZ Debenham Tie Leung 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 2010, 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 for the connected transaction announced by the Company on 11 May 2011 regarding the disposal of a subsidiary and properties to Cosmo Harvest Limited (a company indirectly owned as to 100% by Mr Or Wai Sheun and his family members (of which Ms Ng Chi Man and Mr Or Pui Kwan are also Directors of the Company)) and 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 2010, 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, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The secretary of the Company is Mr Lee Kuen Chiu, an associate 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 27 June 2011:

- (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 18 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 written consents referred to in the paragraph headed "Qualification and Consent of Experts" in this Appendix; and
- (e) the Acquisition Agreement.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Kowloon Development Company Limited (the “**Company**”) will be held at Crystal Ballroom, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 27 June 2011 at 11:30 a.m. (or immediately after the closing of the annual general meeting of the Company) 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 May 2011 entered into between the Company and Win Talent Investments Limited in respect of the acquisition by the Company of 80% equity interest in Ideaplan Investments Limited together with assignment of related shareholder’s loan (the “**Acquisition 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 Acquisition Agreement and completion thereof as he/she may consider necessary, desirable or expedient.”

By Order of the Board  
**Kowloon Development Company Limited**  
**Lee Kuen Chiu**  
*Company Secretary*

Hong Kong, 3 June 2011

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. Any member entitled to attend and vote at the meeting of the Company 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 deposited at the office of the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17M 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 thereof.
3. The votes of the shareholders to be taken at the meeting will be by a poll in which Intellinsight Holdings Limited and the beneficial owners and associates of Polytec Holdings International Limited, Intellinsight Holdings Limited and Win Talent Investments Limited (as defined in the Listing Rules) including Mr Or Wai Sheun, Ms Ng Chi Man and Mr Or Pui Kwan, being Directors of the Company, will abstain from voting.
4. The English text of this notice shall prevail over the Chinese text.