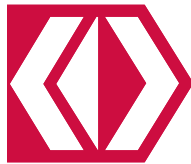

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult an exchange participant or other licensed securities dealer, a 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 together with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale 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)

DISCLOSEABLE TRANSACTION

**INTRODUCTION OF STRATEGIC INVESTORS TO THE PROJECT CO
IN RELATION TO THE INVESTMENT IN TIANJIN**

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DEFINITIONS

In this circular, the following terms and expressions shall have the following meanings unless the context requires otherwise.

“Agreement”	the cooperation agreement dated 13 December 2006 entered into between the Company and the Partner in relation to the Investment
“Announcement”	the announcement of the Company dated 19 December 2006 relating to, among other things, the Investment
“Board”	the board of Directors
“Circular”	the circular of the Company dated 19 January 2007 relating to, among other things, the Investment
“CITIC”	天津中信地產投資有限公司(Tianjin CITIC Real Estate Investment Co., Ltd.), a domestic company established in the PRC
“Company”	Kowloon Development Company Limited, a company incorporated in Hong Kong with its Shares listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the aggregate consideration of RMB3,500 million (equivalent to approximately HK\$3,553 million) payable to the Partner under the Agreement
“Cooperation Agreement”	the cooperation agreement dated 15 May 2007 entered into between the Company, CITIC and Flying in relation to the Investment
“Directors”	the directors of the Company
“Flying”	天津翔達投資發展有限公司(Tianjin Flying Investment Development Co., Ltd.), a domestic company established in the PRC
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administration Region of the PRC
“Interest Transfer Agreement”	the share transfer agreement dated 15 May 2007 entered into between the Company, CITIC and Flying in relation to the transfer of interest in the Project Co
“Investment”	the proposed investment by the Company in the Project Co pursuant to the Agreement
“Latest Practicable Date”	4 June 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Partner”	天津濱海快速交通發展有限公司(Tianjin Binhai Mass Transit Development Co., Ltd.), a domestic company established in the PRC
“PBOC”	the People’s Bank of China
“Polytec Asset”	Polytec Asset Holdings Limited, a company incorporated in the Cayman Islands with its shares listed on the Stock Exchange (Stock Code: 208), and a subsidiary of the Company
“PRC”	the People’s Republic of China, and, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Project Co”	保利達中信地產(天津)有限公司(Polytec CITIC Property (Tianjin) Co., Ltd.), a sino-foreign equity joint venture enterprise established in the PRC on 3 April 2007 by the Company and the Partner
“Property”	the composite property development site located in the intersection of Shiyijing Road and Liuwei Road, Hedong District, Tianjin, the PRC
“RMB”	Reminbi, the lawful currency of the PRC

DEFINITIONS

“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement to the Agreement dated 15 May 2007 entered into between the Company, the Partner, CITIC and Flying in relation to the Investment
“TCC”	天津市商務委員會 (the Tianjin Commission of Commerce)
“Transfer”	the proposed transfer of interest in the Project Co from the Company to each of CITIC and Flying pursuant to the Interest Transfer Agreement and the Cooperation Agreement
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent.

In this circular, the exchange rate of RMB0.985 to HK\$1 are used for illustrative purpose only. The exchange rate do not constitute representations that any amount has been, could have been, or may be exchanged at this or any other rates at all.

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:

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:

Li Kwok Sing, Aubrey

Lok Kung Chin, Hardy

Seto Gin Chung, John

David John Shaw

7 June 2007

To the Shareholders

Dear Sir or Madam

DISCLOSEABLE TRANSACTION

INTRODUCTION OF STRATEGIC INVESTORS TO THE PROJECT CO IN RELATION TO THE INVESTMENT IN TIANJIN

INTRODUCTION

Reference is made to the announcement of the Company dated 16 May 2007, the Announcement and the Circular. Unless otherwise defined, capitalised terms used in this circular shall have the same meaning as those defined in the announcement of the Company dated 16 May 2007, the Announcement and the Circular.

LETTER FROM THE BOARD

The Board announced that, on 15 May 2007, the Company, CITIC and Flying entered into the Interest Transfer Agreement, pursuant to which the Company has agreed to transfer, and CITIC and Flying agreed to acquire, 30% and 9% equity interest in the Project Co respectively.

On the same day, the Company, CITIC and Flying entered into the Cooperation Agreement which sets out the mutual rights and obligations of the parties thereto in relation to the Investment.

On the same day, the Company, the Partner, CITIC and Flying entered into the Supplemental Agreement pursuant to which, among others, the Company, CITIC and Flying agreed to perform the Company's obligations towards the Partner under the Agreement (in particular the payment of the Consideration to the Partner) in the proportion of 61%:30%:9% and the Company agreed to guarantee CITIC and Flying's obligations towards the Partner thereunder. Pursuant to two undertakings both dated 15 May 2007 and given by each of CITIC and Flying towards the Company, each of CITIC and Flying agreed to indemnify the Company in full if CITIC or Flying fails to perform their respective obligation towards the Partner under the Supplemental Agreement and the Company is called upon by the Partner to perform such obligation on their behalf. Details of the Interest Transfer Agreement, the Cooperation Agreement and the Supplemental Agreement are set out below.

The purpose of this circular is to provide you with further information in respect of, among other things, the Interest Transfer Agreement, the Cooperation Agreement and the Supplemental Agreement.

INTEREST TRANSFER AGREEMENT

Date:

15 May 2007

Parties:

Purchasers : CITIC; and
Flying.

Vendor : The Company

Subject matter:

The Transfer by the Company of:

(a) a 30% interest; and

LETTER FROM THE BOARD

- (b) a 9% interest

in the Project Co to each of CITIC and Flying respectively.

Consideration:

Pursuant to the Interest Transfer Agreement, the consideration of the Transfer will be determined as follows:

- (a) If the Transfer is completed before the Company has made any capital contribution to the Project Co, the consideration shall be zero.
- (b) If the Transfer is completed after the Company has made any capital contribution to the Project Co, the consideration payable by each of CITIC and Flying will be their respective share of the registered capital already paid by the Company before the Transfer, together with interest calculated by reference to interest rate charged by the PBOC for similar loans at the time, and payable in one lump sum within 15 days of the approval of the Transfer by the TCC.

The consideration of the Transfer was reached by arm's length negotiation between the Company, CITIC and Flying.

Conditions precedent:

Completion of the Interest Transfer Agreement shall be conditional upon:

- (a) each of the respective boards of the Company, CITIC and Flying approving the Transfer;
- (b) the board of the Project Co approving the Transfer;
- (c) the other shareholder of the Project Co, i.e. the Partner, giving its written consent to the Transfer and agreeing to waive its pre-emptive rights over the interest in the Project Co subject to the Transfer; and
- (d) the Transfer having obtained the approval of the TCC.

None of the conditions precedent can be waived by any party.

Current status of the conditions precedent:

As at the date hereof, all conditions have been satisfied and the Transfer has been completed on 23 May 2007.

LETTER FROM THE BOARD

USE OF PROCEEDS

As the Transfer was completed before the Company has made any capital contribution to the Project Co, pursuant to the Interest Transfer Agreement, no consideration was paid by CITIC and Flying for the Transfer and the Company did not receive any proceeds arising therefrom.

COOPERATION AGREEMENT

Date:

15 May 2007

Parties:

- (a) the Company;
- (b) CITIC; and
- (c) Flying.

Subject matter:

Regulation of the mutual rights and obligations between the Company, CITIC and Flying in relation to the Investment.

Transfer of interest in the Project Co:

The Company shall transfer 30% and 9% interest in the Project Co to each of CITIC and Flying respectively.

Contribution of the Consideration:

The Company, CITIC and Flying shall contribute to the Consideration payable to the Partner under the Agreement in the proportion of 61%:30%:9%. Under the Agreement, upon satisfaction of the Consideration in full, the Partner will transfer its 10% interest in the Project Co to the Company subject to the Company paying the Partner an amount equivalent to the actual amount of registered capital contributed by the Partner in the Project Co. As a result, the Project Co will then be held as to 61% by the Company, 30% by CITIC and 9% by Flying.

LETTER FROM THE BOARD

Payment Schedule:

The parties agreed to contribute to the payment of the Consideration to the Partner by installments in accordance with the terms of the Agreement in the proportion set out above. CITIC and Flying will settle their respective 30% and 9% shares of the Consideration by payment of eleven installments, in accordance with the payment schedule as set out in the Cooperation Agreement.

Other rights and obligations of the parties:

The Company, CITIC and Flying agreed to share all other rights and obligations of the Company (including sharing of profit and loss of the Project Co) under the Agreement in the proportion of 61%:30%:9%.

The parties shall undertake the planning, development and sales of the Property jointly.

The rights and obligations of each party shall be several.

SUPPLEMENTAL AGREEMENT

Date:

15 May 2007

Parties:

- (a) the Company;
- (b) the Partner;
- (c) CITIC; and
- (d) Flying.

Subject matter:

Amendment to the Agreement, in particular in respect of the Company's obligations towards the Partner.

Obligation towards the Partner:

The Company, CITIC and Flying shall perform the Company's obligations towards the Partner under the Agreement (in particular, the payment of the Consideration to the Partner) in the proportion of 61%:30%:9%.

LETTER FROM THE BOARD

Performance guarantee by the Company:

The Company agreed to guarantee CITIC and Flying's obligations towards the Partner under the Supplemental Agreement.

UNDERTAKINGS BY CITIC AND FLYING

Pursuant to two undertakings both dated 15 May 2007 and given by each of CITIC and Flying towards the Company, each of CITIC and Flying agreed to indemnify the Company in full if CITIC or Flying fails to perform their respective obligation towards the Partner under the Supplemental Agreement and the Company is called upon by the Partner to perform such obligation on their behalf.

EFFECT OF THE INTEREST TRANSFER AGREEMENT, THE COOPERATION AGREEMENT AND THE SUPPLEMENTAL AGREEMENT

Before the signing of the Interest Transfer Agreement, the Project Co is held as to 90% by the Company and 10% by the Partner, respectively. Upon completion of the Interest Transfer Agreement, the Project Co will be held as to 51% by the Company, 30% by CITIC, 9% by Flying and 10% by the Partner, respectively, and continue to be a subsidiary of the Company.

In terms of board composition, before the signing of the Interest Transfer Agreement, the board of the Project Co comprises of 9 directors, out of which each of the Company and the Partner is entitled to nominate 8 directors and 1 director respectively. Upon completion of the Interest Transfer Agreement, the board of the Project Co will continue to comprise of 9 directors, out of which each of the Company, CITIC, Flying and the Partner will be entitled to nominate 5 directors, 2 directors, 1 director and 1 director, respectively.

Under the Agreement, the Company shall pay a Consideration of RMB3,500 million to the Partner. At the same time, it will be entitled to all profits generated by and bear all losses incurred by the Project Co. As a result of the signing of the Cooperation Agreement and the Supplemental Agreement, each of the Company, CITIC and Flying will be responsible for 61%, 30% and 9% of the Consideration, and will be entitled to the profits generated by and bear the losses incurred by the Project Co in the same proportion. In other words, the total investment by the Company in the Project Co and the Property will be reduced by approximately RMB1,365 million (representing approximately 39% of the Consideration), from RMB3,500 million to RMB2,135 million. The Company currently has no other plan to invest any additional capital into the Project Co. The Company will finance the total investment amount of RMB2,135 million (equivalent to approximately HK\$2,168 million) as to approximately (i) HK\$1,100 million from the net proceeds from the Rights Issue completed in February 2007; and (ii) the remaining HK\$1,068 million from internal resources of the Group and future bank financing.

As the Transfer has been completed on 23 May 2007 when the Company has not yet made any capital contribution to the Project Co, in accordance with the terms of the Interest Transfer Agreement, the Transfer was effected at zero consideration and accordingly no gain or loss was accrued to the Company.

LETTER FROM THE BOARD

Upon completion of the Interest Transfer Agreement, (i) the liability of the Group will decrease by approximately HK\$1,386 million; (ii) the minority interest of the Group will increase in the same amount; and (iii) the asset of the Group will remain unchanged.

SHAREHOLDING STRUCTURE

The shareholding structure of the Project Co before and after the Transfer and upon transfer of the Partner's interest in the Project Co to the Company (after satisfaction of the Consideration in full) is set out below:

Name of Shareholder	Before the Transfer		After the Transfer		Upon transfer of the Partner's interest in the Project Co to the Company	
					Interest in the registered capital of the Project Co	
	(US\$)	%	(US\$)	%	(US\$)	%
Company	44,550,000	90	25,245,000	51	30,195,000	61
Partner	4,950,000	10	4,950,000	10	—	—
CITIC	—	—	14,850,000	30	14,850,000	30
Flying	—	—	4,455,000	9	4,455,000	9
Total	<u>49,500,000</u>	<u>100</u>	<u>49,500,000</u>	<u>100</u>	<u>49,500,000</u>	<u>100</u>

INFORMATION ON THE GROUP

The Group is principally engaged in real estate investment and development in Hong Kong, Macau and the PRC. The Project Co is formed for the purpose of acquisition and development of the Property, and currently does not have any assets or profit and loss.

INFORMATION ON CITIC

CITIC is principally engaged in, among other things, investment and development of real estate in the PRC. It is wholly-owned by CITIC South China (Group) Co., Ltd. ("CITIC South China"), which is a joint venture partner of the Company. Each of the Company and CITIC South China holds 50% interest in CITIC Polytec Property (Foshan) Company Limited, a company which is accounted for as a jointly controlled entity of the Company. CITIC and CITIC South China have no shareholding interests in any of the subsidiaries of the Company. To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, CITIC, CITIC South China and their respective beneficial owners are third parties independent of the Company and are not connected persons of the Company prior to completion of the Transfer under the Listing Rules.

LETTER FROM THE BOARD

INFORMATION ON FLYING

Flying is principally engaged in, among other things, investment and development of real estate in the PRC, particularly in Tianjin. It is a non-wholly owned subsidiary of 天津開發區翔達房地產開發有限公司 (Tianjin Teda Flying Real Estate Development Co., Ltd.) (“Flying Development”). Flying Development is interested in 30% of a joint venture company, which is indirectly owned as to 70% by the Company’s ultimate holding company, Polytec Holdings International Limited. Such joint venture company does not form part of the Group. To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, Flying, Flying Development and their respective beneficial owners are third parties independent of the Company and are not connected persons of the Company under the Listing Rules.

INFORMATION ON THE PARTNER

The Partner is principally engaged in construction of the light railway network between the urban area and the new coastal area of Tianjin and the provision of light railway service of such light railway network. The Partner also participates in certain property development projects in Tianjin, the PRC. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Partner and its ultimate beneficial owners are third parties independent of the Company and are not connected persons of the Company under the Listing Rules.

INFORMATION ON THE PROJECT CO

The Project Co was formally established under the name of “保利達中信地產(天津)有限公司 (Polytec CITIC Property (Tianjin) Co., Ltd.)” with a total investment amount and registered capital of US\$99 million and US\$49.50 million respectively. The proposed investment by the Project Co will be conducted by phases and the Consideration of RMB3,500 million are payable by eleven installments. The Project Co was initially established with a total investment amount of US\$99 million to correspond with the initial capital requirement of the Project Co. As mentioned in the Circular, it was originally proposed that the initial registered capital of the Project Co will be RMB10 million. The initial registered capital of the Project Co has been subsequently revised to US\$49.50 million in order to reflect more accurately the size of the proposed investment by the Project Co. Nonetheless, the Consideration and the proportion of the registered capital to be contributed by the Company and the Partner remains unchanged, and there are no material changes to the structure of the Project Co. Pursuant to the approval document issued by the TCC, the Partner shall contribute RMB equivalent of US\$4.95 million (representing 10% of the registered capital of the Project Co) and the Company shall contribute US\$44.55 million (representing 90% of the registered capital of the Project Co) to the registered capital of the Project Co. Both parties shall contribute 20% and the balance of 80% of their respective share in the registered capital of the Project Co within 3 months and 2 years from the date of issue of the business licence of the Project Co, respectively.

LETTER FROM THE BOARD

The Transfer has been completed on 23 May 2007. Upon completion of the Transfer, the Project Co continue to be a subsidiary of the Company. Nevertheless, as at Latest Practicable Date, the Company has not yet made any contribution to the registered capital of the Project Co, and has not yet pledged any interest in the Project Co in favour of the Partner. In addition, the Partner has not yet transferred its title in the Property to the Project Co as at the Latest Practicable Date.

REASONS AND BENEFITS FOR THE INTRODUCTION OF STRATEGIC INVESTORS TO THE PROJECT CO

Both CITIC and Flying are experienced in the investment and development of real estate in the PRC, in particular in Tianjin. The Directors are of the view that the participation by CITIC and Flying will bring valuable experience and expertise in the development of the Property to the Project Co. The Board considers the introduction of CITIC and Flying as strategic investors to the Project Co is beneficial to the Company and the Shareholders as a whole and the terms of the Transfer are fair and reasonable.

LISTING RULES IMPLICATIONS

The transfer of interest in the Project Co by the Company pursuant to the Interest Transfer Agreement, the Cooperation Agreement and the Supplemental Agreement constitute discloseable transaction for the Company under the Listing Rules as each of the applicable percentage ratio is more than 5% but less than 25%.

DISCLOSEABLE TRANSACTION

The Transfer of part interests in the Property constitutes a discloseable transaction of the Company under the Listing Rules.

FURTHER INFORMATION

Your attention is drawn to the additional 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 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 in this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors’ Interests and Short Positions

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

Interests in Shares, Underlying Shares and Debentures of the Company

Name of Director	Nature of interest	Number of Shares		Approximate percentage of total issued Shares (Note 1)	Note(s)
		Long position	Short position		
Or Wai Sheun	Beneficiary	689,649,124	—	59.93%	2
	Corporate	277,500	—	0.02%	3
Ng Chi Man	Beneficiary	689,649,124	—	59.93%	4
Or Pui Kwan	Beneficiary	689,649,124	—	59.93%	5
	Personal	10,500	—	0.00%	
Lok Kung Chin, Hardy	Under trust	1,425,000	—	0.12%	6

Name of Director	Nature of interest	Number of Shares		Approximate percentage of total issued Shares (Note 1)	Note(s)
		Long position	Short position		
Tam Hee Chung	Corporate	500,000	—	0.04%	7
Keith Alan Holman	Personal	560,000	—	0.05%	8
Lai Ka Fai	Personal	468,000	—	0.04%	8
David John Shaw	Personal	133,500	—	0.01%	8
	Family	66,000	—	0.01%	9
Yeung Kwok Kwong	Personal	165,000	—	0.01%	8

- Notes:
1. The percentage holding is calculated based on the total number of issued Shares of 1,150,681,275 Shares as at the Latest Practicable Date.
 2. Mr Or Wai Sheun was interested in 689,649,124 Shares ultimately and wholly-owned by a discretionary family trust of which Mr Or Wai Sheun 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 section on “Interests of Substantial Shareholders and Other Persons in the Company and other members of the Group” below.
 3. Mr Or Wai Sheun was also interested in 277,500 shares owned by China Dragon Limited due to his corporate interest therein.
 4. Ms Ng Chi Man is the spouse of Mr Or Wai Sheun. Ms Ng was deemed to be interested in 689,649,124 Shares as a beneficiary of the discretionary family trust referred in Note 2 above.
 5. 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 10,500 shares and was also deemed to be interested in 689,649,124 Shares as a beneficiary of the discretionary family trust referred in Note 2 above.
 6. Mr Lok Kung Chin, Hardy was taken to be interested in 1,425,000 Shares owned by discretionary trusts of which Mr Lok is the founder and a beneficiary respectively.
 7. Mr Tam Hee Chung was deemed to be interested in 50,000 Shares owned by Larry H.C. Tam & Associates Limited by virtue of his 48% interest therein.
 8. The Shares were held by the respective Directors in their capacity as beneficial owners.
 9. The Shares were held through the family interest of Mr David John Shaw.

Interests in Shares, Underlying Shares and Debentures of the Associated Corporation — Polytec Asset

Name of Director	Nature of interest	Number of shares or underlying shares		Approximate percentage of total issued shares (Note 1)	Note(s)
		Long position	Short position		
Or Wai Sheun	Beneficiary	2,642,064,812	—	60.19%	2
Ng Chi Man	Beneficiary	2,642,064,812	—	60.19%	2
Or Pui Kwan	Beneficiary	2,642,064,812	—	60.19%	2
Yeung Kwok Kwong	Personal	1,700,000	—	0.04%	—
	Personal	160,000	—	0.00%	3
Tam Hee Chung	Corporate	1,100,000	—	0.03%	4
Keith Alan Holman	Personal	582,000	—	0.01%	—
Lai Ka Fai	Personal	430,000	—	0.01%	—

Notes:

1. The percentage holding is calculated based on 4,389,212,725 ordinary shares, being the total number of issued shares of Polytec Asset as at the Latest Practicable Date.
2. Through their respective interests in the Company disclosed under the subsection on “Interests in Shares, Underlying Shares and Debentures of the Company”, and by virtue of 100% interest in Marble King International Limited, an immediate holding company of Polytec Asset, by the Company, Mr Or Wai Sheun, Ms Ng Chi Man and Mr Or Pui Kwan were deemed to be interested in 2,642,064,812 ordinary shares.
3. Mr Yeung Kwok Kwong holds 160,000 units of warrants which entitle him to subscribe for 160,000 ordinary shares of Polytec Asset upon full exercise of the rights under the warrants.
4. By virtue of a 48% interest in Larry H.C. Tam & Associates Limited which owns such 1,100,000 ordinary shares.

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 corporations (within the meaning of Part XV of the SFO) which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV and the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Interests of Substantial Shareholders and Other Persons in the Company and other members of the Group

- (b) As at the Latest Practicable Date, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as is known to the Directors and the chief executive of the Company, the persons, other than Directors or the chief executive of the Company, who had an interest or a 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 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 and any other members of the Group and the amount of each of such persons’ interest in such securities, together with any options in respect of such capital, were as follows:

Company

Name of Shareholders	Nature of interest	Number of Shares		Approximate percentage of total issued Shares (Note 1)	Note(s)
		Long Position	Short Position		
HSBC International Trustee Limited	Trustee	690,331,624	—	59.99%	2
Or Family Trustee Limited Inc.	Trust	689,649,124	—	59.93%	2

Notes:

1. The percentage holding is calculated based on the number of shares interested over the issued share capital of the Company of 1,150,681,275 Shares as at the Latest Practicable Date.
2. Out of the 690,331,624 shares in which HSBC International Trustee Limited was interested as trustee of certain discretionary trusts that it manages, 689,649,124 shares were the shares held by the Or Family Trustee Limited Inc. as trustee disclosed in the above table and referred in the section “Directors’ Interests and Short Positions”. Mr Or Wai Sheun and Mr Keith Alan Holman is a director of Or Family Trustee Limited Inc.

Subsidiaries (excluding the Polytec Asset and its subsidiaries)

Name of subsidiary	Name of shareholder	Approximate % of issued share capital of the subsidiary
Brilliant Idea Investments Limited	Mr Lau Wai Chi	15.00
Golden Princess Amusement Company Limited	Variety Entertainment Company Limited	15.00

Polytec Asset and its subsidiaries

Name of subsidiary	Name of shareholder	Approximate % of issued share capital of the subsidiary
New Cosmos Holdings Limited	Sino-Asia Investments Limited	15.00
	JHK International Limited	10.00
	CSC Investment Company Limited	10.00
Think Bright Limited	Mr U Sio Man	29.50

Save as disclosed above, as at the Latest Practicable Date, the Directors or the chief executive of the Company were not aware of any other persons or corporations (other than a Director or the chief executive of the Company and the respective companies controlled by them whose interests have been disclosed above) who had an interest or short position in the Shares or 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 members of the Group, or in any options in respect of such capital.

3. COMPETING INTERESTS

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 (“Polytec Holdings”), a company ultimately and wholly-owned by the Or Family Trust in which Mr Or Wai Shuen, 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 business in Hong Kong, Macau and the PRC. As a result, Mr Or Wai Shuen, 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. Polytec Holdings 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 Hong Kong, Macau and the PRC.

4. 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).

5. LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

6. MISCELLANEOUS

- (a) The share registrar of the Company is Computershare Hong Kong Investor Services Limited on Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, 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 Monash University, Melbourne, Australia, and is a certified public accountant registered with 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 shall prevail over the Chinese text.