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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, 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, transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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九 龍 建 業 有 限 公 司

KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

CONNECTED TRANSACTION

CO-INVESTMENT IN A PROPERTY PROJECT IN MACAU THROUGH THE ACQUISITION OF SHARES AND OUTSTANDING SHAREHOLDER'S LOAN IN TOP MILESTONE DEVELOPMENTS LIMITED AND PROVISION OF LOANS BY TOP MILESTONE DEVELOPMENTS LIMITED TO POLYTEX CORPORATION LIMITED PURSUANT TO THE CO-INVESTMENT AGREEMENT

**Independent financial adviser to the independent board committee
of Kowloon Development Company Limited**



A notice convening an extraordinary general meeting of Kowloon Development Company Limited to be held at the Crystal Ballroom, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 16 February 2004 at 11:00 a.m. is set out on pages 30 and 31 of this circular. Whether or not you are able to attend and vote at the extraordinary general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, to the office of the Company's registrars, Computershare Hong Kong Investor Services Limited, at 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible, and in any event, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting thereof if you so wish.

30 January 2004

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DEFINITIONS

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

“Acquisition”	the acquisition of the entire issued share capital of Top Milestone and the outstanding shareholder’s loan due by Top Milestone to Polytec Holdings pursuant to the Agreement (including without limitation, the provision of loans by Top Milestone to Polytex under the Co-Investment Agreement after Completion);
“Agreement”	the agreement dated 7 January 2004 between Polytec Holdings and Future Star regarding the Acquisition;
“Board”	the board of Directors;
“Co-Investment Agreement”	the agreement dated 11 November 2003 between Top Milestone and Polytex;
“Company”	Kowloon Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange;
“Completion”	completion of the Acquisition pursuant to the Agreement;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be held at the Crystal Ballroom, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 16 February 2004 at 11:00 a.m. or any adjourned meeting thereof, to consider and, if thought fit, approve, amongst others, the Acquisition, the notice of which is set out on pages 30 and 31 of this circular;
“Future Star”	Future Star International Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company comprising Mr Chau Cham Son, Mr Seto Gin Chung, John, Mr Lok Kung Chin, Hardy and Mr Li Kwok Sing, Aubrey, being all the independent non-executive Directors;
“Independent Financial Adviser”	Access Capital Limited, a deemed licensed corporation under the SFO and is engaged in the regulated activities of dealing in securities, advising on securities, corporate finance and asset management, being the independent financial adviser to the Independent Board Committee;
“Independent Shareholders”	the Shareholders other than Polytec Holdings and its associates;
“Latest Practicable Date”	27 January 2004, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	the Macau Special Administrative Region of the PRC;
“Polytec Holdings”	Polytec Holdings International Limited, a company incorporated in the British Virgin Islands and a controlling shareholder of the Company, which together with its associates, indirectly owned approximately 62.29% of the issued share capital of the Company as at the Latest Practicable Date;
“Polytex”	Polytex Corporation Limited, a company incorporated in Macau and a wholly-owned subsidiary of Polytec Holdings. Polytex is the registered owner of the Property;
“PRC”	the People’s Republic of China and for the purpose of this circular, excludes Hong Kong, Macau and Taiwan;
“Project”	the development of the Property into residential and commercial compounds with car parking facilities;
“Property”	a site at Lote S, Novos Aterros da Areia Preta, Macau with a total gross floor area of approximately 1,600,000 square feet;

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary shares of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Top Milestone”	Top Milestone Developments Limited, a company incorporated in the British Virgin Islands with limited liability;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong; and
“%”	per cent.

LETTER FROM THE BOARD



九 龍 建 業 有 限 公 司

KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Or Wai Sheun, *Chairman*
Keith Alan Holman, *Deputy Chairman*

Executive Directors
Ng Chi Man
Lai Ka Fai

Non-executive Directors
Tam Hee Chung
Yeung Kwok Kwong

Independent Non-executive Directors
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

30 January 2004

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

CO-INVESTMENT IN A PROPERTY PROJECT IN MACAU THROUGH THE ACQUISITION OF SHARES AND OUTSTANDING SHAREHOLDER'S LOAN IN TOP MILESTONE DEVELOPMENTS LIMITED AND PROVISION OF LOANS BY TOP MILESTONE DEVELOPMENTS LIMITED TO POLYTEX CORPORATION LIMITED PURSUANT TO THE CO-INVESTMENT AGREEMENT

INTRODUCTION

Acquisition

Future Star and Polytec Holdings entered into the Agreement on 7 January 2004, pursuant to which Future Star has conditionally agreed to acquire from Polytec Holdings the entire issued share capital together with the shareholder's loan of Top Milestone. The consideration for the Acquisition is HK\$400 million.

LETTER FROM THE BOARD

As Polytec Holdings is a controlling shareholder of the Company, the acquisition of the entire issued share capital of Top Milestone and the outstanding shareholder's loan due by Top Milestone to Polytec Holdings pursuant to the Agreement constitutes a connected transaction for the Company under Rule 14.26 of the Listing Rules and the provision of loans by Top Milestone to Polytec under the Co-Investment Agreement after Completion constitutes a connected transaction for the Company under Rule 14.25(2) of the Listing Rules. The Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders. As at the Latest Practicable Date, upon completion of the placing and subscription of Shares (details of which have been announced by the Company on 13 January 2004) on 19 January 2004, Polytec Holdings and its associates held a total of 353,023,083 Shares representing approximately 62.29% of the issued share capital of the Company.

The Independent Board Committee has been formed to advise the Independent Shareholders in relation to the Acquisition.

An independent financial adviser, Access Capital Limited, has been appointed to advise the Independent Board Committee as to whether or not the terms of the Acquisition are: (i) in the interests of the Company and the Independent Shareholders; and (ii) fair and reasonable so far as the Independent Shareholders are concerned.

The purposes of this circular are:

- (i) to provide you with details of the Acquisition;
- (ii) to set out the opinion of the Independent Financial Adviser in respect of the terms of the Acquisition;
- (iii) to set out the recommendation of the Independent Board Committee in respect of the terms of the Acquisition; and
- (iv) to give you notice of the EGM to consider and, if thought fit, to approve, amongst others, the Acquisition.

Your attention is hereby drawn to pages 30 and 31 of this circular where you will find a notice of the EGM to be held at the Crystal Ballroom, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 16 February 2004 at 11:00 a.m.

THE ACQUISITION

The Agreement

- Parties:
- (1) Future Star as the Purchaser
 - (2) Polytec Holdings as the Vendor

LETTER FROM THE BOARD

Date: 7 January 2004

Under the Agreement, Future Star will conditionally acquire from Polytec Holdings:

- i. the entire issued share capital of Top Milestone; and
- ii. total outstanding interest-free shareholder's loan owed by Top Milestone to Polytec Holdings in the amount of HK\$176 million.

The Agreement was entered into on an arm's length basis between Future Star and Polytec Holdings and on normal commercial terms with reference to the valuation of the Project. The Directors (including the independent non-executive Directors) consider the terms of the Acquisition to be fair and reasonable as far as the Independent Shareholders are concerned.

Consideration and payment terms

The consideration is HK\$400 million comprises:

- (a) the consideration in respect of the entire issued share capital of Top Milestone in the amount of HK\$224 million; and
- (b) the consideration in respect of the interest-free outstanding shareholder's loan owed by Top Milestone to Polytec Holdings of HK\$176 million.

As pursuant to the Co-Investment Agreement, Top Milestone will be remunerated by Polytec in an amount equal to 80% of the after-tax profits from the sales of the units comprised the Project, the consideration of the Acquisition has been determined with reference to the valuation of the underlying Property of the Project of HK\$500 million as valued by DTZ Debenham Tie Leung Limited, an independent valuer not connected with the directors, chief executive and substantial shareholders of the Company, its subsidiaries and their respective associates (as defined in the Listing Rules), as at 31 December 2003 on an open market basis. The consideration of HK\$400 million (comprising a share consideration of HK\$224 million and a loan consideration of HK\$176 million) represents 80% of the valuation of the underlying Property of the Project of HK\$500 million.

The consideration will be satisfied by cash at Completion.

Funding

The consideration will be funded from internal resources of the Company and/or borrowings from bank and/or Polytec Holdings. In the event that a loan is made available by Polytec Holdings to the Company for the purpose of financing the Acquisition, interest will be charged on the loan at normal commercial terms. This connected transaction is exempted by virtue of Rule 14.24(8) of the Listing Rules.

LETTER FROM THE BOARD

Conditions of the Acquisition

Completion of the Agreement is subject to the following conditions being either fulfilled or waived (in part or in whole except for (b) and (c)) by Future Star in writing:

- (a) completion of the due diligence investigation on Top Milestone to the absolute satisfaction of Future Star;
- (b) the passing of the resolution(s) by the Independent Shareholders to approve the entry into and performance of the Agreement and the transactions contemplated thereunder in the manner as required under the Listing Rules;
- (c) all necessary consents and approval in respect of the Agreement and the transactions contemplated therein required by Future Star and/or the Company (as the case may be) being obtained;
- (d) the obtaining of a certificate of good standing and certificate of incumbency issued by the registered agent of Top Milestone in the form and substance satisfactory to Future Star dated no earlier than seven days prior to Completion;
- (e) the obtaining of a legal opinion in the form and substance satisfactory to Future Star; and
- (f) the warranties set out under the Agreement being true, accurate and correct in all respects.

If the conditions specified in the Agreement have not been fulfilled or waived by Future Star on or before 31 March 2004, being the long stop date for the fulfilment of the conditions, or such other date as Future Star and Polytec Holdings may agree, Future Star may, without prejudice to any other right or remedy it may have under the Agreement, elect to rescind the Agreement.

Completion

Completion will take place within three business days following the satisfaction or waiver of the conditions referred to above. The Directors expect that Completion will take place on or before 27 February 2004.

RELATIONSHIP BETWEEN POLYTEC HOLDINGS AND THE COMPANY

Polytec Holdings is a connected person of the Company as it is a controlling shareholder of the Company. Upon completion of the placing and subscription of Shares (details of which have been announced by the Company on 13 January 2004) on 19 January 2004, Polytec

LETTER FROM THE BOARD

Holdings indirectly owned approximately 62.25% of the issued share capital of the Company and together with its associates (as defined in the Listing Rules) indirectly owned approximately 62.29% of the issued share capital of the Company as at the Latest Practicable Date.

The Acquisition constitutes a connected transaction for the Company and requires the Independent Shareholders' approval.

INFORMATION ON TOP MILESTONE

Top Milestone is a company with limited liability incorporated in the British Virgin Islands on 15 October 2003 and is wholly owned by Polytec Holdings. It is principally engaged in property development in Macau. Based on the latest unaudited management account of Top Milestone and the independent valuation of the underlying Property of the Project, the net asset value of Top Milestone amounted to HK\$224 million as at 31 December 2003.

Top Milestone recorded no turnover or revenue since its incorporation and it does not own any assets or capital apart from its rights and interests under the Co-Investment Agreement and its issued share capital of HK\$780.

Top Milestone has entered into the Co-Investment Agreement with Polytex with respect to the development of the Project into 5 residential blocks, a commercial complex with carparking spaces and a recreation podium.

The Property, being the subject of the Project, is situated at Lote S, Novos Aterros da Areia Preta, Macau, a prime area in Macau. It comprises a plot with a site area of approximately 149,792 square feet. The Project involves the development of 5 residential blocks on top of a 3-storey commercial complex with carparking spaces and a recreation podium. The total gross floor area of the Property are expected to be approximately 1,600,000 square feet. The foundation work of the Project has been completed and the superstructure works are in progress. Completion of the Project is expected to be before 30 September 2005.

It is intended that all the units of the Projects will be sold in the market and the profits from the sales of the units comprising the Project will be shared by Top Milestone and Polytex in the ratio of 80% and 20%. The Directors understand that the ratio was determined by the relevant parties after arm's length negotiation with reference to (i) the respective roles of Polytex as the developer in the Project and registered owner of the Property and Top Milestone as the investor to provide funding and financing to Polytex in the development of the Project; (ii) the associated risk of Top Milestone as an unsecured creditor of Polytex under the Co-Investment Agreement; and (iii) their associated potential benefits from the sales of the units comprising the Project.

As at 31 December 2003, the Property was valued at HK\$500 million based on the valuation report prepared by DTZ Denbenham Tie Leung Limited, an independent valuer not connected with the directors, chief executive and substantial shareholders of the Company, its subsidiaries and their respective associates (as defined in the Listing Rules).

LETTER FROM THE BOARD

Pursuant to the Co-Investment Agreement,

- (i) Top Milestone shall be given access to:
 - (a) the accounts of the receipts and expenses resulting from the Project; and
 - (b) the Property to inspect and view the state and progress of the Project;
- (ii) Top Milestone will provide financing to Polytex on an interest-free basis for the repayment of loans made to Polytex by its shareholders that have been applied to the payment of the expenditure and expenses incurred by Polytex in connection with the Project up to the stage of completion of foundation and show-flats provided that the amount of such financing shall not exceed HK\$176 million;
- (iii) Polytex will be responsible to arrange necessary funding or financing to cover payment of the further costs to be incurred from the date of the Co-Investment Agreement up to the date of completion of the Project to the extent that the receipts resulting from the Project do not meet the requirement of the expenditure of the Project as determined by Polytex and Polytex agrees and undertakes that the amount of further costs to be incurred in connection with completion of the Project will be fixed at HK\$350 million and any amount in excess thereof will be solely borne by Polytex;
- (iv) upon completion of the Project but before completion of the sale of all units comprised in the Project, Top Milestone and Polytex will provide financing on an interest-free basis in the ratio of 80% and 20% to cover any shortfall of funding to the extent that the receipts resulting from the Project do not meet the requirement of the expenditure of the Project;
- (v) subject to the full repayment of the loans from Top Milestone and from the shareholders of Polytex that have been applied to the payment of costs incurred in connection with the Project, Top Milestone will be remunerated by Polytex in an amount equal to 80% of the after-tax profits from the sales of the units comprising the Project; and
- (vi) if the receipts from the Project are insufficient to repay the expenditure of the Project, such shortfall shall be borne by Top Milestone and Polytex in the ratio of 80% and 20%.

Top Milestone has advanced HK\$176 million to Polytex on 11 November 2003 pursuant to the Co-Investment Agreement.

LETTER FROM THE BOARD

INFORMATION ON THE COMPANY

The Company and its subsidiaries are principally engaged in property development and investment, construction, property management, financial services and investments in Hong Kong, world-wide film distribution as well as local and overseas securities trading.

REASONS FOR THE ACQUISITION

The Directors expect that due to the two-way permit system implemented by the PRC, the launch of the new casinos and the proposed Hong Kong-Zhuhai-Macau bridge, the growth of the tourist and hospitality industry in Macau will boost the demand for quality residential and commercial properties in Macau. The Directors believe that the Acquisition is in line with the Company's business of property development and offers the Company a good opportunity to participate in the Project as a first step into the Macau market and share the benefits thereby enhancing future earnings of the Company. The Directors believe that the Project will be completed as scheduled.

EXTRAORDINARY GENERAL MEETING

The notice convening the EGM to be held at the Crystal Ballroom, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 16 February 2004 at 11:00 a.m. at which an ordinary resolution will be proposed to approve, amongst others, the Acquisition is set out on pages 30 and 31 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend and vote at the meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, to the office of the Company's share registrars, Computershare Hong Kong Investor Services Limited, at 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting thereof if you so wish.

Polytec Holdings and its associates (as defined in the Listing Rules) will abstain from voting at the EGM in respect of the Acquisition.

FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 12 of this circular which contains its recommendations to the Independent Shareholders on the Acquisition. Your attention is also drawn to the letter of advice received from the Independent Financial Adviser which contains, amongst other matters, its advice to the

LETTER FROM THE BOARD

Independent Board Committee in relation to the Acquisition, as well as the principal factors and reasons considered by it in concluding its advice. The letter from the Independent Financial Adviser is set out on pages 13 to 20 of this circular.

Your attention is also drawn to the property valuation report and other general information required to be disclosed in the Listing Rules set out in Appendices I and II respectively to this circular, and the notice of EGM.

Yours faithfully,
By Order of the Board
Or Wai Sheun
Chairman



九龍建業有限公司

KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

30 January 2004

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

**CO-INVESTMENT IN A PROPERTY PROJECT IN MACAU
THROUGH THE ACQUISITION OF SHARES AND
OUTSTANDING SHAREHOLDER'S LOAN IN
TOP MILESTONE DEVELOPMENTS LIMITED AND
PROVISION OF LOANS BY
TOP MILESTONE DEVELOPMENTS LIMITED TO
POLYTEX CORPORATION LIMITED
PURSUANT TO THE CO-INVESTMENT AGREEMENT**

INTRODUCTION

We refer to the circular issued by Kowloon Development Company Limited dated 30 January 2004 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

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

The terms of the Acquisition are summarised in the “Letter from the Board” set out on pages 4 to 11 of the Circular. In addition, the Independent Board Committee has been advised by the Independent Financial Adviser in considering the terms of the Acquisition. You are strongly urged to read the letter from the Independent Financial Adviser to the Independent Board Committee, which is set out on pages 13 to 20 of the Circular.

RECOMMENDATION

Having considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the terms of the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Acquisition at the EGM.

Yours faithfully,
Independent Board Committee

Chau Cham Son
Independent Non-executive Director

Lok Kung Chin, Hardy
Independent Non-executive Director

Seto Gin Chung, John
Independent Non-executive Director

Li Kwok Sing, Aubrey
Independent Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Access Capital Limited setting out its advice to the Independent Board Committee in relation to the Acquisition.



3rd Floor
No. 8 Queen's Road Central
Hong Kong

30 January 2004

*The Independent Board Committee of
Kowloon Development Company Limited*

Dear Sirs,

Connected transaction in relation to

**(i) co-investment in a property project in Macau
through the acquisition of shares and outstanding shareholder's loan in
Top Milestone Developments Limited
and
(ii) provision of loans by Top Milestone Developments Limited to
Polytex Corporation Limited pursuant to the Co-Investment Agreement**

1. INTRODUCTION

We refer to our appointment to advise the Independent Board Committee with regard to the terms of the Acquisition. Details of the Acquisition and the Co-Investment Agreement are contained in the "Letter from the Board" of the circular to the Shareholders dated 30 January 2004 (the "Circular"), of which this letter forms part. The terms used in this letter shall have the same meaning as those defined in the Circular, unless the context otherwise specifies.

As Polytec Holdings is the controlling shareholder of the Company, the Acquisition constitutes a connected transaction for the Company under Rule 14.26 of the Listing Rules. In addition, the provision of loans to Polytex by Top Milestone under the Co-Investment Agreement after Completion falls within the requirement of the granting of financial assistance by the Company under Rule 14.25(2) of the Listing Rules. Accordingly, the transaction contemplated under the Acquisition (i.e. the underlying agreement of the Acquisition and the subsequent provision of loans to Polytex by Top Milestone under the Co-Investment Agreement after Completion) requires approval of the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

An extraordinary general meeting of the Company will be convened at which an ordinary resolution will be proposed for the approval by the Independent Shareholders of the Acquisition (including the provision of loans by Top Milestone to Polytex pursuant to the Co-Investment Agreement). Polytec Holdings and its associates will abstain from voting at the EGM.

An independent board committee of the Company, comprising Messrs. Chau Cham Son, Seto Gin Chung, John, Lok Kung Chin, Hardy and Li Kwok Sing, Aubrey (all of whom are independent non-executive Directors), has been established to consider the Acquisition (including the provision of loans by Top Milestone to Polytex pursuant to the Co-Investment Agreement) and to advise the Independent Shareholders. We have been appointed by the Independent Board Committee to advise it as to whether the terms of the Acquisition (including the provision of loans by Top Milestone to Polytex pursuant to the Co-Investment Agreement) are fair and reasonable so far as the Independent Shareholders are concerned and to give our opinion in relation to the Acquisition (including the provision of loans by Top Milestone to Polytex pursuant to the Co-Investment Agreement) for its consideration in making their recommendation to the Independent Shareholders.

2. BASIS OF THE OPINION

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

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

3. PRINCIPAL FACTORS AND REASONS CONSIDERED

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

a. Background to and reasons for the Acquisition

The Company and its subsidiaries are principally engaged in property development and investment, construction, property management, financial services and investments in Hong Kong, world-wide film distribution and local and overseas securities trading.

Since the acquisition of the Company by Polytec Holdings by way of a cash offer in January 2002, the Group has continued to focus on its property investment and development business in Hong Kong as well as exploring into new business opportunities.

During the first half of 2003, the sluggish global economic conditions continued to exert pressure on the recovery of the economy of Hong Kong. The outbreak of Severe Acute Respiratory Syndrome in Hong Kong during March 2003 further exacerbated the situation and negatively affected the already depressed Hong Kong property market. With the improvement in economic outlook and general confidence, the Hong Kong property market is now showing some nascent signs of a recovery. The Directors believe that the recent relaxation of restriction for Mainland tourists to visit Hong Kong and the introduction of the Closer Economic Partnership Arrangement have led to an improvement in general confidence in the economy outlook of Hong Kong, and this in turn resulted in some improvement in confidence of the local property market. However, given the majority of the business of the Group are related to property development and investment in Hong Kong, the Directors are actively exploring into new business opportunities with the view to enhance the growth potential of the Group in the near future.

As stated in the section headed “Reasons for the Acquisition” in the “Letter from the Board”, the Directors expect that due to the recently implemented two-way travel permit arrangements for PRC visitors to Macau, the expected commissioning of new casinos in Macau, the construction of the Hong Kong-Zhuhai-Macau Bridge and the introduction of the Closer Economic Partnership Arrangement between Macau and the PRC, will further foster the growth prospect of the tourist and hospitality industry in Macau, which will in turn induce demand for quality residential and commercial properties in Macau.

According to the Directors, Polytec Holdings, the controlling shareholder of the Company, has been involved in property investment and development in Macau since the late 1970s. Over the years, under the leadership of Mr Or Wai Sheun, Chairman of the Company and Polytec Holdings, Polytec Holdings and its subsidiaries have been

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

actively engaged in the residential property development sector of the Macau property market and established a reputation for reliability and quality in the Macau property market.

In order to expand the Company's growth potential which has so far been confining to its property investment and development activities in Hong Kong, the Directors conclude that expanding into property development in Macau is an appropriate business direction, having regard to the growth potential of the property market in Macau and Polytec Holdings' successful track record in the property development sector of Macau. We concur with the view of the Directors that the Acquisition is a strategic move consistent with this growth strategy.

b. Terms of the Agreement

Pursuant to the Agreement, Future Star will conditionally acquire from Polytec Holdings (i) the entire issued share capital of Top Milestone; and (ii) the total outstanding interest-free shareholder's loan owed by Top Milestone to Polytec Holdings for an aggregate consideration of HK\$400 million. The consideration of HK\$400 million comprises (i) the amount of HK\$224 million in respect of the entire issued share capital of Top Milestone; and (ii) the amount of HK\$176 million in respect of the interest-free outstanding shareholder's loan owed by Top Milestone to Polytec Holdings. According to the Agreement, the consideration is to be satisfied by cash at Completion.

As stated in the "Letter from the Board" of the Circular, the Agreement was entered into on an arm's length basis between Future Star and Polytec Holdings and on normal commercial terms. The consideration of the Acquisition has been determined with reference to the valuation of the underlying Property of the Project.

Shareholders should note that prior to the entering into the Agreement, Top Milestone had, on 11 November 2003, entered into the Co-Investment Agreement with Polytex, a wholly-owned subsidiary of Polytec Holdings, with the purpose of jointly developing the Project. Any profits generated from the sale of the units comprising the Project will be shared by Top Milestone and Polytex in the ratio of 80% and 20%. As stated in the "Letter from the Board", the Directors understand that the aforesaid ratio was determined between Top Milestone and Polytex after arm's length negotiation with reference to (i) the respective roles of Polytex as developer in the Project and registered owner of the Property, and Top Milestone as the investor providing the financing to Polytex for the development of the Project; (ii) the associated risk of Top Milestone as an unsecured creditor of Polytex under the Co-Investment Agreement; and (iii) the associated potential benefits from the Project. On the basis of the aforesaid economic benefit split, the consideration of HK\$400 million is equivalent to 80% of the valuation of the underlying Property of the Project.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Also stated in the “Letter from the Board”, based on the latest unaudited management accounts of Top Milestone, the unaudited net asset value of Top Milestone amounted to approximately HK\$224 million as at 31 December 2003 and there was an outstanding shareholder’s loan owed by Top Milestone to Polytec Holdings amounting to HK\$176 million. In other words, the total assets of Top Milestone amounted to approximately HK\$400 million as at 31 December 2003. Following completion of the Acquisition, Top Milestone will owe the Company HK\$176 million under outstanding shareholder’s loan.

Taking into account the fact that the total consideration for the Acquisition is equivalent to (i) the aggregate of the net asset value of the Top Milestone as at 31 December 2003 and the outstanding principal amount of interest free shareholder’s loan owed by Top Milestone to Polytec Holdings as at 31 December 2003; and is equal to (ii) 80% (i.e. the portion of economic benefit which will be shared by Top Milestone pursuant to the Co-Investment Agreement) of the independent professional valuation of the underlying Property of the Project as at 31 December 2003 of HK\$500 million, we are of the view that the consideration (including the bases of determining the consideration) payable for the Acquisition are fair and reasonable.

c. Provision of loans to Polytex by Top Milestone under the Co-Investment Agreement

Pursuant to the Co-Investment Agreement, Top Milestone will provide financing to Polytex on an interest-free basis for the repayment of loans made to Polytex by its shareholders that have been applied to the payment of the expenditure and expenses incurred by Polytex in connection with the Project up to the stage of completion of foundation and showflats, provided that the amount of such loans shall not exceed HK\$176 million. Top Milestone advanced HK\$176 million to Polytex on 11 November 2003.

Under the Co-Investment Agreement, Polytex will be responsible for arranging the necessary funding or financing to cover payment of the further costs to be incurred from the date of the Co-Investment Agreement up to the date of completion of the Project. In addition, Polytex agrees and undertakes that such further costs to be incurred in connection with completion of the Project shall be fixed at HK\$350 million, and any amount in excess thereof will be solely borne by Polytex.

In the event that, upon completion of the Project but before completion of the sale of all units comprised in the Project, the receipts resulting from the Project do not meet the requirement of the expenditure of the Project, Top Milestone and Polytex will provide financing on an interest-free basis in the ratio of 80% and 20% to cover any shortfall of funding.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In summary, according to the Co-Investment Agreement, Polytex will arrange for construction finance to complete the Project and will underwrite any cost overrun over HK\$350 million; and save for any construction cost/expenses in excess of HK\$350 million, such cashflow shortfall (i.e. the amount of difference between the proceeds generated from the sale of the units comprising the Project and HK\$350 million) will be shared between Top Milestone and Polytex in the ratio of 80:20 (i.e. the same as the economic benefit split as mentioned above). On the basis of the abovementioned cost/expenses sharing arrangement, we are of the view that the provision of the interest-free loan by Top Milestone to Polytex is fair and reasonable and is in the interests of the Company so far as the Independent Shareholders are concerned.

d. Financing arrangement for the Acquisition

According to the Agreement, the consideration for the Acquisition of HK\$400 million will be satisfied by cash at Completion. As stated in the “Letter from the Board”, the consideration will be funded from internal resources of the Company and/or borrowings from the bank and/or Polytec Holdings.

On 13 January 2004, the Company announced the placing of a maximum of 83,000,000 Shares and subscription of equivalent number of new Shares at a price of HK\$6.85 per Share, raising maximum amount of net proceed of up to approximately HK\$556.5 million. As stated in that announcement, approximately 50% of the net proceeds from the aforesaid subscription will be applied for the repayment of the Group’s short-term revolving loan and the balance of 50% will be applied as general working capital of the Group.

In the event that the Acquisition is approved by the Independent Shareholders, the Group will be able to deploy the 50% balance earmarked for general working capital (in the amount of approximately HK\$278 million) to finance part of the total consideration of HK\$400 million. The Directors expected to finance the balance of the consideration of HK\$122 million by borrowings, either from banks and/or Polytec Holdings at normal commercial terms comparable to the short-term revolving loans intended to be repaid by the subscription proceed of the placing.

e. Other factors to consider

(i) Uncertainties in the prospects of the property market in Macau

The foundation work for the Project has been completed and the superstructure works are in progress. Completion of the Project is expected to be before 30 September 2005 and the Directors do not foresee that there will be any delay in the completion of the Project.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Although the Directors are optimistic of the prospect of the Macau property market in view of the various positive developments as mentioned earlier in this letter, there is no certainty that there will be no occurrence of material adverse change to the property market in the region during the period from now through the completion of the Project and there is no certainty that all the units of the Project can be sold as planned.

According to the Directors, 223 units out of the 878 units comprising the Project have been pre-sold for a consideration of approximately HK\$268 million as at 6 January 2004. Since then and up to the Latest Practicable Date, the Directors confirmed that additional 16 units have been pre-sold for HK\$20 million. As a result, a total of 239 units have been pre-sold, representing approximately 27% of the units available for sale under the Project. As stated in the “Letter from the Board”, the Directors believe the Project will be completed as scheduled. Based on the pre-sale trend as mentioned above, with another 20 months coming before completion of the Project, the Directors believe that, barring unforeseen circumstances, the marketing risk of the remaining unsold units is manageable.

(ii) Ownership of the Property

Polytex is the developer of the Project and the registered owner of the Property.

Top Milestone is an investor to provide unsecured funding and financing to Polytex in the development of the Project and in return, Top Milestone is entitled to 80% of the after-tax profits from the sale of the units under the Project. The Co-Investment Agreement has built in the following terms to safeguard the interests of the Company:

- a) Top Milestone shall be given access to:
 - the accounts of the receipts and expenses resulting from the Project; and
 - the Property to inspect and view the state and progress of the Project;
- b) Top Milestone shall be able to nominate 1 representative as a director to the board of Polytex upon completion of the Acquisition to oversee the operation of Polytex and participate in the decision making process in the case of alternative investment exit methods (i.e. other than sale of units).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) *Credit worthiness of Polytex*

Pursuant to the Co-Investment Agreement, Top Milestone is, in essence, extending an unsecured interest-free loan to Polytex.

Given (i) Polytec Holdings and its subsidiaries (the “Polytec Group”) have engaged in the property development and investment as well as garment manufacturing and trading in Macau for over 30 years and established a reputation for quality and reliability in the market; and (ii) the Polytec Group has a substantial land bank in Macau for future development; the Directors are confident that the credit rating of the Polytec Group is in good standing and will be adequate to provide loans or guarantees (if requested by independent financial institutions) to Polytex in the future to complete the Project. On the basis of the aforesaid reasons, we concur with the Directors’ belief.

4. RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, have taken into consideration the followings when arriving at our opinion:

- (i) the reasons for, and benefits of, the Acquisition;
- (ii) the terms and the basis of determining the consideration of the Acquisition;
- (iii) the reasons for the provision of loans to Polytex by Top Milestone under the Co-Investment Agreement;
- (iv) the financing arrangement for the Acquisition; and
- (v) the possible risks relating to the Acquisition (as well as the measures taken to eliminate or reduce such risks), and the credit worthiness of Polytex.

Having considered the above, we are of the view that the terms of the Acquisition and the transactions contemplated under the Acquisition (including the provision of loans by Top Milestone to Polytex pursuant to the Co-Investment Agreement) to be fair and reasonable so far as the Independent Shareholders are concerned and accordingly, advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition and the transactions contemplated under the Acquisition (including the provision of loans by Top Milestone to Polytex pursuant to the Co-Investment Agreement).

Yours faithfully,
For and on behalf of
Access Capital Limited
Jeanny Leung
Managing Director



Formerly C Y Leung & Company

原梁振英測量師行

30 January 2004

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

Dear Sirs,

Re: Lote S, Novos Aterros da Areia Preta, Macau.

In accordance with your instructions for us to value the captioned property interest (“the property interest”) which is intended to be acquired by Kowloon Development Company Limited (“the Company”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the open market value of the property interest as at 31 December 2003 (“the date of valuation”).

Our valuation of the property interest represents its open market value which we would define as intended to mean “an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

Our valuation has been made on the assumption that the owner sells the property interest on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the value of the property interest.

In undertaking our valuation, we have based on the development proposal given to us by the Company and have valued the property by comparison method by making reference market comparables with due allowance for the necessary costs to complete the development.

We have not been provided with copies of the title documents relating to the property, but have caused searches to be made at the Land Registry in Macau. However, we are not in a professional capacity to advise or verify the title of the property. We have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

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

We have inspected the property. No structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the property is free of rot, infestation or any other structural defects. No tests were carried out on any of the services. We have not made any soil or site investigation at the property. In undertaking our valuation, we have assumed that the site conditions are suitable for the proposed development and no extraordinary costs or delays will be incurred in the construction.

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

Our valuation certificate is hereby enclosed.

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

Note: Mr K.B. Wong is a registered professional surveyor with over 13 years of experience in valuation of properties in Macau.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2003
Lote S, Novos Aterros da Areia Preta, Macau	<p>The property comprises a site with a registered site area of 149,792 sq.ft. (13,916 sq.m.) situated in the new reclamation area of the Areia Preta in the northern part of Macau.</p> <p>The site is proposed to be developed into five blocks of 33 to 35-storey residential blocks erected over a 3-storey commercial, car parking and recreation podium. The property is under construction and is scheduled to be completed by September 2005.</p> <p>The development will comprise about 878 residential units, 656 private car parking spaces, 76 motor cycle parking spaces and 49 commercial units.</p> <p>In accordance with the information provided by the Company, the gross floor areas of the property are approximately as follows:</p>	<p>The property was under construction. Foundation works had been completed and superstructure works were in progress.</p>	HK\$500,000,000

	Approximate Gross Floor Area	
	sq.ft.	sq.m.
Residential	1,505,345	139,849.96
Commercial	97,793	9,085.19
Total:	<u>1,603,138</u>	<u>148,935.15</u>

The property is held under a Macau Government lease for the residue of a term of 25 years from 26 December 1990. The lease term may be successively renewed until 19 December 2049, in accordance with the relevant legislation and the conditions. The Government rent payable for the property during the development period is MOP8 per sq.m. of site area per annum.

After the issuance of occupation permits, the Government rents will be computed as follows:

- Residential : MOP4 per sq.m. of gross construction area per annum
- Commercial : MOP6 per sq.m. of gross construction area per annum
- Parking : MOP4 per sq.m. of gross construction area per annum

Notes:

- (1) The registered owner of the property is Sociedade de Importacao e Exportacao Polytex Limitada (also known as “Polytex Corporation Limited”).
- (2) In undertaking our valuation, we have assumed that the property has been properly granted to the Company and the Company has a good and marketable title to the property and all necessary land premium and other site acquisition costs have been fully settled. We have also assumed that all units in the property when completed can be freely disposed of in the open market to any third parties.
- (3) According to the Company, the estimated cost for completing the development is about HK\$350 million. We have allowed for the outstanding development cost in our valuation.
- (4) As advised by the Company, as at 27 January 2004, a total number of 239 residential units were contracted to be sold to individual purchasers at a total consideration of about HK\$288,000,000. Of this, a total number of 218 residential units were contracted to be sold at a total consideration of about HK\$263,000,000 on or before 31 December 2003 and the remainder of 21 residential units were sold at a total consideration of about HK\$25,000,000 on or after 1 January 2004. In undertaking our valuation, we have included those presold units and included the full amount of such consideration into our valuation.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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 not contained in this circular, the omission of which would make any statement herein misleading.

DISCLOSURE OF INTERESTS**(a) Disclosure of interests by the Directors**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required 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 they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Interests and positions in Shares

Name of Director	Long position	Short position	Percentage of total issued shares	Note
Or Wai Sheun	353,023,083	–	62.29%	1
Ng Chi Man	352,838,083	–	62.25%	2
Tam Hee Chung	750,000	–	0.13%	3
Lai Ka Fai	239,000	–	0.04%	4
Yeung Kwok Kwong	100,000	–	0.02%	4
Keith Alan Holman	100,000	–	0.02%	4
Lok Kung Chin, Hardy	200,000	–	0.04%	5

Notes:

- Intellinsight Holdings Limited held 352,838,083 Shares and is ultimately wholly owned by a discretionary family trust of which Mr Or Wai Sheun is the founder. Mr Or Wai Sheun, Ms Ng Chi Man and their family members are beneficiaries of the trust. These Shares represented the same interest disclosed by Ms Ng Chi Man.

China Dragon Limited held 185,000 Shares and is wholly owned by Mr Or Wai Sheun.

2. Ms Ng Chi Man is the spouse of Mr Or Wai Sheun. Ms Ng is interested in 352,838,083 Shares through her interest in a family trust of the Or family. These Shares are also included in the interest disclosed by Mr Or Wai Sheun.
3. 250,000 Shares are held by Mr Tam Hee Chung as beneficial owner, while 500,000 Shares are held by Larry H.C. Tam & Associates Limited. 48% of the issued share capital of Larry H.C. Tam & Associates Limited is held by Mr Tam.
4. Shares are held by the respective Directors in their capacities as beneficial owners.
5. 200,000 Shares are owned by a discretionary family trust of which Mr Lok Kung Chin, Hardy is the founder.

(b) Particulars of Directors' other interests

As at the Latest Practicable Date, no Director had a service contract with any member of the Group which is not determinable by the Company within one year without payment other than statutory compensation.

(c) Save as disclosed above, as at the Latest Practicable Date

- (i) none of the Directors and chief executive hold any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of the SFO) notifiable 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 they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange;
- (ii) none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries;
- (iii) none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group; and
- (iv) none of the Directors has entered or is proposing to enter into a service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation).

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

Save as disclosed below, so far as was known to the Directors, there was no other person (other than the Directors or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of substantial shareholder	Long position	Short position	Percentage of total issued shares	Note
HSBC International Trustee Limited	354,074,433	–	62.47%	1
The Or Family Trustee Limited Inc	352,838,083	–	62.25%	1&2
Polytec Holdings	352,838,083	–	62.25%	1&2
Intellinsight Holdings Limited	352,838,083	–	62.25%	1&2

Notes:

- 1. 354,074,433 Shares are held by HSBC International Trustee Limited as trustee of certain discretionary trusts that it manages and include the 352,838,083 Shares disclosed by the Or Family Trustee Limited Inc, Polytec Holdings and Intellinsight Holdings Limited.
- 2. Intellinsight Holdings Limited is a wholly-owned subsidiary of Polytec Holdings, which is in turn wholly owned by certain trusts of which Mr Or Wai Sheun, Ms Ng Chi Man and their family members are beneficiaries. The trustees of the trusts are The Or Family Trustee Limited Inc and HSBC International Trustee Limited.

Substantial shareholders of subsidiaries of the Company

Name of subsidiary	Name of shareholder	Number and class of shares held	Shareholding percentage
Golden Princess Amusement Company Limited (“Golden Princess”)	the Company	8,500 ordinary shares in Golden Princess of HK\$10.00 each	85%
	Variety Entertainment Company Limited	1,500 ordinary shares in Golden Princess of HK\$10.00 each	15%

LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

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 2002, the date to which the latest published audited accounts of the Company were made up.

QUALIFICATION AND CONSENT OF EXPERTS

Access Capital Limited and DTZ Debenham Tie Leung Limited have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters and reference to their names in the form and context in which they appear. The letters issued by DTZ Debenham Tie Leung Limited and Access Capital Limited were both dated 30 January 2004 and they were issued for incorporation in this circular.

The qualifications of the experts who have provided their advice which are contained in this circular are set out as follows:

Name	Qualification
Access Capital Limited	A deemed licensed corporation under the SFO and engaged in types 1, 4, 6 and 9 regulated activities.
DTZ Debenham Tie Leung Limited	Professional property valuer

Save as disclosed in this circular, Access Capital Limited and DTZ Debenham Tie Leung Limited are not interested in any Shares or shares in any member of the Group nor does it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares or shares in any member of the Group.

MISCELLANEOUS

- (a) The registered office of the Company is situated at 23rd Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong.
- (b) The registrars of the Company is Computershare Hong Kong Investor Services Limited at 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Ms Wai Yuk Hing, Monica. Ms Wai is an associate member of the Hong Kong Society of Accountants, a fellow member of The Association of Chartered Certified Accountants and an associate member of CPA Australia.
- (d) The English text of this circular will prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Agreement and the Co-Investment Agreement will be available for inspection during business hours at the registered office of the Company at 23rd Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong from the date of this circular up to and including Monday, 16 February 2004.

NOTICE OF EXTRAORDINARY GENERAL MEETING



九 龍 建 業 有 限 公 司

KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of Kowloon Development Company Limited (the “**Company**”) will be held at the Crystal Ballroom, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 16 February 2004 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following ordinary resolution (with or without amendments) of the Company:

ORDINARY RESOLUTION

“**THAT** the conditional agreement dated 7 January 2004 (the “**Agreement**”) entered into between Future Star International Limited and Polytec Holdings International Limited, a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose, pursuant to which Future Star International Limited conditionally agrees to acquire from Polytec Holdings International Limited the entire issued share capital together with the outstanding shareholder’s loan of Top Milestone Developments Limited (“**Top Milestone**”) for a consideration of HK\$400 million, the co-investment agreement entered into between Top Milestone and Polytex Corporation Limited (“**Polytex**”) dated 11 November 2003 (“**Co-Investment Agreement**”) and the transactions contemplated in each of them be and are hereby approved, ratified and confirmed and any one director of the Company, or any two directors of the Company, if the affixation of the common seal is necessary, be and is/are 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/them to be incidental to, ancillary to or in connection with the matters contemplated in the Agreement and/or the Co-Investment Agreement.”

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

Hong Kong, 30 January 2004

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered Office

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

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. The form of proxy must be signed by a member or his/her attorney duly authorised in writing or, in the case of a corporation, must be either under its common seal or under the hand of an officer or attorney duly authorised.
3. In the case of joint holders, any one of such holders may attend and vote at the meeting either personally or by proxy, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of the joint holding shall alone be entitled to vote in respect thereof.
4. In order 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 registrars, Computershare Hong Kong Investor Services Limited, at 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting thereof.
5. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
6. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or adjourned meeting thereof if should they so wish, and in such event, the form of proxy shall be deemed to be revoked.