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

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

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九龍建業有限公司

KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 34)

**GENERAL MANDATES TO ISSUE SHARES AND
TO REPURCHASE SHARES**

AMENDMENTS TO ARTICLES OF ASSOCIATION

NOTICE OF ANNUAL GENERAL MEETING

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LETTER FROM THE BOARD OF DIRECTORS



九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 34)

Executive Directors

Or Wai Sheun (*Chairman*)

Ng Chi Man

Lai Ka Fai

Or Pui Kwan

Registered Office

23rd Floor, Pioneer Centre

750 Nathan Road

Kowloon

Hong Kong

Non-executive Directors

Keith Alan Holman (*Deputy Chairman*)

Tam Hee Chung

Yeung Kwok Kwong

Independent Non-executive Directors

Chau Cham Son

Li Kwok Sing, Aubrey

Lok Kung Chin, Hardy

Seto Gin Chung, John

10 April 2006

To the Shareholders

Dear Sir or Madam

**GENERAL MANDATES TO ISSUE SHARES AND
TO REPURCHASE SHARES
AND
AMENDMENTS TO ARTICLES OF ASSOCIATION
("Proposals")**

**AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information reasonably necessary regarding the Proposals and to seek your approval of the Proposals. Your approval will be sought at the annual general meeting ("Annual General Meeting") of the Company to be held in Hong Kong

LETTER FROM THE BOARD OF DIRECTORS

at the Crystal Ballroom, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Kowloon, Hong Kong on Monday, 8 May 2006.

GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES

At the last annual general meeting of the Company held on 5 May 2005, resolutions were passed giving general mandates to the directors of the Company (“Directors”) to allot, issue and deal with additional shares of HK\$0.10 each in the share capital of the Company (“Shares”) and to exercise the powers of the Company to repurchase its own Shares in accordance with the Rules (“Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). These general mandates will lapse at the conclusion of the Annual General Meeting.

At the Annual General Meeting, separate ordinary resolutions will be proposed to renew the general mandates given to the Directors:

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

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

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

An explanatory statement as required under the Listing Rules giving certain information regarding the Repurchase Mandate is set out in Appendix I.

LETTER FROM THE BOARD OF DIRECTORS

AMENDMENTS TO ARTICLES OF ASSOCIATION

The Directors proposed to amend the Company's articles of association ("Articles of Association") to reflect the new Code on Corporate Governance Practices (the "Code") which replaced the Code of Best Practice in Appendix 14 of the Listing Rules. The Code, subject to certain transitional arrangements, took effect on 1 January 2005. Certain minor housekeeping amendments to the Articles of Association are also proposed under agenda item (8) of the notice convening the Annual General Meeting.

The effect of the proposed amendments to the Articles of Association is set out below:

- (a) Article 105(A) To conform to the requirement of Code Provision A.4.2 that every director should be subject to retirement by rotation at least once every three years.
- (b) Article 110 To be consistent with the current provisions of the Companies Ordinance regarding register of directors.
- (c) Article 120 To tie in with the changes made to paragraph (A) of Article 105.

ACTION TO BE TAKEN

Notice of the Annual General Meeting is set out on pages 7 to 12 of this circular.

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

RECOMMENDATION

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

Yours faithfully
By Order of the Board
Kowloon Development Company Limited
Or Wai Sheun
Chairman

APPENDIX I EXPLANATORY STATEMENT ON REPURCHASE MANDATE

The following is the explanatory statement required to be sent to shareholders under the Listing Rules in connection with the Repurchase Mandate.

- (i) As at 31 March 2006 (the latest practicable date prior to the printing of this circular), the issued share capital of the Company comprised 566,767,850 Shares. Subject to the passing of the necessary ordinary resolutions and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, exercise in full of the Repurchase Mandate could accordingly result in up to 56,676,785 Shares being repurchased by the Company during the course of the period prior to the next annual general meeting.
- (ii) A repurchase of Shares may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and/or its earnings per share and will only be made when the Directors believe that such purchase will be to the benefit of the Company and its shareholders.
- (iii) The Company may only apply funds legally available for the repurchase of Shares in accordance with its Memorandum and Articles of Association, the Listing Rules and the applicable laws of Hong Kong.
- (iv) There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited financial statements as at 31 December 2005) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.
- (v) There are no Directors or (to the best of the knowledge of the Directors, having made all reasonable enquiries) any associates (within the meaning of the Listing Rules) of Directors who have a present intention to sell Shares to the Company if the Repurchase Mandate is approved by shareholders.
- (vi) The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make purchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Hong Kong.
- (vii) If as a result of a repurchase of securities a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). As a result, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 and 32 of the Takeovers Code. As at 31 March 2006

APPENDIX I EXPLANATORY STATEMENT ON REPURCHASE MANDATE

(the latest practicable date prior to the printing of this circular), the Company's single largest shareholder, Intellinsight Holdings Limited (ultimately wholly-owned by a discretionary family trust of which Mr Or Wai Sheun, Chairman, Ms Ng Chi Man and Mr Or Pui Kwan, Executive Directors, and their family members are beneficiaries), together with parties acting in concert with it held 353,023,083 Shares which represented approximately 62.29% of the issued share capital of the Company. In the event that the Directors exercise in full the power to repurchase Shares pursuant to the Repurchase Mandate, the percentage shareholding of Shares held by Intellinsight Holdings Limited would increase to approximately 69.21% of the total issued Shares of the Company. Save as aforesaid, the Directors are not aware of any other consequences that would arise under the Takeover Code as a result of a repurchase pursuant to the Repurchase Mandate.

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

	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
April 2005	9.35	8.75
May 2005	9.30	8.35
June 2005	8.95	8.15
July 2005	9.20	8.50
August 2005	8.65	8.30
September 2005	9.05	8.45
October 2005	8.90	7.85
November 2005	8.60	7.75
December 2005	8.70	8.05
January 2006	8.70	8.20
February 2006	10.40	8.45
March 2006	13.50	10.20

Article 75 of the Articles of Association of the Company sets out the procedure 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 members present in person (or, in the case of a member 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 member or members present in person (or, in the case of a member 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 members having the right to vote at the meeting; or
- (iv) by a member or members present in person (or, in the case of a member 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 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.

NOTICE OF ANNUAL 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 the annual general meeting (“Meeting”) of Kowloon Development Company Limited (the “Company”) will be held at the Crystal Ballroom, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Kowloon, Hong Kong on Monday, 8 May 2006 at 11:00 a.m. for the following purposes:

As Ordinary Business

Ordinary Resolutions

- (1) To receive and consider the Audited Accounts and the Reports of the Directors and Auditors for the year ended 31 December 2005.
- (2) To declare a final dividend.
- (3) To re-elect Directors and authorise the Board of Directors of the Company to fix their remuneration.
- (4) To re-appoint Auditors and to authorise the Board of Directors of the Company to fix their remuneration.

As Special Business

Ordinary Resolutions

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

- (5) **THAT:**
 - (A) subject to paragraph (C) of this Resolution, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds, debentures,

NOTICE OF ANNUAL GENERAL MEETING

notes and any securities which carry rights to subscribe for or are convertible into shares in the Company) which would or might require the exercise of such power be generally and unconditionally approved;

- (B) the approval in paragraph (A) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are convertible into shares in the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (A) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (D) of this Resolution); or (ii) the exercise of options granted under any share option scheme adopted by the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company; or (iv) an issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any of the securities which are convertible into shares of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and
- (D) for the purpose of this Resolution:

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

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

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares

NOTICE OF ANNUAL GENERAL MEETING

(subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, Hong Kong or any territory outside Hong Kong).

(6) **THAT:**

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

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

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

(7) **THAT:**

conditional upon the passing of Resolutions (5) and (6) as set out in this notice convening the Meeting of which this Resolution forms part, the general mandate granted to the Directors of the Company pursuant to Resolution (5) as set out in this notice convening the Meeting of which this Resolution forms part be and is hereby extended by the

NOTICE OF ANNUAL GENERAL MEETING

addition thereto of an amount representing the aggregate nominal amount of share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution (6) as set out in this notice convening the Meeting of which this Resolution forms part, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution.

Special Resolution

To amend the Company's articles of association by passing the following resolution as a special resolution:

(8) **THAT:**

the articles of association of the Company be and are hereby amended in the following manner:

- (a) by deleting paragraph (A) of Article 105 in its entirety and replacing it with the following new paragraph:

“(A) Subject to any express terms to the contrary in the relevant resolution for appointing any Director under Article 96, any Director so elected by the Company shall be elected for a term of not more than approximately three years since his last election or re-election expiring at the conclusion of the third annual general meeting of the Company after his election or re-election. The retiring Directors shall be eligible for re-election.”;

- (b) by deleting Article 110 in its entirety and replacing it with the following new Article 110:

“110. The Company shall keep in accordance with the Companies Ordinance a register containing particulars of its Directors and shall from time to time notify the Registrar of Companies of any change that takes place in its register of Directors as required by the Companies Ordinance.”; and

- (c) by deleting “(subject to the proviso to Article 105(A))” in the 3rd line of Article 120.

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

Hong Kong, 30 March 2006

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. Any member entitled to attend and vote at the Annual General Meeting to be held on 8 May 2006 (“AGM”) is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
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 registrars, 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 AGM or adjourned meeting thereof.
3. All Directors, except the Chairman, are subject to retirement by rotation pursuant to the Company’s Articles of Association. At each annual general meeting, one-third of the Directors who have been longest in office since their last election shall retire from office. In addition, any Director appointed by the Board to fill a casual vacancy or as an addition to the Board prior to the annual general meeting shall retire from office at the next following annual general meeting pursuant to the Company’s articles of association. The retiring Directors are eligible for re-election.

In relation to item (3) set out in this Notice regarding re-election of Directors, Mr Chau Cham Son (*Independent Non-executive Director*), Mr Keith Alan Holman (*Deputy Chairman*) and Ms Ng Chi Man (*Executive Director*) will retire at the AGM by rotation. Mr Or Pui Kwan was appointed as an Executive Director of the Company on 9 September 2005 and will also retire at the AGM. Mr Chau Cham Son has informed the Board that he will not stand for re-election. Mr Keith Alan Holman, Ms Ng Chi Man and Mr Or Pui Kwan, being eligible, offer themselves for re-election.

The biographical details and interests in the shares of the Company of all the retiring Directors are provided in the “Profile of Directors and Senior Management” section and the “Report of the Directors” section of the 2005 Annual Report of the Company. All the retiring Directors, except Mr Or Pui Kwan, have not signed any service contract with the Company; they all have no fixed term of Director’s service but are subject to retirement by rotation pursuant to the Company’s articles of association.

Mr Keith Alan Holman is entitled to a Director’s fee to be determined by the Board upon approval by the shareholders at the AGM and his other emoluments are to be determined by the Board with reference to the prevailing market practice, his duties and responsibilities with the Company and his contribution to the Company. In 2005, Mr Holman received a total emolument of HK\$504,044 (including a Director’s fee of HK\$120,000 for being a Non-executive Director) from the Company. He is not related to any Directors, senior management, substantial or controlling shareholders of the Company.

Ms Ng Chi Man is entitled to a Director’s fee to be determined by the Board upon approval by the shareholders at the AGM and her other emoluments are to be determined by the Board with reference to the prevailing market practice, her duties and responsibilities with the Company and her contribution to the Company. In 2005, Ms Ng had elected not to receive any emoluments from the Company. Her relationships with the other Directors, senior management, substantial or controlling shareholders of the Company are disclosed under the “Profile of Directors and Senior Management” section and the “Report of the Directors” section of the Company’s 2005 Annual Report.

In 2005, Mr Or Pui Kwan received a total of HK\$295,300 for being an Executive Director of the Company since his appointment in September 2005, all of which are covered by a service contract. Mr Or’s emoluments will be reviewed annually with reference to the prevailing market practice, his duties and responsibilities with the Company and his contribution to the Company. His relationships with the other Directors, senior

NOTICE OF ANNUAL GENERAL MEETING

management, substantial or controlling shareholders of the Company are disclosed under the “Profile of Directors and Senior Management” section and the “Report of the Directors” section of the Company’s 2005 Annual Report.

Save as disclosed herein, there are no other matters relating to the re-election of the above retiring Directors that need to be brought to the attention of the members pursuant to Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

4. With reference to items (5), (6) and (7) set out in this Notice, the Directors wish to state that they have no immediate plans to repurchase any existing shares or to issue any new shares pursuant to the relevant mandate.
5. In item (8) above, members are asked to approve amendments to the articles of association of the Company for compliance with the recent changes in the Listing Rules. The articles of association of the Company are written in English and hence the Chinese version of the Resolution as set out in item (8) is for reference only. In case of any inconsistency, the English version shall prevail.