
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your 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 or transferee or to the bank, licensed securities dealer 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)

ACQUISITION OF A CONTROLLING INTEREST IN POLYTEC ASSET HOLDINGS LIMITED

DISCLOSEABLE AND CONNECTED TRANSACTION

Financial Adviser to Kowloon Development Company Limited



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



A letter of recommendation from the Independent Board Committee and a letter of independent advice from Access Capital Limited regarding the Acquisition are set out on page 18 and pages 19 to 32 of this circular respectively.

A notice convening the Extraordinary General Meeting to be held at Crystal Ballroom, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Kowloon, Hong Kong on Monday, 21 November 2005 at 11:00 a.m. is set out on pages 62 to 63 of this circular. Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the office of the Company's share registrar, Computershare Hong Kong Investor Services Limited, on 46th 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 Extraordinary General Meeting or any adjournment thereof. Completion and return of such form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof, should you so wish. In such event, the form of proxy shall be deemed to be revoked.

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DEFINITIONS

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

“Access Capital”	:	Access Capital Limited, a licensed corporation under the SFO to conduct types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) of the regulated activities under the SFO, appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Acquisition
“Acquisition”	:	The proposed acquisition by the Company from the Vendor of the entire issued share capital of, and the shareholder’s loan to, Marble King in accordance with the terms and conditions of the Agreement
“Agreement”	:	The sale and purchase agreement dated 12 October 2005 in connection with the Acquisition
“Board”	:	The board of Directors
“Company”	:	Kowloon Development Company Limited, a company incorporated in Hong Kong with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange
“Completion”	:	Completion of the Acquisition in accordance with the terms and conditions of the Agreement
“CPS(s)”	:	Partly paid non-voting convertible redeemable preference share(s) of PAH with a subscription price of HK\$0.02 each
“Director(s)”	:	Director(s) of the Company
“DTZ”	:	DTZ Debenham Tie Leung Limited, an independent professional valuer
“Enlarged Group”	:	The Group as enlarged by the Acquisition and the acquisition by the Group of an effective interest of approximately 59.8% in the share capital of Shenzhen Properties as announced in April 2005 and expected to be completed in early 2006 (subject to the approvals to be obtained from the relevant PRC regulatory authorities)

DEFINITIONS

“Executive”	:	The Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Extraordinary General Meeting” or “EGM”	:	The extraordinary general meeting of the Company to be held at Crystal Ballroom, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Kowloon, Hong Kong on Monday, 21 November 2005 at 11:00 a.m. (or any adjournment thereof) to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder as well as the paying-up and the conversion of any CPSs by Marble King after Completion
“GFA”	:	Gross floor area
“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
“Independent Shareholders”	:	Shareholders other than Mr. Or, Ms. Ng Chi Man, Mr. Or Pui Kwan, Intellinsight and their respective associates
“Independent Board Committee”	:	The independent board committee of the Company comprising all independent non-executive Directors to advise the Independent Shareholders regarding the Acquisition
“Intellinsight”	:	Intellinsight Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which holds approximately 62.3% of the entire issued share capital of the Company and which is ultimately and wholly-owned by a discretionary family trust of which Mr. Or, Ms. Ng Chi Man (an executive Director), Mr. Or Pui Kwan (an executive Director) and their family members are beneficiaries. Ms. Ng is the spouse of Mr. Or, and Mr. Or Pui Kwan is the son of Mr. Or and Ms. Ng
“Last Trading Day”	:	10 October 2005, being the last trading day prior to the suspension of trading in the PAH Shares before release of the announcement of PAH dated 13 October 2005

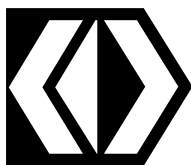
DEFINITIONS

“Latest Practicable Date”	:	28 October 2005, 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
“Macau”	:	The Macau Special Administrative Region of the PRC
“Marble King”	:	Marble King International Limited, a company incorporated in the British Virgin Islands which is beneficially and wholly owned by the Vendor
“MOP”	:	Macau Pataca, the lawful currency of Macau
“Mr. Or” or “Vendor”	:	Mr. Or Wai Sheun (Chairman of the Company), being the vendor of the interest in Marble King under the Acquisition
“PAH”	:	Polytec Asset Holdings Limited (stock code: 208), a company incorporated in the Cayman Islands with limited liability whose issued ordinary shares are listed on the Main Board of the Stock Exchange
“PAH Group”	:	PAH and its subsidiaries
“PAH Share(s)”	:	Ordinary share(s) of HK\$0.10 each in the issued share capital of PAH
“PHIL”	:	Polytec Holdings International Limited, a company incorporated in the British Virgin Islands with limited liability which holds the entire issued share capital of Intellinsight and which is ultimately and wholly-owned by a discretionary family trust of which Mr. Or, Ms. Ng Chi Man (an executive Director), Mr. Or Pui Kwan (an executive Director) and their family members are beneficiaries. Ms. Ng is the spouse of Mr. Or, and Mr. Or Pui Kwan is the son of Mr. Or and Ms. Ng
“PRC”	:	The People’s Republic of China
“RMB”	:	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Sale Shares”	:	The entire issued share capital of Marble King
“SFC”	:	The Hong Kong Securities and Futures Commission
“SFO”	:	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	:	Holder(s) of Shares
“Shares”	:	Ordinary shares of HK\$0.10 each in the issued share capital of the Company
“Shenzhen Properties”	:	深圳市物業發展（集團）股份有限公司 (Shenzhen Properties & Resources Development (Group) Limited), a joint stock limited company incorporated in the PRC, the securities of which are listed on the Shenzhen Stock Exchange
“Shenzhen Properties Group”	:	Shenzhen Properties and its subsidiaries
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“%”	:	Per cent.
“p.s.f.”	:	Per square foot
“sq.ft.”	:	Square feet
“sq.m.”	:	Square metre

LETTER FROM THE BOARD



九龍建業有限公司

KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 34)

Executive Directors:

Mr. OR Wai Sheun (*Chairman*)

Ms. NG Chi Man

Mr. LAI Ka Fai

Mr. OR Pui Kwan

Registered office:

23rd Floor, Pioneer Centre

750 Nathan Road

Kowloon

Hong Kong

Non-executive Directors:

Mr. Keith Alan HOLMAN (*Deputy Chairman*)

Mr. TAM Hee Chung

Mr. YEUNG Kwok Kwong

Independent Non-executive Directors:

Mr. CHAU Cham Son

Mr. LI Kwok Sing, Aubrey

Mr. LOK Kung Chin, Hardy

Mr. SETO Gin Chung, John

4 November 2005

To the Shareholders

Dear Sir or Madam,

**ACQUISITION OF A CONTROLLING INTEREST IN
POLYTEC ASSET HOLDINGS LIMITED**

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

On 13 October 2005, the Directors announced that the Company as purchaser and Mr. Or as Vendor entered into the Agreement whereby the Company has conditionally agreed to acquire from Mr. Or the entire issued share capital of, and the shareholder's loan to, Marble King for an aggregate consideration of HK\$826 million. The principal asset of Marble King is the aggregate of its interest of approximately 56.84% in the existing issued PAH Shares and its interest in all the outstanding CPSs.

LETTER FROM THE BOARD

By virtue of his equity interest in the Company, Mr. Or is a connected person of the Company and the Acquisition constitutes a connected transaction for the Company under the Listing Rules, which is subject to the approval of the Independent Shareholders at the EGM. Voting at the EGM will be taken by poll where Mr. Or, Ms. Ng Chi Man, Mr. Or Pui Kwan, Intellinsight and their respective associates will be required to abstain from voting on the resolution approving the Acquisition. The Acquisition also constitutes a discloseable transaction for the Company under the Listing Rules.

The Independent Board Committee has been constituted to give a recommendation to the Independent Shareholders regarding the Acquisition. Access Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

This circular contains, among others, (a) information on the Acquisition; (b) the letter of recommendation from the Independent Board Committee; (c) the letter of independent advice from Access Capital; (d) the valuation report from DTZ on the property interests of the PAH Group; and (e) the notice of the EGM.

THE AGREEMENT

1. Date

12 October 2005

2. Parties

Purchaser : The Company

Vendor : Mr. Or

3. Assets to be acquired

The entire issued share capital of, and the shareholder's loan to, Marble King free from all encumbrances or third party rights of whatsoever nature and with all rights as of the date of the Agreement or thereafter (including the right to receive all dividends and distributions declared, made or paid on or after the date of Completion). The Company is not subject to any restrictions on the subsequent sale of its interest in Marble King.

The principal asset of Marble King is its holding in an aggregate of 698,975,374 PAH Shares and 3,703,590,076 CPSs. The 698,975,374 PAH Shares represent approximately 56.84% of the existing issued PAH Shares. The 3,703,590,076 CPSs represent all the CPSs in issue. Details relating to the issue of the CPSs have been set out in the joint announcement and the circular of PAH and Marble King dated 4 August 2001 and 20 August 2001 respectively.

LETTER FROM THE BOARD

The CPSs have a subscription price of HK\$0.02 per CPS and are currently partly paid-up as to 10% of such subscription price. The fully paid-up CPSs are convertible into PAH Shares up to 14 September 2006 at the current rate of approximately 14.771 fully paid-up CPSs for one PAH Share. On this basis, the aggregate of 3,703,590,076 CPSs are, when fully paid-up, convertible into 250,734,005 PAH Shares, representing approximately 20.39% of the existing issued PAH Shares. To fully pay up the CPSs, a further aggregate subscription price of HK\$66,664,621 or HK\$0.018 per CPS, representing 90% of the subscription price of HK\$0.02 per CPS, has to be paid. The decision to pay up the CPSs can be made at the sole discretion of Marble King, which has undertaken to PAH in writing that it will not redeem such CPSs until the expiry of the redemption right and the conversion right attaching to the CPSs at day end of 14 September 2006. Immediately upon Completion and assuming full conversion of the CPSs, the Company will hold approximately 64.15% of the issued share capital of PAH as enlarged by such conversion. It is the intention of the Directors that the Company will, after Completion, direct Marble King as a wholly-owned subsidiary of the Company to pay up in full the CPSs and convert such CPSs into fully paid-up PAH Shares prior to 14 September 2006.

4. Consideration for the Acquisition

HK\$826,062,195, comprising HK\$368,236,168 representing the face value of the entire shareholder's loan owing by Marble King to Mr. Or and the remainder for the entire issued share capital of Marble King. The aggregate consideration is equivalent to approximately HK\$0.94 per PAH Share on a fully diluted basis.

A price of HK\$0.94 represents:

- (a) a discount of approximately 6.9% to the closing price of HK\$1.01 per PAH Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 9.6% to the average closing price of HK\$1.04 per PAH Share as quoted on the Stock Exchange for the last 30 trading days ended on the Last Trading Day;
- (c) a discount of approximately 8.7% to the closing price of HK\$1.03 per PAH Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (d) a discount of approximately 8.7% to the adjusted unaudited consolidated net asset value of approximately HK\$1.03 per PAH Share taking into account a revaluation surplus of HK\$402 million arising from the PAH Group's property interests as at 30 September 2005 as mentioned below and assuming full conversion of the CPSs into PAH Shares.

Based on the closing price of HK\$1.01 per PAH Share on the Last Trading Day, the 698,975,374 PAH Shares then held by Marble King, which were valued at approximately HK\$706 million, together with the 250,734,005 PAH Shares to be issued upon full conversion of the CPSs were valued at approximately HK\$959 million.

LETTER FROM THE BOARD

Based on the closing price of HK\$1.03 per PAH Share as at the Latest Practicable Date, the 698,975,374 PAH Shares currently held by Marble King, which were valued at approximately HK\$720 million, together with the 250,734,005 PAH Shares to be issued upon full conversion of the CPSs were valued at approximately HK\$978 million.

The terms of the Agreement including the consideration payable for the Acquisition have been reached and determined based on arm's length negotiations with reference to the unaudited consolidated net assets of the PAH Group as at 30 June 2005 of approximately HK\$1,056 million, the outstanding shareholder's loan owing by Marble King to Mr. Or, which is unsecured, interest-free and repayable on demand, as at 30 September 2005 of approximately HK\$368 million and the independent valuation performed by DTZ of the property interests of the PAH Group as at 30 September 2005 which gives rise to a revaluation surplus of approximately HK\$402 million as compared to the book value of such property interests as at 30 June 2005, and assuming full conversion of the CPSs into PAH Shares. As set out in the valuation report in Appendix I to this circular, the PAH Group and an entity under its joint control had a property portfolio valued at approximately HK\$2.56 billion of which approximately HK\$1.6 billion is attributable to the PAH Group. On the basis of a fully diluted 64.15% interest in PAH to be held by the Group, such portfolio had an attributable value of approximately HK\$1.03 billion.

5. Payment terms

The aggregate consideration for the Acquisition is HK\$826,062,195 which has been or will be paid by the Company in the following manner:

- (a) HK\$206,515,549, representing 25% of the consideration, has been paid in cash as an initial deposit upon signing of the Agreement; and
- (b) the balance of HK\$619,546,646 will be payable in cash at Completion, or at the discretion of the Vendor, by the issuance of a zero-interest promissory note by the Company to the Vendor in the same amount payable not later than 31 December 2006.

The Group intends to finance the Acquisition from its internal resources. The Directors consider that no additional external fund raising will be required to enable the Group to fulfill the obligations under the Agreement.

LETTER FROM THE BOARD

6. Warranties given by the Vendor

The Vendor has given certain warranties in favour of the Company pursuant to the terms of the Agreement to protect the interest of the Company, among which, the Vendor has warranted that there has not been any material adverse change to the operating and financial position of the PAH Group since the date of its latest audited financial statements which is 31 December 2004.

7. Conditions precedent

Completion is conditional upon, among other things, the following conditions being fulfilled and remaining satisfied or being waived on or before 31 December 2005, or such other date as the parties may agree:

- (a) the Executive having granted a waiver to the Company from the obligation to make a general offer for the PAH Shares not already owned or agreed to be acquired by the Company and parties acting in concert with it or a confirmation that no such obligation would arise as a result of the Completion;
- (b) the passing at a general meeting of the Independent Shareholders of a resolution to approve the transactions contemplated under the Agreement;
- (c) the listing and trading of the PAH Shares having been resumed following the publication of the announcement relating to the Agreement, and the PAH Shares thereafter remaining so listed and traded on the date of Completion and no indication being received on or before the date of Completion from the SFC or the Stock Exchange to the effect that the listing of the PAH Shares on the Main Board of the Stock Exchange shall or may be withdrawn or objected to (or conditions shall or may be attached thereto) for whatever reason, including as a result of Completion or in connection with the terms of or any transaction contemplated by the Agreement, or in connection with any allegation that PAH is no longer suitable for listing;
- (d) the warranties given by the Vendor in favour of the Company under the Agreement remaining true and not misleading in any respect at Completion, as if repeated at Completion and at all times between the date of the Agreement and Completion; and
- (e) there being no material adverse change (or effect) which has a material adverse effect on the financial position, results of operation, business prospects or assets of Marble King and the PAH Group as a whole since the date of signing of the Agreement.

LETTER FROM THE BOARD

Regarding condition (a) above, the Executive has confirmed that no obligation on the part of the Company and its concert parties (including Mr. Or) to make a general offer for the PAH Shares not already owned or agreed to be acquired by the Company and its concert parties as a result of the Completion.

The Company may at its absolute discretion at any time waive conditions (d) and (e) above. The other conditions are non-waivable by either party. If the conditions shall not have been fulfilled or, as the case may be, waived on or before 31 December 2005 or such other date as the parties may agree, the obligation of the parties under the Agreement shall, unless the Agreement otherwise provides, immediately cease and terminate and of no further effect, and no party to the Agreement shall have any claim against or liability to the other parties, save in respect of any antecedent breaches of the Agreement. In such event, the HK\$206,515,549 deposit paid by the Company upon signing of the Agreement shall be returned to the Company with interest at the deposit rate offered by The Hongkong and Shanghai Banking Corporation Limited.

Completion shall take place within three business days after condition (b) is fulfilled or such other date as the parties to the Agreement shall agree in writing.

INFORMATION ON THE PAH GROUP

The PAH Group is principally engaged in property investment, development and trading, ice manufacturing and provision of cold storage services, as well as securities investment and trading. Since being taken over by the Vendor in 2001, the businesses and operations of the PAH Group has grown and diversified significantly. In the last two years, the PAH Group has made a number of acquisitions of property interests in Macau to strengthen its revenue and asset bases. Currently, the property related segment is the main performance driver of the PAH Group. The unaudited operating profit of the PAH Group for the six months ended 30 June 2005 amounted to approximately HK\$24.6 million, which was mainly derived from the sales of certain properties in Macau which accounted for approximately 94% of its total operating profit for the same period. The property portfolio of the PAH Group in Macau comprises interests in four main properties, namely:

- (a) a 70.5% interest in certain retail and office units and car parking spaces in China Plaza, a 23-storey commercial building erected over five levels of basement completed in 1995, which have been held for sale;
- (b) a 58% interest in a site located near Estrada Coronel Nicolau de Mesquita, Taipa, which is currently vacant and the PAH Group intends to develop into a commercial and residential complex including two residential buildings and a small number of retail units on the ground floor with an aggregate GFA of approximately 36,000 sq.m. Application has been made for approvals of building plans to be obtained from the relevant Macau government authorities and the estimated completion date of the development is scheduled in mid-2008;

LETTER FROM THE BOARD

- (c) a 50% interest in a commercial building situated at Av. Do Infante D. Henrique (“The Macau Square”), comprising retail and office space with an aggregate GFA of approximately 45,500 sq.m. to be held as an investment property. The property is held under a land lease from the Macau Government for a term of 50 years from 29 July 1957 which is subject to, upon expiry, renewal application to the Macau Government for a further term of 10 years with a payment of a renewal premium equivalent to ten times the then prevailing annual ground rent; and
- (d) certain shop units with a GFA of approximately 2,000 sq.m. with 14 car parks at Va Long, a building situated at Praça da Amizade to be held as an investment property. The property is held under a land lease from the Macau Government for a term of 25 years from 20 May 1988 which is subject to, upon expiry, renewal application to the Macau Government for a further term of 10 years with a payment of a renewal premium equivalent to ten times the then prevailing annual ground rent.

Further details of the above properties are set out in the property valuation report on the PAH Group in Appendix I to this circular. The Board intends to maintain the usage objective of the properties as described above and in the aforesaid valuation report and has no current intention to change such usage.

PHIL, a company ultimately and wholly-owned by a discretionary family trust of which Mr. Or, Ms. Ng Chi Man (an executive Director), Mr. Or Pui Kwan (an executive Director) and their family members are beneficiaries, is engaged in property investment and development in Macau and has interest in certain investment properties and properties held for development in Macau. As a result, Mr. Or, Ms. Ng Chi Man and Mr. Or Pui Kwan are considered to have interests in a business which competes, or is likely to compete, either directly or indirectly, with the business of the Group. Upon Completion, PHIL will grant 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 Macau. The Board considers that the PAH Group currently has a sufficient portfolio of properties held as investment and development and will consider opportunities offered to the PAH Group as they arise. The Board considers that the Group is capable of carrying on its business independently of, and at arm’s length from, the business of PHIL.

Based on the closing price of HK\$1.03 per PAH Share as at the Latest Practicable Date, the market capitalisation of PAH was approximately HK\$1,267 million.

LETTER FROM THE BOARD

The principal assets of Marble King are the interests of approximately 56.84% in the existing issued PAH Shares and all the outstanding CPSs. The financial information of the PAH Group, which has been extracted from its audited consolidated financial statements for the 13 months ended 31 December 2004 and the year ended 30 November 2003 and its unaudited consolidated financial statements for the six months ended 30 June 2005, is as follows:

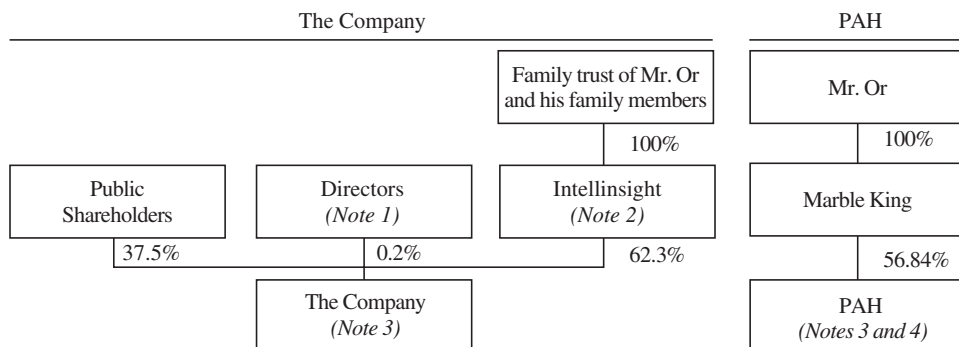
	Unaudited 6 months ended 30 June 2005 HK\$'000 (Note)	Audited 13 months ended 31 December 2004 HK\$'000	Audited Year ended 30 November 2003 HK\$'000
Total revenue	95,808	152,882	17,672
Profits before tax	462,851	24,794	15,590
Profits after tax and minority interest	438,817	17,119	15,590
Earnings per PAH Share			<i>(restated)</i>
— diluted	HK\$0.3124	HK\$0.0263	HK\$0.0392
	As at 30 June 2005 HK\$'000	As at 31 December 2004 HK\$'000	As at 30 November 2003 HK\$'000
Total assets	1,299,826	863,199	52,795
Shareholders' equity	1,056,497	615,829	51,183

Note: The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS", which term collectively includes Hong Kong Accounting Standards and Interpretations) that are effective for accounting periods beginning on or after 1 January 2005. The unaudited consolidated financial statements of the PAH Group for the six months ended 30 June 2005 were prepared in accordance with the HKFRS.

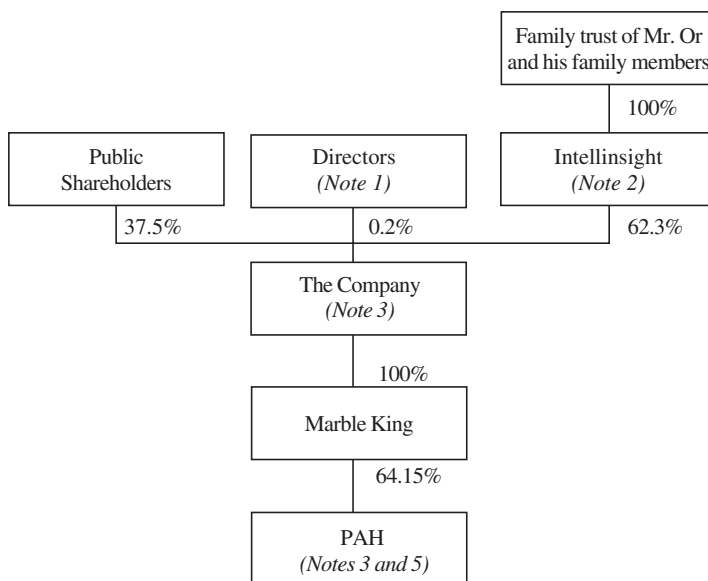
LETTER FROM THE BOARD

SHAREHOLDING STRUCTURES

The following are the shareholding structures of the Company and PAH prior to Completion:



The following is the shareholding structure of the Company and PAH upon Completion and assuming full conversion of the CPSs:



Notes:

1. Mr. Or, Mr. Or Pui Kwan, Mr. Keith Alan Holman, Mr. Lai Ka Fai, Mr. Lok Kung Chin, Hardy, Mr. Tam Hee Chung and Mr. Yeung Kwok Kwong.
2. Intellinsight is ultimately and wholly-owned by the discretionary family trust of the Or family of which Mr. Or, Ms. Ng Chi Man (an executive Director), Mr. Or Pui Kwan (an executive Director) and their family members are beneficiaries. Ms. Ng is the spouse of Mr. Or, and Mr. Or Pui Kwan is the son of Mr. Or and Ms. Ng.
3. Listed on the Main Board of the Stock Exchange.
4. Assuming that the CPSs are not converted.
5. On the basis that the CPSs are fully converted upon Completion.

LETTER FROM THE BOARD

The following table illustrates the change in shareholding in PAH as a result of the Completion and assuming full conversion of the CPSs:

Shareholder	Prior to Completion	%	Immediately after Completion	%	After Completion and full conversion of the CPSs	%
The Company (Note 1)	—	—	698,975,374	56.84	949,709,379	64.15
Vendor	698,975,374	56.84	—	—	—	—
PAH directors (Note 2)	7,900,000	0.64	7,900,000	0.64	7,900,000	0.53
Public shareholders	522,939,110	42.52	522,939,110	42.52	522,939,110	35.32
Total	<u>1,229,814,484</u>	<u>100.0</u>	<u>1,229,814,484</u>	<u>100.0</u>	<u>1,480,548,489</u>	<u>100.0</u>

Notes:

- Approximately 62.3% of the equity interest in the Company is ultimately and wholly-owned by a discretionary family trust of which Mr. Or, Ms. Ng Chi Man (an executive Director), Mr. Or Pui Kwan (an executive Director) and their family members are beneficiaries. Ms. Ng is the spouse of Mr. Or, and Mr. Or Pui Kwan is the son of Mr. Or and Ms. Ng.
- Mr. Yeung Kwok Kwong, Ms. Wong Yuk Ching and Mr. Lai Ka Fai directly and beneficially own 1,600,000, 6,000,000 and 300,000 PAH Shares respectively.

REASONS FOR AND BENEFITS FROM THE ACQUISITION

The Group is principally engaged in property development and investment, property management, financial services and investments in Hong Kong and Macau as well as local and overseas financial investments.

The Directors are optimistic on the long-term prospects of the property market in Macau, especially projects in prime locations. As far as is known to the Directors, the Macau property market has recorded significant activities and property prices at certain parts of Macau rose by over 100% in the last 18 months which was evidenced from the increase in the sale prices for units of the Group's co-developed La Baie Du Noble project at the Orient Pearl District from around MOP700 p.s.f. in 2004 to around MOP2,000 p.s.f. recently. The Directors have been monitoring the market conditions and commenced activities in the Macau property market through the participation in the development of La Baie Du Noble project, which has recorded significant success with over 95% of the residential units sold. The Directors believe that despite the aforementioned recent surge in property prices in Macau, given that Macau has suffered a prolonged depression in the property sector and that the market has just rebounded

LETTER FROM THE BOARD

from a historically low level in around 1999-2001, significant future potential remains. The Directors attribute their optimism on the Macau property sector to the increasing development of the gaming and tourism industries in Macau and the related increase in demand for residential and commercial properties in Macau.

The Acquisition represents a major step for the Group in the reorganisation of its core businesses where the Group will substantially increase its pace of development in the Macau property market. After the proposed acquisition of Shenzhen Properties, which was announced in April 2005 and expected to be completed in early 2006 (subject to the approvals to be obtained from the relevant PRC regulatory authorities), the Group will pursue a three-tier strategy whereby non-listed subsidiaries of the Company will be more focused on property development and investment activities in Hong Kong, Shenzhen Properties (upon completion of the proposed acquisition by the Group) will become the property investment and development flagship of the Group in the PRC and the PAH Group upon Completion will become the property development and investment flagship in the Macau market. The Directors believe that this new organisation structure will best enable the Group to pursue a development strategy with exposure in three main growing property markets of the Greater China region. The three listed companies comprising the Group, the PAH Group and the Shenzhen Properties Group will be able to maintain focus on their respective geographical markets and better allocate resources according to their development plans.

In pursuing a proactive strategy in expanding its presence in the Macau market, the Board intends to increase the Group's holding of land reserves for development and to actively identify property investment opportunities in Macau through the PAH Group. As a result of the Acquisition, the Group (other than the PAH Group) will seek to invest further in the Macau property market through the PAH Group. The Group also intends to maintain the listing status of PAH and utilise it as the flagship entity for developing the Macau property market.

The terms of the Agreement were negotiated on an arm's length basis and were made on normal commercial terms. The Directors consider that the terms of the Agreement are fair and reasonable to the Company and the Acquisition is in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT OF THE ACQUISITION

Upon Completion, PAH will be accounted for as an indirect subsidiary of the Company. Depending on how many of the CPSs will be converted, the Group's interest in the PAH Group will range from approximately 56.84% to 64.15%. The accounts of Marble King and the PAH Group will be consolidated into the Group's financial statements. Based on the unaudited consolidated financial statements for the six months ended 30 June 2005 of the PAH Group, total assets of approximately HK\$1.3 billion and total liabilities of approximately HK\$194.7 million from the PAH Group would be consolidated into the Group's financial statements upon Completion.

LETTER FROM THE BOARD

Upon Completion, based on the adjusted attributable net assets of the PAH Group on a fully diluted basis of approximately HK\$912.2 million, the consideration of approximately HK\$826 million represents a discount of approximately HK\$86.2 million. Such discount represents an equivalent amount of asset enhancement by the Group upon Completion. The Directors believe that the Acquisition will contribute to the earnings base of the Group but the quantitative impact in this regard will depend on the business performance of the PAH Group after Completion.

SHAREHOLDERS' APPROVAL

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. As at the Latest Practicable Date, Intellinsight held, and controlled the voting rights in respect of, 352,838,083 Shares, representing approximately 62.3% of the issued share capital of the Company, which was in turn ultimately and wholly-owned by a discretionary family trust of which Mr. Or, Ms. Ng Chi Man (an executive Director), Mr. Or Pui Kwan (an executive Director) and their family members are beneficiaries. Ms. Ng is the spouse of Mr. Or, and Mr. Or Pui Kwan is the son of Mr. Or and Ms. Ng. By virtue of Mr. Or's interest in Intellinsight and his interest in the Acquisition as the Vendor, the Acquisition also constitutes a connected transaction for the Company under the Listing Rules and therefore, the Acquisition is required to be made conditional on the approval by the Independent Shareholders at the EGM. Mr. Or, Ms. Ng Chi Man, Mr. Or Pui Kwan, Intellinsight and their respective associates are required to abstain from voting on the resolution to be proposed at the EGM to approve the Acquisition. Voting at the EGM will be taken by poll.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at Crystal Ballroom, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Kowloon, Hong Kong on Monday, 21 November 2005 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the resolution in respect of the Acquisition is set out on pages 62 to 63 of this circular. The results of voting at the EGM will be announced by the Company following the conclusion thereof.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the office of the Company's share registrar, Computershare Hong Kong Investor Services Limited, on 46th 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 EGM. Completion and return of such form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, should you so wish. In such event, the form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee comprising all independent non-executive Directors has been constituted to advise the Independent Shareholders regarding the Acquisition. Your attention is drawn to their letter of recommendation set out on page 18 of this circular.

Access Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the Acquisition. Your attention is drawn to their letter of independent advice set out on pages 19 to 32 of this circular.

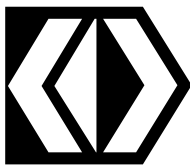
FURTHER INFORMATION

Your attention is also drawn to the valuation report on the property interests of the PAH Group set out in Appendix I to this circular and the additional information set out in Appendix II to this circular.

Yours faithfully,
For and on behalf of the Board
Or Wai Sheun
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee which has been prepared for the purpose of inclusion in this circular:



九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 34)

4 November 2005

To the Independent Shareholders

Dear Sir or Madam,

**ACQUISITION OF A CONTROLLING INTEREST IN
POLYTEC ASSET HOLDINGS LIMITED**

DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to the circular of the Company dated 4 November 2005 (the “Circular”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein have the same meanings as those defined in the Circular.

We have been constituted to advise you on the Acquisition. Access Capital has been appointed as the independent financial adviser to advise you and us in this regard. Details of their independent advice, together with the principal factors and reasons they have taken into consideration, are set out on pages 19 to 32 of the Circular.

Having considered the independent advice of Access Capital, we consider that the terms of the Acquisition are fair and reasonable and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that you vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder as well as the paying-up and the conversion of any CPSs by Marble King after Completion.

Yours faithfully,

Independent Board Committee

CHAU Cham Son

LI Kwok Sing, Aubrey

LOK Kung Chin, Hardy

SETO Gin Chung, John

Independent non-executive Directors

LETTER FROM ACCESS CAPITAL

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Access Capital prepared for incorporation in this circular.



Suite 606
6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

4 November 2005

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

Dear Sir or Madam,

ACQUISITION OF A CONTROLLING INTEREST IN POLYTEC ASSET HOLDINGS LIMITED

DISCLOSEABLE AND CONNECTED TRANSACTION

1. INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders with regard to the terms of the Acquisition. Details of the Acquisition are contained in the “Letter from the Board” of the circular to the Shareholders dated 4 November 2005 (the “Circular”) of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular, unless the context otherwise specifies.

The Acquisition constitutes a discloseable transaction as defined under the Listing Rules. As at the Latest Practicable Date, Intellinsight, the controlling shareholder of the Company, and its associates beneficially own approximately 62.3% of the issued share capital of the Company. By virtue of Mr. Or’s interest in Intellinsight and his interest in the Acquisition as the Vendor, the Acquisition also constitutes a connected transaction for the Company under the Listing Rules and therefore, the Acquisition is required to be made conditional on the approval by the Independent Shareholders at the EGM.

LETTER FROM ACCESS CAPITAL

Mr. Or, Ms Ng Chi Man, Mr. Or Pui Kwan, Intellinsight and their respective associates are required to abstain from voting on the resolution to be proposed at the EGM to approve the Acquisition. Voting at the EGM will be taken by a poll.

The Executive has confirmed that no obligation on the part of the Company and its concert parties (including Mr. Or) to make a general offer for the PAH Shares not already owned or agreed to be acquired by the Company and its concert parties as a result of the Completion.

2. THE INDEPENDENT BOARD COMMITTEE

An independent board committee, comprising Messrs. Chau Cham Son, Li Kwok Sing, Aubrey, Lok Kung Chin, Hardy and Seto Gin Chung, John (all of whom are independent non-executive Directors), has been established to consider the terms of the Acquisition and to advise the Independent Shareholders thereon.

We have been appointed by the Independent Board Committee to advise them as to whether the terms of the Acquisition are fair and reasonable so far as the Company and its Independent Shareholders are concerned, and to give our opinion in relation to the terms of the Acquisition for their consideration when making their recommendation to the Independent Shareholders.

3. BASIS OF THE OPINION

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

LETTER FROM ACCESS CAPITAL

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 of 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, the Directors, the senior management of the Company and 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 the information provided, nor have we conducted an independent investigation into the business and affairs of the Company, or any of its subsidiaries or PAH or any of its subsidiaries.

4. PRINCIPAL FACTORS AND REASONS CONSIDERED

In forming our opinion, we have taken into consideration the following principal factors and reasons:

4.1 Background to the Acquisition

4.1.1 Principal activities of the Group and the PAH Group

The Group

The principal activity of the Company is investment holding. The Group is principally engaged in property development and investment, property management, financial services and investments in Hong Kong and Macau as well as local and overseas financial investments.

The PAH Group

The PAH Group is principally engaged in property investment, development and trading, ice manufacturing and provision of cold storage services, as well as securities investment and trading.

4.1.2 Overall financial performance of the Group and the PAH Group

The Group

As stated in the Company's annual report for the year ended 31 December 2004, the Group recorded an audited consolidated turnover of approximately HK\$773.4 million (2003: approximately HK\$673.8 million), and an audited consolidated net profit attributable to Shareholders of approximately HK\$303.1 million (2003: approximately HK\$201.5 million). The Directors

LETTER FROM ACCESS CAPITAL

attributed the year-on-year improvement on its historical performance from increase in property sales and rental income resulting from the gradual economic recovery and the appreciation of property prices in Hong Kong as noted from the Land Registry of Hong Kong.

As stated in the Company's interim report for the six months ended 30 June 2005, the Group achieved an unaudited consolidated turnover of approximately HK\$483.9 million (2004: HK\$381.9 million (restated) for the six months ended 30 June 2004) and an unaudited consolidated net profit attributable to Shareholders of approximately HK\$300.5 million (2004: HK\$153.0 million (restated) for the six months ended 30 June 2004). The substantial improvement in 2005 was mainly due to the continued benefit from the favourable economic environment, the increasing property sales in Hong Kong and the adoption of new accounting standards for investment properties (i.e. under Hong Kong Accounting Standard 40 "Investment Properties" issued by the Hong Kong Institute of Certified Public Accountants, all investment properties held by the Group will have to be revalued at market price and any surplus/deficit to the historical book value will be put through the profit and loss account of that financial period causing a fluctuation to the financial result of that financial period, in this case a surplus of approximately HK\$118.0 million has been included in the financial result for the six months ended 30 June 2005).

The PAH Group

As stated in the PAH's annual report for the thirteen months ended 31 December 2004, the PAH Group recorded an audited consolidated turnover of approximately HK\$152.9 million (2003: approximately HK\$17.7 million for the twelve months ended 30 November 2003) and an audited consolidated net profit attributable to shareholders of approximately HK\$17.1 million (2003: approximately HK\$15.6 million for the twelve months ended 30 November 2003).

As stated in the PAH's interim report for the six months ended 30 June 2005, the PAH Group achieved an unaudited consolidated turnover of approximately HK\$95.8 million (2004: HK\$34.5 million for the six months ended 31 May 2004) and an unaudited consolidated net profit attributable to shareholders of approximately HK\$438.8 million (2004: HK\$1.7 million for the six months ended 31 May 2004). The improvement in net profit was mainly due to a HK\$404 million after tax gain from revaluations of some of PAH Group's properties in Macau and a gain from the recovery of the loan advanced to a jointly controlled entity of HK\$18.5 million which had been previously written off. According to the "Letter from the Board", in

the past two years, the PAH Group has made a number of acquisitions of properties interests in Macau (namely property number 5, 6, 7 and 8 as set out in Appendix I — Property valuation on the PAH Group to the Circular) to strengthen its revenue and asset base. The capital value attributable to the PAH Group for the aforesaid properties as at 30 September 2005 was HK\$1,309.65 million as stated in Appendix I — Property valuation on the PAH Group to the Circular, representing approximately 208% over the aggregate cost incurred in the past two years for the acquisition of the aforesaid properties by the PAH Group of approximately HK\$424.76 million. As the aforesaid properties are held for sale or investment or redevelopment, most of them are currently vacant. As set out in Appendix I — Property valuation on the PAH Group to the Circular, property number 5 comprises properties held by the PAH Group for sales, hence, the properties can be sold either with tenancy agreement or vacant; property number 6 is a piece of vacant land (part of the PAH Group's land bank reserve and for future residential development); property number 7 and 8 comprises properties with certain commercial and office space under renovation. The directors of PAH believe that the renovation will enhance the value of the aforesaid properties, thus increase the potential return which in turn will be beneficial to the PAH Group. The property related segment is the main performance driver of the PAH Group, the operating profit of which for the six months ended 30 June 2005 amounted to approximately HK\$24.6 million was mainly derived from the sales of certain properties in Macau (which accounted for approximately 94% of its unaudited operating profit for the same period). As at 30 June 2005, the PAH Group has an attributable GFA of approximately 30,000 sq.m. and approximately 21,000 sq.m. of completed properties and property under development respectively in Macau. According to the Directors, it is the intention of the Board to continue to expand its land bank in Macau (though the Company has not identified any acquisition targets yet) due to the improving economy and the increasing demand for residential and commercial properties in Macau (as mentioned in paragraph 4.1.3 below).

4.1.3 Reasons for and benefits of the Acquisition

As stated in the “Letter from the Board”, the Directors are optimistic about the long-term prospects of the property market in Macau, especially projects in prime locations.

Based on the statistics published by Macau government, the gross domestic products of Macau grew by 8.6% for the first quarter of 2005 as compared with the corresponding period of the previous year. In 2004, Macau recorded a total of approximately 16.67 million visitor arrivals which represents an

LETTER FROM ACCESS CAPITAL

increase of 40.2% compared with 11.89 million recorded for 2003. For the first half of 2005, visitor arrivals reached 8.9 million, up 15.4% from the same period of the previous year, and the tourism receipts were estimated to be MOP12.6 billion for the first half of 2005, an increase of 8% year-on-year.

According to the published report on Macau's composite consumer price index (CPI) issued by the Direcção dos Serviços de Estatística e Censos (統計暨普查局) of the Macau government in 2005, for the second quarter of 2005, CPI in relation to rent and housing expenses was 97.91, representing an increase of 6.15% in spending on rent and housing expenses as compared with the same period in 2004.

As stated in the "Letter from the Board", as far as is known to the Directors, the Macau property market has recorded significant activity and property prices in certain location of Macau rose by over 100% in the last 18 months which was evidenced from the increase in the sale prices for units of the Group's co-developed La Baie Du Noble project at the Orient Pearl District from around MOP700 p.s.f. in 2004 to MOP2,000 p.s.f. recently. The Directors believe that despite the aforementioned recent surge in property prices in Macau, and given that Macau has suffered a prolonged depression in the property sector and that the market has just rebounded from a historically low level in around 1999 to 2001, significant future potential remains. The Directors attribute their optimism on the Macau property sector to the increasing development of the gaming and tourism industries in Macau and the related increase in demand for residential and commercial properties in Macau. Although the aforesaid rate of increase to the property prices in Macau may only be related to several particular transactions, we have noted from Direcção dos Serviços de Estatística e Censos (統計暨普查局) and several research reports related to Macau properties prepared by independent property surveyors that there was an increased in the level of transactions in all sectors (i.e. residential, retail/commercial and office) to support the Directors' belief. Furthermore, due to the development of the gaming and tourism industries in Macau, it is inevitable that professionals and workers will continue to flow in to Macau driving demand for residential and commercial properties in Macau. In addition, the increasing population and job opportunities in Macau will drive the demand for consumables (such as food and clothing). Accordingly, the Directors believe there is a significant potential for the PAH Group's properties in Macau as the retail shops and commercial properties, and the development property held by the PAH Group will provide the source for retailers to operate and to serve the general public's demand for consumables, whilst the residential properties to be developed by the PAH Group will serve the demand for those who wish to improve their quality of living.

LETTER FROM ACCESS CAPITAL

As stated in the interim report of the PAH Group, the PAH Group's main objective is to acquire assets which can generate recurrent revenues as well as to achieve medium and long-term capital appreciation. In the past two years, the PAH Group has already acquired a number of property interests in Macau (as mentioned in paragraph 4.1.2 above) to strengthen its revenue and capital base, and such properties have already appreciated considerably as indicated by the interim result and the revaluation surplus of approximately HK\$402 million as compared to the book value of such property interests as at 30 June 2005.

The Group has also achieved satisfactory results in the Macau property market through its participation in the development of the La Baie Du Noble project, in which the Group has 80% interest, with over 95% of the residential units sold.

In pursuing a proactive strategy of expanding its presence in the Macau market, the Board intends to increase the Group's holding of land reserves for development and to actively identify property investment opportunities in Macau through the PAH Group. The Acquisition therefore represents a major step for the Group in the reorganisation of the core businesses of the Group, whereby it will substantially increase its pace of development in the Macau property market. In April 2005, the Group announced the proposed acquisition of Shenzhen Properties, a listed company on the Shenzhen Stock Exchange, which is expected to be completed in early 2006 (subject to the approvals to be obtained from the relevant PRC regulatory authorities).

In summary, the Directors considered that the Group will be, in future, in a better position to pursue its three-tier strategy, whereby (i) non-listed subsidiaries of the Company will be more focused on property development and investment activities in Hong Kong, (ii) Shenzhen Properties upon completion of the proposed acquisition will become the property investment and development flagship of the Group in the PRC, and (iii) the PAH Group will become the property development and investment flagship in the Macau market upon Completion. As a result of the Acquisition, the Enlarged Group will continue to seek for investment opportunities in the Macau property market through the PAH Group. The Group intends to maintain the listing status of PAH and utilise it as the flagship entity for developing the Macau property market.

LETTER FROM ACCESS CAPITAL

In view of the reasons set out in this paragraph above, the Directors consider that the prospects of the property market in Macau are promising and by acquiring the controlling interest in PAH, together with the proposed acquisition of Shenzhen Properties (subject to the approvals to be obtained from the relevant PRC regulatory authorities), the new group organisation will better enable the Group to pursue its three-tier strategy, with the three listed companies focusing on their respective geographical markets and allowing a better allocation of their own resources according to their development plans. Since the PAH Group already has an established property portfolio in Macau, the Acquisition, which is consistent with the Group's long-term business strategy, will enable the Group to, through PAH, significantly enhance its penetration into the Macau property market. Accordingly, based on the significant improvement of the financial performance of the PAH Group as stated above and the recent surge in property prices in Macau, we concur with the Directors' view, and are of the view, that the Acquisition will expedite the Group's stated strategy and accelerate the Group's development in Macau, which is in the interests of the Company and the Shareholders as a whole.

4.1.4 Terms of the Agreement

As stated in the "Letter from the Board", the terms of the Agreement were negotiated on an arm's length basis and were made on normal commercial terms. The Directors consider that the terms of the Agreement are fair and reasonable to the Company and in the interest of the Shareholders as a whole.

Assets to be acquired

Pursuant to the Agreement dated 12 October 2005 entered into between the Company as the Purchaser and Mr. Or as the Vendor, the Company agreed to acquire the entire issued share capital of, and shareholder's loan to, Marble King free from all encumbrances or third party rights of whatsoever nature and with all rights as of the date of the Agreement or thereafter (including the right to receive all dividends and distributions declared, made or paid on or after the date of Completion) for an aggregate cash consideration of HK\$826,062,195.

The principal asset of Marble King is its interest in 698,975,374 PAH Shares, representing approximately 56.84% of the entire issued share capital of PAH, and 3,703,590,076 CPSs, representing the entire outstanding CPSs in issue of PAH.

LETTER FROM ACCESS CAPITAL

The CPSs have a subscription price of HK\$0.02 per CPS and are partly paid-up as to 10% of such subscription price. The fully paid-up CPSs are convertible into PAH Shares up to 14 September 2006 at the current rate of approximately 14.771 fully paid-up CPSs for one PAH Share. On this basis, the aggregate of 3,703,590,076 CPSs are, when fully-paid, convertible into 250,734,005 PAH Shares, representing 20.39% of the existing issued PAH Shares. To fully pay up the CPSs, a further aggregate subscription price of HK\$66,664,621 or HK\$0.018 per CPS, representing 90% of the subscription price of HK\$0.02 per CPS, has to be paid. The decision to pay up the CPSs is made at the sole discretion of Marble King, which has undertaken to PAH in writing that it will not redeem such CPSs until the expiry of the redemption right and the conversion right attaching to the CPSs at day end of 14 September 2006.

Immediately upon Completion and assuming full conversion of the CPSs, the Company will hold approximately 64.15% of the issued share capital of PAH as enlarged by such conversion. It is noted that the intention of the Directors that the Company will, after Completion, direct Marble King as a wholly-owned subsidiary of the Company to pay up in full the CPSs and convert such CPSs into fully paid PAH Shares prior to 14 September 2006. Based on the closing price per PAH Share quoted on the Stock Exchange as at the Latest Practicable Date of HK\$1.03, the underlying value of the entire outstanding CPSs in issue (i.e. convert into 250,734,005 PAH Shares), adjusted by subtracting the unpaid portion of the CPSs of HK\$66.7 million, would be HK\$191.6 million, representing a premium of approximately 287.3% over the aggregate subscription price of HK\$66.7 million to convert the CPSs. On this basis, we concur with the Director's view and we are of the view that the conversion of the CPSs is in the interests of the Company and the Shareholders as a whole. Details of the shareholding structure of the Company and PAH before and after Completion are set out in the "Letter from the Board".

Consideration

The aggregate consideration of the Acquisition is HK\$826,062,195, equivalent to approximately HK\$0.94 per PAH Share on a fully diluted basis.

As stated in the "Letter from the Board", the Consideration payable under the Acquisition is HK\$826,062,195, comprising HK\$368,236,168 representing the face value of the entire shareholder's loan owing by Marble King to Mr. Or and the remainder for the entire issued share capital of Marble King. The principal asset of Marble King is 698,975,374 PAH

LETTER FROM ACCESS CAPITAL

Shares and all the outstanding issue of CPSs. Upon the payment of the unpaid portion of the CPSs of approximately HK\$66.7 million, Marble King will own 949,709,379 of PAH's enlarged share capital (representing approximately 64.15% of the total of 1,480,548,489 PAH Shares then in issue as enlarged by the full conversion of all outstanding CPSs). On this basis, the following sets out the relative net asset value ("NAV") position of PAH:

	<i>HK\$ million</i>
Unaudited consolidated NAV as at 30 June 2005	1,056.4
Adjusted by:	
Surplus arising from the property interests as at 30 June 2005 as compared with the revaluation as at 30 September 2005 (<i>Note</i>)	402.7
Unpaid call amount on the CPSs	66.7
Consolidated NAV (as adjusted)	<u>1,525.8</u>
NAV per Share (based on 1,480,548,489 PAH Shares then in issue as enlarged by the CPSs)	<u>HK\$1.031</u>
Attributable NAV of the enlarged interest in PAH held by Marble King on full conversion of the CPSs (949,709,379 PAH Shares at HK\$1.031)	979.1
<i>Less:</i>	
Unpaid portion of the CPSs	(66.7)
Effective interest in the underlying NAV of PAH	<u>912.4</u>

Note: As stated in note 3 under the heading "Group II — Properties held by the PAH Group in Macau for sale" in Appendix I — Property valuation on the PAH Group, for valuation and accounting comparison purpose, DTZ has included and valued certain properties which was sold after 30 June 2005 at about HK\$20 million which is equivalent to the total consideration for such properties.

LETTER FROM ACCESS CAPITAL

Based on the above calculation, the Consideration under the Acquisition would allow the Company to own approximately 64.15% of the abovementioned enlarged share capital of PAH. Based on the abovementioned adjusted NAV per PAH share, and adjusting for the unpaid amount of the CPSs, the effective attributable NAV under the Acquisition is equivalent to approximately HK\$912.4 million, and the consideration of approximately HK\$826.1 million is thus equal to approximately 9.5% discount of the said effective attributable NAV.

Based on the closing price per PAH Share quoted on the Stock Exchange as at the Latest Practicable Date of HK\$1.03 and on the assumption that Marble King will own 949,709,379 of the enlarged share capital of PAH (as enlarged by the full conversion of all outstanding CPSs), the attributable value of the enlarged interest in PAH held by Marble King (i.e. 949,709,379 PAH Shares at HK\$1.03), adjusted by subtracting the unpaid portion of the CPSs of HK\$66.7 million, would be approximately HK\$911.5 million, still representing a premium of approximately 10.3% over the aggregate consideration of the Acquisition of approximately HK\$826.1 million. On this basis, we believe the price payable under the Acquisition is fair and reasonable.

Accordingly, the Directors are of the view that the price payable is fair and reasonable. Taking into account the consideration represents a discount to the said effective attributable NAV, and the reasons for and benefits of the Acquisition set out in this letter, we are of the view that the price payable under the Acquisition is fair and reasonable.

Payment terms

The aggregate consideration for the Acquisition of HK\$826,062,195 which has been or will be paid by the Company in the following manners:

- (a) HK\$206,515,549, representing 25% of the consideration, has been paid in cash as an initial deposit upon signing of the Agreement; and
- (b) the balance of HK\$619,546,646, will be payable in cash at Completion, or at the discretion of the Vendor, by the issuance of a zero-interest promissory note by the Company to the Vendor in the same amount payable not later than 31 December 2006.

As stated in the “Letter from the Board”, the Group intends to finance the Acquisition from its internal resources. Taking into account the income to be generated from the existing business of the Group and

the banking facilities currently available to the Group, the Directors are satisfied that the Group has sufficient internal and available resources to pay the remaining balance of the consideration for the Acquisition (i.e. HK\$619,546,646) at Completion and the outstanding amount of the subscription price amount to HK\$66,664,621, representing 90% of the subscription price of HK\$0.02 per CPS. The fact that the Vendor has agreed to accept, at its discretion, a zero-interest promissory note would afford, if granted, additional flexibility to the Company. In essence, the Vendor is agreeing to a defer payment arrangement and at zero cost to the Group, which we are of the view that it is to the benefit of the Company and in the interest of the Shareholders.

5. EXPECTED EFFECTS ON THE COMPANY AND THE SHAREHOLDERS

5.1 Possible financial effects

Upon Completion, PAH will become an indirect subsidiary of the Company and the financial results of PAH will be consolidated into those of the Group.

Net assets

As stated in the “Letter from the Board”, based on the adjusted attributable net assets of the PAH Group on a fully diluted basis of approximately HK\$912.2 million, the Consideration of approximately HK\$826.1 million represents a discount which would result in an enhancement of the net asset per Share backing of the Company.

Earnings

The Directors believe that the Acquisition will contribute to the earning base of the Group but the quantitative impact in this regard will depend on the business performance of the PAH Group after Completion. Upon Completion, PAH will become an approximately 56.84% indirect subsidiary of the Company without taking into account the conversion of the CPSs, accordingly, that the future financial result of the PAH will be consolidated into those of the Group. In light of the fact that (i) the continuing improvement of the property market in Macau; (ii) the significant improvement in the financial results of the PAH Group over the years; (iii) the directors of the PAH Group intended to resume the distribution of dividends from the second half of 2005 as mentioned in the interim report of the PAH Group for the six months ended 30 June 2005; and (iv) the consideration of the Acquisition was payable in cash (as opposed to the issuance of Shares as consideration which would result in a dilution on the earnings of the Group), the

LETTER FROM ACCESS CAPITAL

Directors consider that the acquisition of PAH to be a sound strategy and would allow the Group to accelerate the pace of the Group's property development and penetration of the property market in Macau in a significant manner, which in turn would further broaden the future earnings potential of the Group as a whole.

Taking into account the reasons and benefits of the Acquisition as set out in this letter, the immediate potential asset enhancement and the expected broadening of earning base for the Company, we are of the view that the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. OTHER ISSUE

As stated in the "Letter from the Board", the Vendor has given certain warranties in favour of the Company pursuant to the terms of the Agreement to protect the interest of the Company, among which, the Vendor has warranted that there has not been any material adverse change to the operation and financial position of the PAH Group since the date of its latest audited financial statements which is 31 December 2004.

Taking into account the reasons for and benefits of the Acquisition as stated in this letter as well as the added protection of the warranty given by the Vendor to the Company in respect of the Acquisition, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

7. RECOMMENDATIONS

In considering the terms of the Acquisition, we have taken into account the following factors:

- the businesses of the Group and the PAH Group;
- the reasons for and benefits of the Acquisition, in particular, for the long-term business strategy of the Enlarged Group and the prospects of the property market in Macau;
- the terms of the Agreement with regard to the basis of the consideration, representing a discount to the effective attributable NAV as stated under section headed "4.1.4 Terms of the Agreement" above and the payment method; and
- the expected financial effects to the Company.

LETTER FROM ACCESS CAPITAL

After having considered the above principal factors and based on the information provided and the representations made to us, as well as the analysis made by us as mentioned above, we consider the terms of the Acquisition to be fair and reasonable so far as the Independent Shareholders are concerned and that the Acquisition is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the relevant resolution which will be proposed at the EGM to approve the Acquisition.

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

The following is the text of the independent valuation report from DTZ which has been prepared for the purpose of inclusion in this circular:



10th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

4 November 2005

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

Dear Sirs,

RE: PROPERTY VALUATION

In accordance with your instructions for us to value the properties in which Polytec Asset Holdings Limited and/or its subsidiaries (together “the PAH Group”) have interests, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 30 September 2005 (the “date of valuation”).

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

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

Unless otherwise stated, we have valued the properties by reference to comparable market transactions. Properties nos. 1 to 4 are purpose-built for ice making or cold storage purpose. Evidence of direct comparable transactions are not readily available, we have valued those properties by “Depreciated Replacement Costs (“DRC”) Approach”. The DRC Approach requires an estimate of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence. The values derived from the DRC approach are subject to adequate potential profitability of the business undertaking.

We have caused searches to be made at the relevant Land Registries in Hong Kong and Macau but 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 have relied to a considerable extent on the information provided by the PAH Group and we have accepted advice given to us on such matter as planning approvals, statutory notices, easements, tenure, completion dates of buildings, identification of properties, particulars of occupancy, trading accounts, floor plans, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in the valuation certificates are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the PAH Group and that no material facts have been omitted from the information supplied.

In valuing properties nos. 1, 3 and 4 in Group I, the Government Leases of which expired before 30 June 1997, we have taken into account that under the provisions contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People’s Republic of China on the Question of Hong Kong as well as in the New Territories Leases (Extension) Ordinance such leases have been extended without premium until 30 June 2047 and that rents of three per cent. of the rateable values are charged per annum from the date of extension.

We have inspected the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We have not, however, been able to report whether the properties are free of rot, infestation or any other structural defects. We have not been able to carry out on-site measurements to verify the floor areas of the properties and we have assumed that the areas shown on the copies of the documents handed to us are correct. No tests were carried out on any of the services.

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

Unless otherwise stated, all sums stated in our valuations are in Hong Kong dollars. The exchange rate adopted in our valuations for properties in Groups II, III and IV is approximately HK\$1=MOP1.03 which was the approximate exchange rate prevailing as at the date of valuation.

We enclose herewith a summary of valuations and our valuation certificates for your attention.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited

K. B. Wong
Registered Professional Surveyor (GP)
M.R.I.C.S., M.H.K.I.S.
Director

Note: Mr. K. B. Wong is a Registered Professional Surveyor who has over 20 years’ experience in valuation of properties in Hong Kong and Macau.

SUMMARY OF VALUATIONS

Group I — Properties held by the PAH Group in Hong Kong for owner occupation

Property	Capital value in existing state as at 30 September 2005 <i>HK\$</i>	Attributable interest to the PAH Group	Capital value attributable to the PAH Group 30 September 2005 <i>HK\$</i>
1. Yau Tong Ice Plant, 422 Cha Kwo Ling Road, Yau Tong, Kowloon.	117,000,000	100%	117,000,000
2. Shek Pai Wan Ice Plant and Cold Store, 11 Tin Wan Praya Road, Aberdeen, Hong Kong.	160,000,000	100%	160,000,000
3. Tai Po Ice Plant, 2 Yu On Street, Tai Po, New Territories.	9,000,000	100%	9,000,000
4. Castle Peak Bay Ice Plant, 11 Sam Shing Street, Tuen Mun, New Territories.	9,000,000	100%	9,000,000
Sub-total:	295,000,000		295,000,000

Group II — Properties held by the PAH Group in Macau for sale

Property	Capital value in existing state as at 30 September 2005 HK\$	Attributable interest to the PAH Group	Capital value attributable to the PAH Group 30 September 2005 HK\$
5. 37 retail shops, 45 office units and 179 car parking spaces in China Plaza, Avenida da praia Grande Nos. 730-804 and Avenida de D. Joao IV Nos. 2-6-B, Macau.	330,000,000	70.5%	232,650,000
Sub-total:	330,000,000		232,650,000

Group III — Property held by the PAH Group for development

6. A site at Estrada Coronel Nicolau de Mesquita, Taipa, Macau.	425,000,000	58%	246,500,000
Sub-total:	425,000,000		246,500,000

Group IV — Property held by the PAH Group for Investment

7. Various Commercial Units and Car Parking Spaces at The Macau Square, Rua do Dr. Pedro Jose Lobo No: 2-16A; Avenida do Infante D. Henrique No: 43-53A; Avenida Doutor Mario Soares No: 81-113, Macau.	1,361,000,000	50%	680,500,000
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APPENDIX I

PROPERTY VALUATION ON THE PAH GROUP

		Capital value in existing state as at 30 September 2005 <i>HK\$</i>	Attributable interest to the PAH Group	Capital value attributable to the PAH Group 30 September 2005 <i>HK\$</i>
Property				
8.	Various Commercial Units and Car Parking Spaces at Va Long, Praca da Amizade No: 6-52; Avenida do Infante D. Henrique No: 25-31 and Avenida Doutor Mario Soares No: 227-259, Macau.	150,000,000	100%	150,000,000
	Sub-total:	1,511,000,000		830,500,000
	Grand Total:	2,561,000,000		1,604,650,000

VALUATION CERTIFICATE

Group I — Properties held by the PAH Group in Hong Kong for owner occupation

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2005
1. Yau Tong Ice Plant, 422 Cha Kwo Ling Road, Yau Tong, Kowloon.	The property comprises a 2-storey ice-making plant building with high headrooms completed in 1980 at a waterfront location. The registered site area of the property is approximately 3,000 sq.m. (32,292 sq.ft.).	The property is currently owner-operated as an ice-making plant.	HK\$117,000,000
Yau Tong Marine Lot No. 71 (“Y.T.M.L. 71”)	<p>The gross floor area of the property is approximately 1,400.04 sq.m. (15,070 sq.ft.).</p> <p>The property is held from the Government under Conditions of Sale No. 11180 for a term of 99 years from 1 July 1898 which has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>		

Notes:

- (1)

The registered owner of the property is The Hong Kong Ice & Cold Storage Company Limited, which is a wholly-owned subsidiary of the PAH Group.
- (2)

Pursuant to Conditions of Sale No. 11180 of Y.T.M.L. 71, the user of the lot is restricted to ice-making and cold storage purposes. No development on the lot shall exceed a height of 51.5 metres above the Hong Kong Principal Datum. The lot is granted with a right of access from the sea.
- (3)

The property is zoned for Comprehensive Development Area purposes on Cha Kwo Ling, Yau Tong, Lei Yue Mun Outline Zoning Plan No. S/K15/15 dated 21 June 2002.
- (4)

The property is subject to a Mortgage to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited for all moneys.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2005						
2. Shek Pai Wan Ice Plant and Cold Store, 11 Tin Wan Praya Road, Aberdeen, Hong Kong. Aberdeen Marine Lot Nos. 10 and 11 (“A.M.L. 10 and 11”)	<p>The property comprises four 2-storey ice-making and cold storage plant/buildings with high headrooms completed in 1975 at a waterfront location. The total registered site area of the property is approximately 6,017.28 sq.m. (64,770 sq.ft.).</p> <p>The total gross floor area of the property is approximately 8,837.24 sq.m. (95,124 sq.ft.).</p> <p>The property is held from the Government under Conditions of Sale No. 9940 (Re: A.M.L. 10) and Conditions of Exchange No. 10426 (Re: A.M.L. 11) for the following terms:</p> <table><tr><th>Lot No.</th><th>Lease Term</th></tr><tr><td>A.M.L. 10</td><td>75 years from 28 June 1971 renewable for a further term of 75 years.</td></tr><tr><td>A.M.L. 11</td><td>75 years from 24 February 1973 renewable for a further term of 75 years.</td></tr></table> <p>The current aggregate Government rent payable for the lots is HK\$1,486 per annum.</p>	Lot No.	Lease Term	A.M.L. 10	75 years from 28 June 1971 renewable for a further term of 75 years.	A.M.L. 11	75 years from 24 February 1973 renewable for a further term of 75 years.	<p>The property is currently owner-operated for ice-making and cold storage purposes.</p>	HK\$160,000,000
Lot No.	Lease Term								
A.M.L. 10	75 years from 28 June 1971 renewable for a further term of 75 years.								
A.M.L. 11	75 years from 24 February 1973 renewable for a further term of 75 years.								

Notes:

- (1) The registered owner of the property is The Hong Kong Ice & Cold Storage Company Limited, which is a wholly-owned subsidiary of the PAH Group.
- (2) Pursuant to Conditions of Sale No. 9940 of A.M.L. 10, the user of the lot is restricted to an ice-making plant having a production capacity of not less than one hundred tons per day and may be used for the processing of marine life and such other business allied to the fishing industry as may be approved by the relevant Government Authorities. The lot is granted with a right of access from the sea.

- (3) Pursuant to Conditions of Exchange No. 10426 of A.M.L. 11, the user of the lot is restricted to processing of marine life, the manufacture of ice and general cold storage and such other business allied to fishing industry as may be approved by relevant Government Authorities provided always that not more than 50% of the total cold storage capacity on the lot shall be utilized for cold storage other than the cold storage of ice, marine life and products processed therefrom without the consent by relevant Government Authorities. No development on the lot shall exceed a height of 85 feet above the mean formation level. The lot is granted with a right of access from the sea.
- (4) The property is zoned for Industrial purposes on Aberdeen and Ap Lei Chau Outline Zoning Plan No. S/H15/21 dated 20 September 2005.
- (5) The property is subject to a Mortgage to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited for all moneys.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2005
3. Tai Po Ice Plant, 2 Yu On Street, Tai Po, New Territories. Tai Po Town Lot No. 47 ("T.P.T.L. 47")	<p>The property comprises a single storey ice-making plant building with a high headroom completed in 1987 at a waterfront location. The registered site area of the property is 1,012 sq.m. (10,893 sq.ft.).</p> <p>The gross floor area of the property is approximately 299.42 sq.m. (3,223 sq.ft.).</p> <p>The property is held from the Government under New Grant No. 12132 for a term of 99 years from 1st July, 1898, which has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	The property is currently owner-operated as an ice-making plant.	HK\$9,000,000

Notes:

- (1)

The registered owner of the property is The Hong Kong Ice & Cold Storage Company Limited, which is a wholly-owned subsidiary of the PAH Group.
- (2)

Pursuant to New Grant No. 12132 of T.P.T.L. 47, the user of the lot is restricted to ice-making and ancillary cold storage purposes as may be approved by the relevant Government Authorities. No development on the lot shall exceed two storeys. The lot is granted with a right of access from the sea.
- (3)

The property is not covered by any Outline Zoning Plan.
- (4)

The property is subject to a Mortgage to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited for all moneys.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2005
4. Castle Peak Bay Ice Plant, 11 Sam Shing Street, Tuen Mun, New Territories.	The property comprises a single storey ice-making plant with a high headroom completed in 1978 at a waterfront location. The registered site area of the property is approximately 929.02 sq.m. (10,000 sq.ft.).	The property is currently owner-operated as an ice-making plant.	HK\$9,000,000
Tuen Mun Town Lot No. 120 (“T.M.T.L. 120”)	<p>The gross floor area of the property is approximately 328.22 sq.m. (3,533 sq.ft.).</p> <p>The property is held from the Government under New Grant No. 2234 for a term of 99 years from 1 July 1898 which has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>		

Notes:

- (1)

The registered owner of the property is The Hong Kong Ice & Cold Storage Company Limited, which is a wholly-owned subsidiary of the PAH Group.
- (2)

Pursuant to New Grant No. 2234 of T.M.T.L. 120, the user of the lot is restricted to ice-making, cold storage and such ancillary and other uses as may be approved by the relevant Government authorities. A certain portion of the lot is limited to a development of not more than two storeys. The lot is granted with a right of access from the sea.
- (3)

The property is zoned for Open Space purpose on Tuen Mun Outline Zoning Plan No. S/TM/20 dated 4 January 2005.
- (4)

The property is subject to a Mortgage to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited for all moneys.

VALUATION CERTIFICATE

Group II — Properties held by the PAH Group in Macau for sale

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2005															
5. 37 retail shops, 45 office units and 179 car parking spaces in China Plaza, Avenida da praia Grande Nos. 730-804 and Avenida de D. Joao IV Nos. 2-6-B, Macau.	<p>China Plaza is a 23-storey commercial building erected over 5 levels of basement completed in 1995.</p> <p>The ground to 6th floors of the building are designed for retail purpose whilst the 7th to 22nd floors accommodate offices. The basement levels 1 to 5 are designed for carparking.</p> <p>The property comprises 37 shop units on the 1st, 4th and 6th floors, 45 office units on 8th, 9th, 10th, 14th, 17th and 20th floors and 179 car parking spaces on level 1 to level 5 of basement of the building.</p> <p>The property, excluding the area of car parking spaces, has a total gross floor area of approximately as follows:</p> <table><tr><th>Uses</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Retail :</td><td>6,285.40</td><td>67,656</td></tr><tr><td>Office :</td><td>7,649.02</td><td>82,334</td></tr><tr><td>Total :</td><td><u>13,934.42</u></td><td><u>149,990</u></td></tr></table> <p>The property is held for an unspecified term. No ground rent is payable for the property.</p>	Uses	Gross Floor Area			sq.m.	sq.ft.	Retail :	6,285.40	67,656	Office :	7,649.02	82,334	Total :	<u>13,934.42</u>	<u>149,990</u>	<p>At the date of valuation, all the shop units on the 1st floor of the property with a total gross floor area of approximately 1,939.99 sq.m. (20,882 sq.ft.) are subject to a monthly tenancy at a monthly rent of MOP177,497 exclusive of management fees. The remaining shop units are vacant.</p> <p>At the date of valuation, some office units of the property with a total gross floor area of approximately 835.28 sq.m. (8,991 sq.ft.) are vacant. The remaining office units are subject to various tenancies for terms of 3 months to 3 years with the latest term due to expire in March 2008 at a total monthly rent of approximately MOP442,010.</p> <p>107 car parking spaces are vacant. The remaining car parking spaces are subject to various licences mainly on monthly basis at a total licence fee of about MOP59,600 per month.</p> <p>As advised by the Company, all the tenants are third parties independent of the Company and its connected persons.</p>	<p>HK\$330,000,000 (70.5% interest attributable to the PAH Group: HK\$232,650,000) (Note 3)</p>
Uses	Gross Floor Area																	
	sq.m.	sq.ft.																
Retail :	6,285.40	67,656																
Office :	7,649.02	82,334																
Total :	<u>13,934.42</u>	<u>149,990</u>																

Notes:

(1) The property comprises the following:

Floor	Units	Uses
1st	A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z, AA, AB, AC, AD, AE, AF, AG, AH and AI.	Retail
4th	A.	Retail
6th	A.	Retail
8th	B, C, D, E, F and M.	Office
9th	A, B, C, H, I, J, K, L, M and N.	Office
10th	B, C and D.	Office
14th	A, B, C, D, F, J and K.	Office
17th	A, B, C, D, E, F, G, H, I, J, K, L, M and N.	Office
20th	E, F, G, M and N.	Office
Basement 1	1, 2, 9, 12, 13, 22, 23, 34, 40, 41, 42, 43, 44 and 56.	Carparks
Basement 2	1, 2, 3, 4, 7, 8, 9, 10, 11, 12, 13, 14, 17, 18, 19, 20, 21, 22, 23, 24, 25, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 61, 62, 63, 64, 65, 66, 67 and 68.	Carparks
Basement 3	3, 4, 5, 6, 7, 8, 15, 16, 17, 32, 33, 34, 35, 36, 37, 38, 39, 40, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72 and 73.	Carparks
Basement 4	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 28, 29, 30, 31, 32, 33, 34, 42, 43, 44, 45, 70, 71 and 72.	Carparks
Basement 5	34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74 and 75.	Carparks

(2) Other than the properties sold after 30 June 2005 as mentioned in note (3) below, the registered owner of the property is Think Bright Limited, which is a 70.5% owned subsidiary of the PAH Group. As advised by the Company, the remaining interest of 29.5% is held by a third party independent of the Company and its connected persons.

(3) In our valuation and for accounting comparison purpose we have included and valued Units C on 8th Floor, Units B, C and D on 10th Floor, Units E, F and N on 20th Floor and car parking space NOS. 12 and 23 on basement 4 which were sold after 30 June 2005 at about HK\$20 million which is equivalent to the total consideration for such properties.

Group III — Property held by the PAH Group for development

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2005
6. A site at Estrada Coronel Nicolau de Mesquita, Taipa, Macau.	<p>The property comprises a piece of land with a site area of 5,207.70 sq.m. (56,056 sq.ft), situated at Estrada Coronel Nicolau de Mesquita in the south-east part of Taipa Island. Portions of the land (to be known as TN25b and TN26d with a net site area of 2,904 sq.m. (31,259 sq.ft.)) are planned for residential development</p> <p>According to the PAH Group, the site is currently vacant and there is no restriction on the use of it. Further to the Planta De Alinhamento Oficial (街道準線圖) No. 79/85/M issued by DSSOPT (Land, Public Works and Transport Bureau of Macau Government), the property is permitted for non-industrial use. The site is proposed to be developed into two blocks of multi-storey residential blocks erected over a social facilities and car parking podium.</p> <p>In accordance with the information provided by the PAH Group, the permitted maximum gross floor area of the property is 35,900 sq.m. (386,428 sq.ft.), excluding the social facilities and car parking areas. As advised by the PAH Group, the building plans had been submitted to the relevant Macau Government authorities and waiting for approval which might be approved in December 2005. The estimated completion date of the development is scheduled in mid-2008.</p> <p>The property is held under freehold.</p>	The property is vacant.	HK\$425,000,000 (58% interest attributable to the PAH Group: HK\$246,500,000)

Notes:

- (1) The registered owner of the property is Investimento Imobiliario Kam Yuen, Limitada, which is a 58% owned subsidiary of the PAH Group. As advised by the Company, the remaining interest of 42% is held by third parties independent of the Company and its connected persons.
- (2) In undertaking our valuation, we have assumed that the PAH Group has a good and marketable title to the property and the proposed development scheme given to us is feasible and will be approved by the relevant Macau authorities without material changes.

Group IV — Property held by the PAH Group for Investment

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2005																		
7. Various Commercial Units and Car Parking Spaces at The Macau Square, Rua do Dr. Pedro Jose Lobo No: 2-16A; Avenida do Infante D. Henrique No: 43-53A; Avenida Doutor Mario Soares No: 81-113, Macau.	<p>The subject building comprises a 23-storey plus mezzanine commercial building erected on five levels of basement. The building was completed in about 1998 and the Occupation Permit was issued in December 2001.</p> <p>The five levels of basement (CV1 to CV5) are designed for car parking uses. The ground, mezzanine, 1st and 2nd floors are commercial floors whilst the 3rd to 22nd levels are office floors.</p> <p>The subject property comprises 265 car parking space on levels CV1, CV2, CV4 and CV5, the whole of the commercial space on ground to 2nd floors and 208 office units on 8th to 22nd floors of the building.</p> <p>The approximate total gross floor areas of the property are as follows:</p> <table> <tr> <th></th> <th colspan="2">Gross Floor Area</th> </tr> <tr> <th></th> <th>sq.m.</th> <th>sq.ft.</th> </tr> <tr> <td>Car Parking</td> <td>8,900.00</td> <td>95,800</td> </tr> <tr> <td>Commercial</td> <td>8,400.18</td> <td>90,420</td> </tr> <tr> <td>Office</td> <td>28,152.87</td> <td>303,037</td> </tr> <tr> <td>Total:</td> <td><u>45,453.05</u></td> <td><u>489,257</u></td> </tr> </table> <p>The property is held under a land lease from the Macau Government for a term of 50 years from 29 July 1957 which is subject to, upon expiry, renewal application to the Macau Government for a further term of 10 years with a payment of a renewal premium equivalent to ten times the then prevailing annual ground rent. In undertaking our valuation, we have assumed that the lease term will be successively renewed until 19 December 2049 in accordance with the relevant legislation and conditions. The ground rent payable for the property is about MOP248,000 per annum from its completion in December 2001 and is to be revised on every five years calculated from December 2001.</p>		Gross Floor Area			sq.m.	sq.ft.	Car Parking	8,900.00	95,800	Commercial	8,400.18	90,420	Office	28,152.87	303,037	Total:	<u>45,453.05</u>	<u>489,257</u>	<p>A total of 36 car parking spaces are let to various tenants on monthly basis at a total monthly rent of about MOP50,000 whilst the remaining 229 car parking spaces and all the commercial spaces are vacant.</p> <p>Some office units of the property with a total gross floor area of approximately 451.51 sq.m. (4,860 sq.ft) are subject to various tenancies for terms of mainly 2 years with the latest term due to expire in June 2008 at a total monthly rent of about MOP57,000 and the remaining office units are vacant.</p> <p>As advised by the Company, all the tenants are third parties independent of the Company and its connected persons.</p>	<p>HK\$1,361,000,000 (50% interest attributable to the PAH Group: HK\$680,500,000)</p>
	Gross Floor Area																				
	sq.m.	sq.ft.																			
Car Parking	8,900.00	95,800																			
Commercial	8,400.18	90,420																			
Office	28,152.87	303,037																			
Total:	<u>45,453.05</u>	<u>489,257</u>																			

Notes:

- (1) The registered owner of the property is Companhia de South Bay Centro Limitada, which is a 50% owned jointly-controlled entity of the PAH Group. As advised by the Company, the remaining 50% interest is held by a third party independent of the Company and its connected persons.
- (2) The property is subject to a mortgage in favour of The Hong Kong and Shanghai Banking Corporation Limited (Re: The whole of CV5, CV2, 1/F, 9/F, 11/F, 13/F, 15/F, 17/F, 19/F and 21/F and Shops A, C, E, G, I, K, M, O, R, S, T and V on Ground Floor and Offices A, D, E, F, G, H, I, J, K, L, M and N on 8th Floor only).
- (3) The property comprises the following units:

Floor(s)	Uses	Units
CV5	Car Parks	A1, A2, A3, A4, A5, A6, A7, A8, A9, A10, A11, A12, A13, A14, A15, A16, A17, A18, A19, A20, A21, A22, A23, A24, A25, A26, A27, A28, A29, A30, A31, A32, A33, A34, A35, A36, A37, A38, A39, A40, A41, A42, A43, A44, A45, A46, A47, A48, A49, A50, A51, A52, A53, A54, A55, A56, A57, A58, A59, A60, A61, A62, A63, A64, A65, A66 and A67.
CV4	Car Parks	A1, A2, A3, A4, A5, A6, A7, A8, A9, A10, A11, A12, A13, A14, A15, A16, A17, A18, A19, A20, A21, A22, A23, A24, A25, A26, A27, A28, A29, A30, A31, A32, A33, A34, A35, A36, A37, A38, A39, A40, A41, A42, A43, A44, A45, A46, A47, A48, A49, A50, A51, A52, A53, A54, A55, A56, A57, A58, A59, A60, A61, A62, A63, A64, A65, A66 and A67.
CV2	Car Parks	A1, A2, A3, A4, A5, A6, A7, A8, A9, A10, A11, A12, A13, A14, A15, A16, A17, A18, A19, A20, A21, A22, A23, A24, A25, A26, A27, A28, A29, A30, A31, A32, A33, A34, A35, A36, A37, A38, A39, A40, A41, A42, A43, A44, A45, A46, A47, A48, A49, A50, A51, A52, A53, A54, A55, A56, A57, A58, A59, A60, A61, A62, A63, A64, A65, A66 and A67.
CV1	Car Parks	A1, A2, A3, A4, A5, A6, A7, A8, A9, A10, A11, A12, A13, A14, A15, A16, A17, A18, A19, A20, A21, A22, A23, A24, A25, A26, A27, A28, A29, A30, A31, A32, A33, A34, A35, A36, A37, A38, A39, A40, A41, A42, A43, A44, A45, A46, A47, A48, A49, A50, A51, A52, A53, A54, A55, A56, A57, A58, A59, A60, A61, A62, A63 and A64.
Ground	Commercial	Whole.
Mezzanine	Commercial	Whole.
1st	Commercial	Whole.
2nd	Commercial	Whole.
8th	Office	A, D, E, F, G, H, I, J, K, L, M and N.
9th to 22nd	Office	A, B, C, D, E, F, G, H, I, J, K, L, M and N.

Group IV — Property held by the PAH Group for Investment
 (Continued)

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2005																		
8. Various Commercial Units and Car Parking Spaces at Va Iong, Praca da Amizade No: 6-52; Avenida do Infante D. Henrique No: 25-31 and Avenida Doutor Mario Soares No: 227-259, Macau.	<p>The subject building comprises a 21-storey residential building erected upon a 5-storey (including mezzanine) commercial podium plus 3 levels of basement. The development was completed in about 1993.</p> <p>The property comprises 14 car parking spaces on basement Level A, 15 shop units on ground floor, a cockloft and 23 shop units on the mezzanine of the building.</p> <p>The approximate total gross floor areas of the property are as follows:</p> <table><tr><th></th><th colspan="2">Gross Floor Area</th></tr><tr><th></th><th><i>sq.m.</i></th><th><i>sq.ft.</i></th></tr><tr><td>Shops on G/F</td><td>902.36</td><td>9,713</td></tr><tr><td>Cockloft</td><td>61.32</td><td>660</td></tr><tr><td>Shops on M/F</td><td>923.63</td><td>9,942</td></tr><tr><td>Total:</td><td><u>1,887.31</u></td><td><u>20,315</u></td></tr></table>		Gross Floor Area			<i>sq.m.</i>	<i>sq.ft.</i>	Shops on G/F	902.36	9,713	Cockloft	61.32	660	Shops on M/F	923.63	9,942	Total:	<u>1,887.31</u>	<u>20,315</u>	The property is vacant since it was acquired by the PAH Group in late 2004.	HK\$150,000,000
	Gross Floor Area																				
	<i>sq.m.</i>	<i>sq.ft.</i>																			
Shops on G/F	902.36	9,713																			
Cockloft	61.32	660																			
Shops on M/F	923.63	9,942																			
Total:	<u>1,887.31</u>	<u>20,315</u>																			
	<p>The property is held under a land lease from the Macau Government for a term of 25 years from 20 May 1988 which is subject to, upon expiry, renewal application to the Macau Government for a further term of 10 years with a payment of a renewal premium equivalent to ten times the then prevailing annual ground rent. In undertaking our valuation, we have assumed that the lease term will be successively renewed until 19 December 2049 in accordance with the relevant legislation and conditions. The ground rent payable for the property is about MOP11,000 per annum from its completion in about 1993.</p>																				

Notes:

- (1) The registered owner of the property is Power Giant Limited, which is the wholly-owned subsidiary of the PAH Group.
- (2) The property comprises the following units:

Floor(s)	Uses	Units
AC/V	Car Parks	22, 28, 29, 30, 31, 32, 33, 34, 37, 38, 51, 54, 55 and 59.
Ground	Commercials	B, C, D, E, F, G, H, I, J, K, L, M, N, O, P and Cockloft D.
Mezzanine	Commercial	A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V and W.

1. 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 inquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors’ interests in Shares

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the equity or debt securities of the Company and any associated corporations (within the meaning of Part XV of the SFO), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Number of Shares held	Approximate percentage of total issued Shares
Or Wai Sheun (<i>Note 1</i>)	353,023,083	62.29%
Ng Chi Man (<i>Note 2</i>)	352,838,083	62.25%
Or Pui Kwan (<i>Note 3</i>)	352,845,083	62.26%
Tam Hee Chung (<i>Note 4</i>)	500,000	0.09%
Lai Ka Fai (<i>Note 5</i>)	282,000	0.05%
Lok Kung Chin, Hardy (<i>Note 6</i>)	200,000	0.04%
Keith Alan Holman (<i>Note 5</i>)	153,000	0.03%
Yeung Kwok Kwong (<i>Note 5</i>)	100,000	0.02%

Notes:

1. Mr. Or Wai Sheun was deemed to be interested in 352,838,083 Shares ultimately and wholly-owned by a discretionary family trust of which Mr. Or is the founder and a beneficiary. These Shares were the Shares disclosed under Ms. Ng Chi Man in the above table and Note 2 below.

Mr. Or Wai Sheun was also deemed to be interested in 185,000 Shares owned by China Dragon Limited due to his corporate interest therein.
2. Ms. Ng Chi Man is the spouse of Mr. Or Wai Sheun. Ms. Ng was deemed to be interested in 352,838,083 Shares as a beneficiary of the discretionary family trust referred to in Note 1 above.
3. Mr. Or Pui Kwan is a son of Mr. Or Wai Sheun and Ms. Ng Chi Man. Mr. Or Pui Kwan was the beneficial owner of 7,000 Shares and was also deemed to be interested in 352,838,083 Shares as a beneficiary of the discretionary family trust referred to in Note 1 above.
4. Mr. Tam Hee Chung was deemed to be interested in 500,000 Shares owned by Larry H.C. Tam & Associates Limited by virtue of his 48% interest therein.
5. Shares were held by the respective Directors in their capacity as beneficial owners.
6. Mr. Lok Kung Chin, Hardy was taken to be interested in 200,000 Shares owned by a discretionary trust of which Mr. Lok is the founder.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had interests or short positions in any equity or debt securities of the Company or any associated corporations (within the meaning of Part XV of the SFO), which 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 or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

(b) Directors' rights to acquire Shares

The Company adopted a share option scheme on 21 May 2003 under which the Directors may, within a period of 10 years, invite any employee, Director or other persons as stipulated in the rules of the share option scheme to take up options to subscribe for Shares.

As at the Latest Practicable Date, there were no options outstanding.

(c) Substantial shareholders’ interests

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors or chief executive of the Company, the following persons, other than Directors or chief executive of the Company, had an interest or short position in the equity or debt securities of the Company 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 or any other member of the Enlarged Group or any options in respect of such capital:

(i) The Company

Name of Shareholder	Number of Shares held	Approximate percentage of total issued Shares
HSBC International Trustee Limited	354,074,433	62.47%
The Or Family Trustee Limited Inc.	352,838,083	62.25%

Note: Of the 354,074,433 Shares in which HSBC International Trustee Limited was interested as trustee, 352,838,083 Shares were those held by The Or Family Trustee Limited Inc. as trustee disclosed in the above table and referred to in Note 1 to the paragraph headed “Directors’ interests in Shares” above.

(ii) Other members of the Group

Name of subsidiary	Name of shareholder	Percentage of total issued shares
Brilliant Idea Investments Limited	Mr. Lau Wai Chi	15%
Cinema City Company Limited (<i>Note</i>)	Mr. Fung Ping Chung	15%
Cinema City (Film Production) Company Limited (<i>Note</i>)	Mr. Fung Ping Chung	15%
Golden Princess Amusement Company Limited	Mr. Fung Ping Chung	15%
Golden Princess Film Production Limited (<i>Note</i>)	Mr. Fung Ping Chung	15%

Note: Wholly-owned subsidiaries of Golden Princess Amusement Company Limited.

(iii) PAH

Name of shareholder	Number of PAH Shares held	Approximate percentage of total existing issued PAH Shares
Marble King (Note)	698,975,374	56.84%
Mr. Or	698,975,374	56.84%

Note: Marble King is beneficially and wholly owned by Mr. Or.

In addition, Marble King holds the entire 3,703,590,076 CPSs which are currently partly paid-up as to 10% of the subscription price of HK\$0.02 per CPS.

(iv) Other members of the PAH Group

Name of subsidiary	Name of shareholder	Approximate percentage of total issued shares
Acestart Investments Limited (Note 1)	Mr. U Sio Man	29.5%
Hin Rich International Limited (Note 2)	Sino-Asia Investment Limited	15.0%
	JHK International Limited	10.0%
	CSC Investment Company Limited	10.0%
Kam Yuen Property Investment Limited (Note 2)	Sino-Asia Investment Limited	15.0%
	JHK International Limited	10.0%
	CSC Investment Company Limited	10.0%
New Cosmos Holdings Limited	Sino-Asia Investment Limited	15.0%
	JHK International Limited	10.0%
	CSC Investment Company Limited	10.0%
Think Bright Limited	Mr. U Sio Man	29.5%

Notes:

- 1. A wholly-owned subsidiary of Think Bright Limited.
- 2. Wholly-owned subsidiaries of New Cosmos Holdings Limited.

(v) *Shenzhen Properties (Note)*

Name of shareholder	Number of shares held	Approximate percentage of total issued shares
深圳市建設投資控股公司 (Shenzhen Construction Investment Holdings) and 深圳市投資管理公司 (Shenzhen Investment Management Corporation)	380,861,612	70.3%

Note: Listed on the Shenzhen Stock Exchange and the acquisition of an effective interest of approximately 59.8% in the share capital of Shenzhen Properties by the Group is expected to be completed in early 2006 subject to the approvals to be obtained from the relevant PRC regulatory authorities.

(d) **Directors' interests in contracts, arrangements and competing businesses**

- (i) As at the Latest Practicable Date, save for the interests in Marble King and PAH, none of the Directors or their respective associates had any direct or indirect interest in any assets which have been since 31 December 2004 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group.
- (ii) On 7 January 2004, Future Star International Limited ("Future Star"), a wholly-owned subsidiary of the Company, and PHIL entered into a conditional sale and purchase agreement pursuant to which Future Star agreed to conditionally acquire from PHIL the entire issued share capital of and shareholder's loan due by Top Milestone Developments Limited ("Top Milestone"), a wholly-owned subsidiary of PHIL, to PHIL ("Macau Acquisition") at an aggregate consideration of HK\$400 million.

Top Milestone had entered into a co-investment agreement ("Co-Investment Agreement") with Polytex Corporation Limited ("Polytex"), a wholly-owned subsidiary of PHIL on 11 November 2003, whereby Top Milestone agreed to provide financing to Polytex in the development of a property project in Macau.

As PHIL is the controlling Shareholder, the Macau Acquisition and the provision of loans by Top Milestone to Polytex pursuant to the Co-Investment Agreement after completion of the Macau Acquisition constitute a connected transaction for the Company under Rule 14.26 and 14.25(2) of the Listing Rules (before amendments effective 31 March 2004) respectively. A loan agreement dated 24 February 2004 was entered into between the Company as borrower and PHIL as lender in relation to the provision of a loan in the sum of HK\$400 million to the Company upon normal commercial terms to assist in the completion of the Macau Acquisition. The signing of the said loan agreement is a connected transaction exempted by virtue of Rule 14.24(8) of the Listing Rules (before amendments effective 31 March 2004). PHIL is ultimately wholly-owned by a discretionary family trust the beneficiary objects of which include Mr. Or (Chairman of the Company), Ms. Ng Chi Man (an executive Director), Mr. Or Pui Kwan (an executive Director) and their family members. The Macau Acquisition as detailed in a circular issued by the Company on 30 January 2004 was approved by independent Shareholders on 16 February 2004 and completed on 24 February 2004.

Save as disclosed above and for the Acquisition in which Mr. Or, Ms. Ng Chi Man and Mr. Or Pui Kwan have interest, none of the Directors or their respective associates was materially interested in any contract or arrangement entered into by any member of the Enlarged Group and subsisting at the Latest Practicable Date which is significant in relation to the businesses of the Enlarged Group.

- (iii) PHIL, a company ultimately and wholly-owned by a discretionary family trust of which Mr. Or, Ms. Ng Chi Man (an executive Director), Mr. Or Pui Kwan (an executive Director) and their family members are beneficiaries, is engaged in property investment and development in Macau and has interest in certain investment properties and properties held for development in Macau. As a result, Mr. Or, Ms. Ng Chi Man and Mr. Or Pui Kwan are considered to have interests in a business which competes, or is likely to compete, either directly or indirectly, with the business of the Group. Upon Completion, PHIL will grant 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 Macau. The Board considers that the PAH Group currently has a sufficient portfolio of properties held as investment and development and will consider opportunities offered to the PAH Group as they arise. The Board considers that the Group is capable of carrying on its business independently of, and at arm's length from, the business of PHIL.

Save as the aforesaid, as at the Latest Practicable Date, none of the Directors or their respective associates had interests in a business, apart from the businesses of the Enlarged Group, which competes or is likely to compete, either directly or indirectly, with the businesses of the Enlarged Group.

- (iv) As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Enlarged Group which will not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

3. PROCEDURES FOR DEMANDING A POLL

Article 75 of the articles of association of the Company sets out the procedures by which Shareholders may demand a poll:

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the Chairman of the meeting; or
- (ii) by at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) by a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to and not less than one-tenth of the total sum paid up on all the Shares conferring that right.

Unless a poll be so demanded and not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

As stated in the letter from the Board in this circular, as the Acquisition constitutes a connected transaction for the Company under the Listing Rules where Mr. Or, Ms. Ng Chi Man, Mr. Or Pui Kwan, Intellinsight and their respective associates are required to abstain from voting, the ordinary resolution to be proposed at the EGM to consider and, if thought fit, approve the Acquisition will be taken by poll. Accordingly, the Chairman of the EGM will demand a poll at the EGM.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

5. LITIGATION

As at the Latest Practicable Date, save as disclosed below, neither the Company nor any other member of the Enlarged Group was engaged in any litigation or claims of material importance pending or threatened against any member of the Enlarged Group:

Relating to the PAH Group

- (a) On 10 September 2004, Success Ever Limited, a wholly-owned subsidiary of PAH, received a writ (the “Writ”) dated 9 September 2004 issued by Mr. Ma Tak Yin (“Mr. Ma”), the plaintiff, who is a minority shareholder holding 20.05% interest in Sociedade de Investimento Predial Han Van San, Limitada, the vendor (the “Vendor Company”) of certain property interests (the “Macao Property”) at Han Van San Commercial Building. Success Ever Limited, together with the independent joint venture partner of the Macao Property of Success Ever Limited, the Vendor Company, and the two major shareholders both together holding totally 74.94% interest in the Vendor Company were named defendants in the Writ. Mr. Ma claimed in the Writ to (i) set aside the shareholders’ resolutions of the Vendor Company passed and approved by all the shareholders (totally there are four shareholders only) other than Mr. Ma totally holding 79.95% interest in the meeting held on 12 April 2004, because it violates the provision of article 235, paragraph 2 of the Commercial Code, article 6, paragraph 2 of its articles of association and article 230 of the Commercial Code and, consequently, annul all the acts subsequent to those resolutions; (ii) concomitantly, taken into consideration that the aforesaid shareholders’ resolution of the Vendor Company which is the previously registered owner of the Macao Property having been set aside, to annul the sale and purchase agreement signed and executed on 24 March 2004, with all the legal consequences; and (iii) to grant a judgment that the court approves the claims therein mentioned. The status of the litigations set out above remains unchanged as stated in PAH’s circular dated 27 January 2005.

Relating to the Shenzhen Properties Group

- (a) Shenzhen Properties and one of its wholly-owned subsidiaries are defendants in a law suit in 1999 in respect of a claim for breach of contract of sale and purchase of real properties on the part of Shenzhen Properties Group by virtue of their failure to complete the transaction by proper transfer of title of the properties concerned on schedule as contracted. The Provincial High Court of Guangdong has declared and re-affirmed its final ruling against Shenzhen Properties and ruled a total compensation of approximately HK\$79 million (or approximately RMB84 million) would need to be paid to the plaintiffs, Shenzhen Properties has appealed to the People's Supreme Court, and as a prerequisite condition of the appeal, submitted to the court a voluntary order of restriction on certain of Shenzhen Properties Group's real properties assets of a carrying value on the balance sheet as at 31 December 2004 of approximately RMB40 million which, in the opinion of Shenzhen Properties' directors, are of a realisable value sufficient to cover the compensation as imposed by the lower court decision. As at the Latest Practicable Date, the appeal to the Supreme Court was still in progress.
- (b) A court case against Shenzhen Properties in 2000 in relation to delay in delivery of real properties was finalised and according to the court decision Shenzhen Properties have to refund to the plaintiff the whole of the purchase consideration for the properties concerned in the amount of RMB10.8 million plus interest accrued. Shenzhen Properties has appealed to the People's Supreme Court and a hearing was held on 18 January 2005. On 5 August 2005, an order was granted by the People's Supreme Court that the case would be re-heard by the Provincial High Court of Guangdong and execution of the judgment previously granted would be suspended for the time being.
- (c) A subsidiary of Shenzhen Properties received a claim in relation to the delay in delivery of real properties and title deeds. The plaintiff's claim was for an amount of RMB4.2 million. The case was heard by the Shenzhen Intermediate Court on 21 February 2005. Judgment was given on 1 June 2005 in favour of the subsidiary of Shenzhen Properties as concrete evidence were provided to court. The plaintiff had lately submitted appeal to judgment. As at the Latest Practicable Date, the appeal was still in progress.
- (d) Shenzhen Properties provided guaranteed for a third party, 金田實業(集團)股份有限公司, on bank loans of approximately RMB8.6 million. The loans were in default and the bank had taken legal action against the borrower and Shenzhen Properties to recover the loan principal and interest accrued. The court had placed a closing order on certain of Shenzhen Properties Group's long term equity investments for this purpose. As at the Latest Practicable Date, such order has been released as Shenzhen Properties has repaid RMB6 million to the bank.

6. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion or advice contained in this circular:

Name	Qualifications
Access Capital Limited	Licensed corporation under the SFO to conduct types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) of the regulated activities under the SFO
DTZ Debenham Tie Leung Limited	Independent professional valuer

Each of Access Capital and DTZ has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or report and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of Access Capital and DTZ did not have any holding, directly or indirectly, of any securities in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities of any member of the Group.

As at the Latest Practicable Date, each of Access Capital and DTZ did not have any direct or indirect interests in any assets which since 31 December 2004 (being the date to which the latest published audited consolidated financial statements of the Group were made up) had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group.

7. MISCELLANEOUS

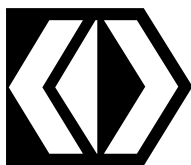
- (a) The Qualified Accountant and Secretary of the Company is Ms. Wai Yuk Hing, Monica. Ms. Wai holds a Bachelor of Business degree from the Monash University, Melbourne, Australia, and is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and an associate member of CPA Australia.
- (b) The share registrar of the Company is Computershare Hong Kong Investor Services Limited, on 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text thereof in the case of any inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the Company on 23rd Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong up to and including Monday, 21 November 2005 (being the date of the EGM):

- (a) the Agreement;
- (b) the Co-Investment Agreement as referred to on page 55 of this circular;
- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 18 of this circular;
- (d) the letter of independent advice from Access Capital, the text of which is set out on pages 19 to 32 of this circular;
- (e) the valuation report from DTZ, the text of which is set out on pages 33 to 50 of this circular; and
- (f) each of the written consents from Access Capital and DTZ as referred to in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



九龍建業有限公司

KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 34)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Kowloon Development Company Limited (the “**Company**”) will be held at Crystal Ballroom, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Kowloon, Hong Kong on Monday, 21 November 2005 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the sale and purchase agreement (the “**Agreement**”) dated 12 October 2005 (a copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purposes) entered into between Mr. Or Wai Sheun (the “**Vendor**”) and the Company in respect of the acquisition by the Company from the Vendor of the entire issued share capital of, and the shareholder’s loan to, Marble King International Limited (“**Marble King**”) and the transactions contemplated thereunder be and are hereby approved;
- (b) subject to completion of the Agreement, payment of any outstanding subscription price for the non-voting convertible redeemable preference shares of Polytec Asset Holdings Limited (“**PAH**”) held by Marble King and conversion of any of such shares into ordinary shares of PAH be and are hereby approved; and
- (c) the board of directors of the Company be and is hereby authorised to take all steps necessary, desirable or expedient for the purposes of or in connection with the implementation of the Agreement and the transactions contemplated thereunder.”

By Order of the Board

KOWLOON DEVELOPMENT COMPANY LIMITED

Wai Yuk Hing, Monica

Company Secretary

Hong Kong, 4 November 2005

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered office:

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

Notes:

1. Any member entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies (who must be individuals) to attend and, on a poll, vote in his stead. 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 registrar, Computershare Hong Kong Investor Services Limited, on 46th 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 any adjournment thereof.
3. A form of proxy for use at the meeting has been accompanied with the circular of the Company dated, and despatched to the members of the Company on, 4 November 2005. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof, should you so wish. In such event, the form of proxy shall be deemed to be revoked.
4. 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, 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.