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

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

**If you have sold or transferred** all your shares in **KOWLOON DEVELOPMENT COMPANY LIMITED**, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 34)**

**DISCLOSEABLE TRANSACTION**  
**DISPOSAL OF 20% EQUITY INTEREST IN**  
**SOUTHERN SUCCESS CORPORATION**

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This circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

19 April 2006

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## DEFINITIONS

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

“Agreement”	a sale and purchase agreement dated 31 March 2006 and entered into between Global Retail Incorporated and Atlantic Capital Limited (擴銘有限公司) relating to the Disposal;
“Board”	the board of directors of the Company;
“Business Day”	a day on which banks are open for business in Hong Kong (excluding Saturdays and Sundays);
“Company”	Kowloon Development Company Limited (九龍建業有限公司), a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange;
“Completion”	completion of the Disposal upon the terms and subject to the conditions set out in the Agreement;
“Consideration”	the consideration for the Disposal, being a sum of US\$11,600,000 (equivalent to approximately HK\$90,480,000);
“Director(s)”	director(s) of the Company;
“Disposal”	the disposal of 200 shares of US\$1.00 each, representing 20% equity interest in the issued share capital of Southern Success Corporation pursuant to the Agreement;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China;
“Independent Third Parties”	third parties independent of and not connected with the Company and its subsidiaries and connected persons (as defined in the Listing Rules) of the Company and its subsidiaries;
“Latest Practicable Date”	10 April 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;

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## DEFINITIONS

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“Relevant Interests”	20% equity interest in the issued share capital of Southern Success Corporation, which was legally and beneficially owned by the Group immediately prior to the Disposal;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	holder(s) of the shares of the Company;
“SSC”	Southern Success Corporation;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

*Unless otherwise specified in this circular, translation of HK\$ into US\$ is at the exchange rate of US\$1.00 = HK\$7.80.*

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## LETTER FROM THE BOARD

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

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 34)**

*Executive Directors*

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

19 April 2006

*To the Shareholders*

Dear Sir or Madam

## DISCLOSEABLE TRANSACTION

### INTRODUCTION

On 31 March 2006, the Board announced that Atlantic Capital Limited (擴銘有限公司) (“**Atlantic**”), (a wholly-owned subsidiary of the Company), entered into a Sale and Purchase Agreement with Global Retail Incorporated (“**Global**”) on the same date whereby Atlantic agreed to dispose of its entire 20% equity interest in the issued share capital of Southern Success Corporation to Global for a total consideration of US\$11,600,000 (equivalent to approximately HK\$90,480,000).

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## LETTER FROM THE BOARD

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The Disposal constitutes a discloseable transaction of the Company under the Listing Rules. The purpose of this circular is to provide you with further information in relation to the Disposal.

### THE AGREEMENT

1. **DATE** : 31 March 2006

2. **PARTIES** :

Purchaser : Global Retail Incorporated, a limited liability company incorporated under the laws of the British Virgin Islands.

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, Global Retail Incorporated together with its beneficial owners are Independent Third Parties.

Vendor : Atlantic Capital Limited (擴銘有限公司), a limited liability company incorporated under the laws of Hong Kong, which is a wholly-owned subsidiary of the Company.

3. **RELEVANT INTERESTS TO BE DISPOSED OF**

200 shares of US\$1.00 each, representing 20% equity interest in the issued share capital of SSC, being the entire interests held by the Vendor immediately prior to the Disposal.

The carrying value of the Relevant Interests in the audited consolidated accounts of the Company was HK\$44,687,000 as at 31 December 2005. On this basis, the gain on the Disposal expected to accrue to the Group is approximately HK\$45,793,000. As a result of the Disposal, the Group's interest in associated companies is expected to decrease by HK\$44,687,000 (being the carrying value of the Relevant Interests). The bank and cash balance of the Group is expected to increase by HK\$90,480,000 (HK\$ equivalent of US\$11,600,000 (being the consideration of the disposal)). The Group's net assets is expected to increase by approximately HK\$45,793,000 (being the gain of the Disposal). The Disposal is not expected to have any material effect on the Group's liabilities and earnings.

4. **CONSIDERATION AND BASIS FOR DETERMINING THE CONSIDERATION**

The Consideration of US\$11,600,000 (equivalent to approximately HK\$90,480,000) was agreed on normal commercial terms between the parties after arm's length negotiations. Having regard to the unaudited management account of SSC as at 31 January 2006, the Consideration represents a premium of approximately 90% to the Vendor's attributable interest in SSC's consolidated net asset value.

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## LETTER FROM THE BOARD

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### 5. PAYMENT TERMS AND DATE OF COMPLETION

The Consideration of US\$11,600,000 (equivalent to approximately HK\$90,480,000) is required to be paid by the Purchaser to the Vendor by way of a cashier order on completion, which took place forthwith after signing of the Agreement.

### INFORMATION ON THE PARTIES

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 and the Vendor is a wholly-owned subsidiary of the Company.

The Purchaser is a company incorporated in the British Virgin Islands with limited liability. The Purchaser and its subsidiaries are principally engaged in sales and distributions of apparel, shoes and accessories. Immediately prior to the Disposal, the Purchaser holds 80% equity interest in the issued share capital of SSC, being the only shareholder of SSC other than the Vendor. The beneficial owner of the Purchaser is Mr. Fang, Fang Jeffrey. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Global Retail Incorporated together with its beneficial owners, are Independent Third Parties.

### INFORMATION ON SSC

SSC is an investment holding company incorporated in the Cayman Islands and its subsidiaries are principally engaged in sales and distributions of apparel, shoes and accessories. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the substantial shareholder of SSC, being the Purchaser, and its beneficial owners, are Independent Third Parties, and thus the Disposal does not constitute a connected transaction.

The Group acquired the Relevant Interests in around late 2000. SSC is treated as an associated company of the Group, and the investment in SSC is accounted for using the equity method in the consolidated financial statements of the Company.

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## LETTER FROM THE BOARD

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Below is the relevant financial information of SSC:

	<b>Unaudited consolidated management accounts for the year ended 31 January 2006 (HK\$ million)</b>	<b>Audited consolidated accounts for the year ended 31 January 2005 (HK\$ million)</b>
Total Assets	802.81	596.64
Net Asset Value	238.90	189.28
Turnover	809.83	649.21
Profits before Taxation	77.08	57.75
Profits after Taxation	56.25	43.85

### REASON FOR THE DISPOSAL

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. SSC and its subsidiaries are principally engaged in sales and distributions of apparel, shoes and accessories, which is a non-core business of the Group. Therefore the Disposal will facilitate the Group to concentrate on its core business of property development and investment, property management, financial services and investments in Hong Kong, Macau and China. The Directors consider that the terms of the Disposal are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Upon completion of the Disposal, the Company will not hold any interest directly or indirectly in SSC.

### INTENDED APPLICATION OF THE SALE PROCEEDS

The net sale proceeds of the Disposal are intended to be used for general working capital.

### GENERAL

Pursuant to Chapter 14 of the Listing Rules, the Disposal constitutes a discloseable transaction of the Company.

Your attention is drawn to the information set out in the appendix to this circular.

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



**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 enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement contained herein misleading.

**2. DISCLOSURE OF DIRECTORS' INTERESTS**

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

**Interest in the Company**

<b>Name of Director</b>	<b>No. of Shares held</b>		<b>Approximate percentage of issued share capital of the Company</b>	<b>Note</b>
	<i>Long position</i>	<i>Short position</i>		
Or Wai Sheun	353,023,083	—	62.29	1
Ng Chi Man	352,838,083	—	62.25	2
Or Pui Kwan	352,845,083	—	62.26	3
Tam Hee Chung	500,000	—	0.09	4
Lai Ka Fai	282,000	—	0.05	5
Lok Kung Chin, Hardy	200,000	—	0.04	6
Keith Alan Holman	153,000	—	0.03	5
Yeung Kwok Kwong	100,000	—	0.02	5

*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 and Mr. Or Pui Kwan in the above table and in the Note of the section on “Disclosure of Substantial Shareholders and Other Persons Interests”.

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 the 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 beneficiary 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.

**Interests in other members of the Group*****Polytec Asset Holdings Limited (“PAH”)***

Name of Director	No. of shares held <i>Long position</i>	Approximate percentage of issued share capital of PAH %	No. of underlying shares held	Approximate percentage of issued share capital of PAH %	Note
Or Wai Sheun	698,975,374	56.84	250,734,005	20.38	1
Ng Chi Man	698,975,374	56.84	250,734,005	20.38	1
Or Pui Kwan	698,975,374	56.84	250,734,005	20.38	1
Yeung Kwok Kwong	1,600,000	0.13	—	—	3
Tam Hee Chung	1,000,000	0.08	—	—	2
Keith Alan Holman	480,000	0.04	—	—	3
Lai Ka Fai	300,000	0.02	—	—	3

*Notes:*

1. Through their respective interests in the Company disclosed above, Mr. Or Wai Sheun, Ms. Ng Chi Man and Mr. Or Pui Kwan were deemed to be interested in 698,975,374 ordinary shares and 3,703,590,076 non-voting redeemable convertible preference shares ("CPS") of Polytec Asset Holdings Limited. The CPS are issued partly paid as to 10% of the subscription price of HK\$0.02 per share and convertible into 250,734,005 ordinary shares. Mr. Or Wai Sheun, Ms. Ng Chi Man and Mr. Or Pui Kwan were deemed to be interested in an aggregate 77.22% of the issued ordinary shares of Polytec Asset Holdings Limited as at the Latest Practicable Date.
2. Mr. Tam Hee Chung was deemed to be interested in 1,000,000 shares owned by Larry H.C. Tam & Associated Limited by virtue of his 48% interest therein.
3. Shares were held by the respective Directors in their capacity as beneficial owners.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### 3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

#### Interests in the Company

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or the chief executive of the Company) had an interest or short position in the Shares and underlying shares 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:

Name of Shareholder	Number of Shares	Approximate percentage of issued share capital of the Company %
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 of certain discretionary trusts that it manages, 352,838,083 shares were the shares held by The Or Family Trustee Limited Inc. as trustee disclosed in the above table and referred to in Note 1 of the section on "Disclosure of Directors' Interests".

**Interests in other member of the Group**

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following person (other than a Director or the chief executive of the Company) was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Name of member of the Group	Approximate percentage of issued share capital of the company %
Mr. Lau Wai Chi	Brilliant Idea Investments Limited	15
Mr. Fung Ping Chung	Cinema City Company Limited ( <i>Note</i> )	15
Mr. Fung Ping Chung	Cinema City (Film Production) Company Limited ( <i>Note</i> )	15
Mr. Fung Ping Chung	Golden Princess Amusement Company Limited	15
Mr. Fung Ping Chung	Golden Princess Film Production Limited ( <i>Note</i> )	15

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

Save as disclosed herein, as at the Latest Practicable Date, so far as is known to any Directors or chief executive of the Company, no other person (other than a Director or the chief executive of the Company) had an interest or short position in the Shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

**4. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had a service contract with the Company or any of its subsidiaries which was not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## 5. MATERIAL LITIGATION

As at the Latest Practicable Date, save as disclosed below, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

Relating to the Polytec Asset Holdings Limited (the “**PAH**”) (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) and its subsidiary (the “**PAH Group**”):

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.

## 6. COMPETING INTERESTS

As at the Latest Practicable Date, none of Directors or their respective associates (as defined in the Listing Rules) had any interests in a business which competes or may compete with the business 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 registered office of the Company is located at 23/F, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.