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If you are in any 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 to the purchaser or the 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 the transferee.

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九龍建業有限公司

KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 34)

DISCLOSEABLE TRANSACTION
ACQUISITION OF LAND IN SHENYANG

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DEFINITIONS

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

“Acquisition”	the acquisition of the Property pursuant to the Tender
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Buyer”	保利達地產佳伴(瀋陽)有限公司 (Polytec Property Good Companion (Shenyang) Limited), a wholly foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
“Company”	Kowloon Development Company Limited, a company incorporated in Hong Kong, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Landowner”	瀋陽市規劃和國土資源局 (Shenyang Planning and State Land Resources Bureau), a government department responsible for land and resources under the Shenyang Municipal Government
“Latest Practicable Date”	22 June 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Or”	Mr. Or Wai Sheun, the Chairman of the Company
“PAH”	Polytec Asset Holdings Limited, a company incorporated with limited liability in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange

DEFINITIONS

“PAH Group”	PAH and its subsidiaries
“PRC”	the People’s Republic of China (for the purpose of this circular, excludes Hong Kong, Macau and Taiwan)
“Property”	the piece of land with Lot No. 2005-129 with an area of approximately 1,450,000 square metres to be acquired by the Group pursuant to the Acquisition
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shenyang Land Reserve and Exchange Centre”	瀋陽市土地儲備交易中心 (Shenyang Land Reserve and Exchange Centre)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tender”	the tender for the Property arranged by the Shenyang Land Reserve and Exchange Centre on behalf of the Landowner
“%”	per cent.

Unless otherwise stated, amounts denominated in RMB have been converted into HK\$ in this circular at a rate of RMB1.033 = HK\$1.00.

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. Li Kwok Sing, Aubrey
Mr. Lok Kung Chin, Hardy
Mr. Seto Gin Chung, John

26 June 2006

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION
ACQUISITION OF LAND IN SHENYANG

INTRODUCTION

The Board announced on 9 June 2006 that the Buyer, an indirect wholly-owned subsidiary of the Company, has successfully tendered for the Property for approximately RMB830,000,000 (equivalent to approximately HK\$803,000,000).

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. The purpose of this circular is to provide you with further information with regard to the Acquisition.

LETTER FROM THE BOARD

THE ACQUISITION

Date of the Tender

8 June 2006

Parties involved in the Tender

- (1) Shenyang Land Reserve and Exchange Centre, acting on behalf of the Landowner. The Landowner is a government department responsible for land and resources under the Shenyang Municipal Government.
- (2) the Buyer.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, each of the Shenyang Land Reserve and Exchange Centre and the Landowner is an independent third party not connected with the Company or any of its subsidiaries or any of their respective directors, chief executive or substantial shareholders or any of their respective associates.

Pursuant to the Tender, the Buyer has acquired the Property.

Consideration

The consideration for the Acquisition of the Property is an aggregate amount of approximately RMB830,000,000 (equivalent to approximately HK\$803,000,000), which is determined after a public bidding process and the Board considers that the consideration is fair and reasonable having taking into account the location and development potential of the Property.

The consideration will be satisfied by the internal resources of the Group and is payable as to RMB400,000,000 (equivalent to approximately HK\$387,000,000) upon the award of the Tender, with the balance payable in full before 30 June 2007.

The Property

The Property is located to the west of Daba Road in Dong Ning District of Shenyang, the PRC, and is currently owned by the Landowner. It has an area of approximately 1,450,000 square metres and has been approved for residential and commercial development purposes. The term of the grant is 50 years for residential premises and 40 years for commercial premises.

LETTER FROM THE BOARD

Financial effects of the Acquisition

Upon completion of the Acquisition, the consideration paid for the Property will be taken up as an asset of the Group under “Land Held for Future Development”. As the consideration will be satisfied by the internal resources of the Group, there will be a decrease in bank and cash balances or an increase in bank borrowings of the Group or a combination of both to the extent of the consideration paid. The Acquisition is not expected to have any material effect on the Group’s net asset value and earnings.

Reason for the Transaction

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

In order to enhance the Group’s position in the PRC property market, the Board believes that the Acquisition will increase the land bank of the Group and provide the Group with a good opportunity for project development in Shenyang. The Directors (including the independent non-executive Directors) consider that the Acquisition has been made on normal commercial terms and that such terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the Acquisition is in the interest of the Company and the Shareholders as a whole.

GENERAL

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. The purpose of this circular is to provide you with further information with regard to the Acquisition.

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

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 Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short position

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

Interests in Shares, Underlying Shares and Debentures of Company

Name of Director	Nature of Interest	Number of Shares		Approximate percentage of existing issued share capital of the Company (Note 1)
		Long Position	Short Position	
Or Wai Sheun	As Beneficiary (Note 2)	362,438,083	Nil	53.29%
	Corporate (Note 3)	185,000	Nil	0.03%
Ng Chi Man	As Beneficiary (Note 4)	362,438,083	Nil	53.29%

Name of Director	Nature of Interest	Number of Shares		Approximate percentage of existing issued share capital of the Company (Note 1)
		Long Position	Short Position	
Or Pui Kwan	As Beneficiary (Note 4)	362,438,083	Nil	53.29%
	Personal	7,000	Nil	0.001%
Tam Hee Chung	Corporate (Note 5)	500,000	Nil	0.07%
	Personal	282,000	Nil	0.04%
Lok Kung Chin, Hardy	Under Trust (Note 6)	200,000	Nil	0.03%
Keith Alan Holman	Personal	161,000	Nil	0.02%
Yeung Kwok Kwong	Personal	100,000	Nil	0.01%

Notes:

- As at the Latest Practicable Date, the total number of issued shares of the Company was 680,120,850 Shares.
- As founder and one of the beneficiaries of The Or Family Trust which ultimately owns such Shares.
- By virtue of a 100% interest in China Dragon Limited which owns such Shares.
- As a beneficiary under The Or Family Trust which ultimately owns such Shares.
- By virtue of a 48% interest in Larry H. C. Tam & Associates Limited which owns such Shares.
- As founder of a discretionary trust which owns such Shares.

Interests in Shares, Underlying Shares and Debentures of PAH

Name of Director	Nature of Interest	Number of Shares or Underlying Shares		Approximate percentage of existing issued share capital of PAH (Note 1)
		Long Position	Short Position	
Or Wai Sheun	As Beneficiary (Note 2)	2,296,975,374	Nil	56.84%
	As Beneficiary (Note 3)	275,191,901	Nil	6.81%
	As Beneficiary (Note 4)	69,897,537	Nil	1.73%
Ng Chi Man	As Beneficiary (Note 2)	2,296,975,374	Nil	56.84%
	As Beneficiary (Note 3)	275,191,901	Nil	6.81%
	As Beneficiary (Note 4)	69,897,537	Nil	1.73%
Or Pui Kwan	As Beneficiary (Note 2)	2,296,975,374	Nil	56.84%
	As Beneficiary (Note 3)	275,191,901	Nil	6.81%
	As Beneficiary (Note 4)	69,897,537	Nil	1.73%
Yeung Kwok Kwong	Personal	1,600,000	Nil	0.04%
	Personal (Note 5)	160,000	Nil	0.004%

Name of Director	Nature of Interest	Number of Shares or Underlying Shares		Approximate percentage of existing issued share capital of PAH (Note 1)
		Long Position	Short Position	
Tam Hee Chung	Corporate (Note 6)	1,000,000	Nil	0.02%
	Corporate (Note 7)	100,000	Nil	0.002%
Keith Alan Holman	Personal	520,000	Nil	0.01%
	Personal (Note 8)	52,000	Nil	0.001%
Lai Ka Fai	Personal	300,000	Nil	0.007%
	Personal (Note 9)	30,000	Nil	0.0007%

Notes:

- As at the Latest Practicable Date, the total number of issued shares of PAH was 4,041,226,454 ordinary shares.
- As beneficiary under The Or Family Trust which ultimately owns 362,438,083 Shares (53.29%) of the Company. The Company in turn holds 100% of Marble King International Limited which in turn holds the said 2,296,975,374 ordinary shares of PAH (56.84%).
- As beneficiary under The Or Family Trust which ultimately owns 362,438,083 Shares (53.29%) of the Company. The Company holds 100% of Marble King International Limited which in turn holds 3,703,590,076 non-voting redeemable convertible preference shares of PAH which are convertible into the said 275,191,901 underlying ordinary shares of PAH (6.81% of the existing issued share capital).
- As beneficiary under The Or Family Trust which ultimately owns 362,438,083 Shares, representing approximately 53.29% of the Company. The Company holds 69,897,537 warrants which entitle the Company to subscribe for 69,897,537 shares of PAH upon full exercise of the right under the warrants.
- Mr. Yeung Kwok Kwong holds 160,000 warrants which entitle him to subscribe for 160,000 shares of PAH upon full exercise of the right under the warrants.

6. By virtue of a 48% interest in Larry H. C. Tam & Associates Limited which owns such Shares.
7. Larry H.C. Tam & Associates Limited holds 100,000 warrants which entitle it to subscribe for 100,000 shares of PAH upon full exercise of the rights under the warrants. As Mr. Tam Hee Chung holds 48% interests in Larry H. C. Tam & Associates Limited, he is deemed to be interested in the warrants.
8. Mr. Keith Alan Holman holds 52,000 warrants which entitle him to subscribe for 52,000 shares of PAH upon full exercise of the rights under the warrants.
9. Mr. Lai Ka Fai holds 30,000 warrants which entitle him to subscribe for 30,000 shares of PAH upon full exercise of the rights under the warrants.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning 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 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, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of the directors of the Company nor any of their spouse or minor children was granted or held options to subscribe for Shares in the Company (within the meaning of Part XV of the SFO), or had exercised such rights.

(b) Particulars of Directors' Service Contracts

As at the Latest Practicable Date, there is no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

(c) Directors' interests in competing businesses

As at the Latest Practicable Date, save as disclosed below, none of the Directors or any of their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Polytec Holdings International Limited ("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 the PRC 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 interest in a business which competes, or is likely to compete, either directly or indirectly, with the business of the Group. PHIL had granted a right of first refusal in favour of the Group in respect of properties or property projects that will be made available to it to acquire or participate in development in Macau and the PRC.

3. SUBSTANTIAL SHAREHOLDERS

- (a) As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company and according to the register kept by the Company under Section 336 of the SFO, the following persons (other than the Directors or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO:

Long positions in the Shares and underlying shares of the Company

Name of Shareholder	Nature of Interest	Number of Shares Long Position	Short Position	Approximate percentage of existing issued share capital of the Company (Note 1)
The Or Family Trustee Limited Inc.	Trust	362,438,083 (Note 2)	Nil	53.29%
HSBC International Trustee Limited	Trustee	362,716,083 (Note 3)	Nil	53.33%
Prudential plc	Corporate	37,523,000	Nil	5.52%
Cheah Cheng Hye	Corporate	36,576,000 (Note 4)	Nil	5.38%
Value Partners Limited	Corporate	36,576,000	Nil	5.38%

Notes:

1. As at the Latest Practicable Date, the total number of issued shares of the Company was 680,120,850 Shares.
 2. As trustee for The Or Unit Trust, owning all the shares of PHIL, which in turn owns all the shares of Intellinsight Holdings Limited, which in turn owns 362,438,083 Shares in the Company.
 3. Out of which 362,438,083 Shares are attributable to a discretionary trust under which Mr. Or and his family members are beneficiaries and which owns all the units of The Or Unit Trust.
 4. Cheah Cheng Hye holds more than 30% interest in Value Partners Limited. Therefore, he is deemed to be interested in the same block of Shares held by Value Partners Limited.
- (b) As at the Latest Practicable Date, so far as is known to the Directors, the following persons and companies (other than the Director or chief executive of the Company) 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 any member of the Group:
- (i) **Members of the Group (excluding the PAH Group):**

Name of subsidiary	Name of shareholder	Approximate percentage of issued share capital of the subsidiary %
Brilliant Idea Investments Limited	Mr. Lau Wai Chi	15
Golden Princess Amusement Company Limited	Mr. Fung Ping Chung	15

(ii) **Members of the PAH Group:**

Name of subsidiary	Name of shareholder	Approximate percentage of issued share capital of the subsidiary %
New Cosmos Holdings Limited	Sino-Asia Investments Limited	15
	JHK International Limited	10
	CSC Investment Company Limited	10
Think Bright Limited	Mr. U Sio Man	29.5

Save as disclosed above, the Directors are not aware of any person (other than the Directors and Chief Executive of the Company) who 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 Division 2 and 3 of Part XV of the SFO or who was, as at the Latest Practicable Date, 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 meeting of any member of the Group or in any options in respect of such capital.

4. LITIGATION

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

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 23 May 2006.

5. GENERAL

- (a) The registered office of the Company is 23rd Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong. The share registrar of the Company is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (b) 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.
- (c) The English text of this circular will prevail over the Chinese text.