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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 to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or otherwise transferred** all your shares in **Hon Kwok Land Investment Company, Limited**, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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**漢國置業有限公司**

**Hon Kwok Land Investment Company, Limited**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code 160)**

**DISCLOSEABLE TRANSACTION**

**DISPOSAL OF 50% OF THE ISSUED SHARE CAPITAL  
OF FLORALMIST HOLDINGS LTD.  
(TOGETHER WITH ASSOCIATED SHAREHOLDER'S LOAN) AND  
ENTRY INTO SHAREHOLDERS' AGREEMENT**

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the meanings as set out below:*

“Announcement”	the joint announcement of the Company and Chinney dated 20th December, 2005 in relation to the disposal by High Able of 50% of the issued share capital of Floralmist (together with associated shareholder’s loan) and entry into the Shareholders’ Agreement
“Board”	the board of directors of the Company
“Chinney”	Chinney Investments, Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange and which is the holding company of the Company currently holding approximately 58.81% of the issued share capital of the Company
“Chinney Alliance”	Chinney Alliance Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Chinney Holdings”	Chinney Holdings Limited, a company incorporated in Hong Kong with limited liability
“Company”	Hon Kwok Land Investment Company, Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Floralmist”	Floralmist Holdings Ltd., a company incorporated in the British Virgin Islands with limited liability and which is, prior to completion of the S&P Agreement, a wholly-owned subsidiary of High Able
“Floralmist Group”	Floralmist, Orient States and Nanhai
“Group”	the Company and its subsidiaries
“High Able”	High Able Group Limited, a company incorporated in the British Virgin Islands with limited liability and which is an indirect wholly-owned subsidiary of the Company
“Hon Kwok China”	Hon Kwok Land Investment (China) Limited, a company incorporated in Hong Kong with limited liability and which is a direct wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

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## DEFINITIONS

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“Latest Practicable Date”	6th January, 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	being 50% of the total shareholder’s loan owing by the Floralmist Group to High Able prior to completion of the S&P Agreement
“Long Stop Date”	30th September, 2006 or such later date as the parties may agree in writing
“Lucky Year”	Lucky Year Finance Limited, a company incorporated in the British Virgin Islands with limited liability
“MSR Asia Acquisitions VII, Inc.” or “Purchaser”	MSR Asia Acquisitions VII, Inc., a company incorporated in the Cayman Islands
“Nanhai”	Foshan Nanhai XinDa Land Development Ltd. (佛山市南海信達房地產有限公司), a company incorporated in the PRC and which is a 80% subsidiary of Orient States
“Orient States”	Orient States Limited, a company incorporated in Hong Kong with limited liability and which is a wholly-owned subsidiary of Floralmist and owns 80% equity interest in the registered capital of Nanhai
“PRC”	The People’s Republic of China
“Property”	a residential development site located at Dali Yayao Lijiao, Nanhai District, Foshan, PRC (中國佛山市南海大瀝雅瑤立交) with a total site area of approximately 247,987 square metres
“RMB”	the Renminbi, the lawful currency of the PRC
“S&P Agreement”	the sale and purchase agreement dated 17th December, 2005 entered into between High Able, the Purchaser and Hon Kwok China in relation to the sale of the Sale Shares and the assignment of the Loan to the Purchaser at an aggregate cash consideration of RMB133,920,000
“Sale Shares”	50 shares of US\$1 each in Floralmist, representing 50% of the issued share capital of Floralmist
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“Shareholders’ Agreement”	the shareholders’ agreement dated 17th December, 2005 entered into between High Able, the Purchaser and Flormalmist
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the sale of the Sale Shares by High Able to the Purchaser, the assignment of the Loan by High Able to the Purchaser and the entry into of the Shareholders’ Agreement
“US\$”	the United States dollar, the lawful currency of the United States of America

*For illustration purpose, RMB has been translated into HK\$ at the exchange rate of HK\$1=RMB1.04. Such translation should not be construed as a representation that any amounts in RMB or HK\$ have been, could have been, or could be, converted at the above rate or any other rates or at all.*

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LETTER FROM THE BOARD

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漢國置業有限公司  
Hon Kwok Land Investment Company, Limited

(Incorporated in Hong Kong with limited liability)  
(Stock Code 160)

*Directors:*

James Sai-Wing Wong (Chairman)  
Madeline May-Lung Wong  
Herman Man-Hei Fung (Vice-Chairman)  
Zuric Yuen-Keung Chan  
Dennis Kwok-Wing Cheung  
Daniel Chi-Wai Tse\*  
Patrick Yen-Tse Tsai\*  
Kenneth Kin-Hing Lam\*

*Registered office:*

18th Floor  
Hang Seng Building  
77 Des Voeux Road Central  
Hong Kong

\* Independent Non-executive Directors

11th January, 2006

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION**

**DISPOSAL OF 50% OF THE ISSUED SHARE CAPITAL  
OF FLORALMIST HOLDINGS LTD.  
(TOGETHER WITH ASSOCIATED SHAREHOLDER'S LOAN) AND  
ENTRY INTO SHAREHOLDERS' AGREEMENT**

**1. INTRODUCTION**

Reference is made to the Announcement in which the Board announced that on 17th December, 2005, High Able as vendor and Hon Kwok China as vendor's guarantor have entered into the S&P Agreement with the Purchaser in relation to the sale of the Sale Shares, representing 50% of the issued share capital of Floralmist, and the assignment of the Loan to the Purchaser at an aggregate cash consideration of RMB133,920,000 (equivalent to HK\$128,769,000).

On 17th December, 2005, High Able, the Purchaser and Floralmist have also entered into the Shareholders' Agreement which sets out certain commitments of the parties and to regulate the exercise of their rights in relation to the Floralmist Group and the development of the Property.

The Transaction constitutes a discloseable transaction for the Company under the Listing Rules. The purpose of this circular is to provide you with further information regarding the Transaction in compliance with the requirements of the Listing Rules.

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## LETTER FROM THE BOARD

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### 2. THE S&P AGREEMENT

On 17th December, 2005, High Able as vendor and Hon Kwok China as vendor's guarantor have entered into the S&P Agreement with MSR Asia Acquisitions VII, Inc. as purchaser whereby High Able had agreed to sell the Sale Shares and to assign the Loan to the Purchaser.

#### (a) Sale Shares and the Loan

The Sale Shares represent 50% of the issued share capital of Floralmist and the Loan represent 50% of the total shareholder's loan owing by the Floralmist Group to High Able prior to completion of the S&P Agreement.

As at the date of the S&P Agreement, the total amount of shareholder's loan owing by the Floralmist Group to High Able is approximately HK\$95 million which is subject to change prior to the completion of the S&P Agreement.

#### (b) Information on Floralmist and the Property

Floralmist is an indirect wholly-owned subsidiary of the Company. Floralmist is an investment holding company which through Orient States holds 80% of the equity interest in Nanhai. The sole asset of significance held by Nanhai is the Property.

The remaining 20% of the equity interest in Nanhai is owned by Shenzhen Yujianye Development Co., Ltd. (深圳市御建業實業發展有限公司).

The Property is a residential development site located at Dali Yayao Lijiao, Nanhai District, Foshan, PRC (中國佛山市南海大瀝雅瑤立交) with a total site area of approximately 247,987 square metres. It is a site for low density residential development presently zoned with a maximum permitted plot ratio of 1. At present, the Property is a bare land.

Following completion of the S&P Agreement, Floralmist will cease to be a subsidiary of the Company and become a jointly-controlled entity of the Company. The Company through High Able will then indirectly hold 50% of the total issued share capital of Floralmist.

#### (c) Consideration

The consideration for the Sale Shares and the Loan is RMB133,920,000 (equivalent to HK\$128,769,000). The consideration for the Sale Shares and the Loan was agreed after arm's length negotiations between the parties, taking reference to the estimated fair value of the Property having a site area of 372 mou (1 mou = 666.7 square meters approximately) at a land price of RMB720,000 per mou and the prevailing market price of the properties in the vicinity.

The aggregate consideration of RMB133,920,000 (equivalent to HK\$128,769,000) will be payable in the following manner:

- i. the Hong Kong dollars equivalent of the deposit of RMB30,000,000 has been paid after the signing of the S&P Agreement; and
- ii. the Hong Kong dollars equivalent of the balance of the consideration of RMB103,920,000 will be paid upon completion of the S&P Agreement.

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## LETTER FROM THE BOARD

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### (d) Completion

The completion of the S&P Agreement is subject to and conditional on the following conditions being fulfilled or waived:

- i. acquisition by Floralmist/Orient States of the remaining 20% equity interest in Nanhai;
- ii. a new business licence, new certificate of approval and approval for transfer of equity interest from the local authority evidencing completion of (i) above have been obtained;
- iii. all other necessary approval, consent and authorisations regarding (i) have been obtained;
- iv. all necessary waiver and/or approval regarding the execution of and to give effect to the Transaction; and
- v. the representations, warranties and undertakings given by Floralmist remains true and correct in all material respect at all times from the date of the S&P Agreement and up to the date of completion of the S&P Agreement.

All of the above conditions can be waived by the Purchaser. Up to the date of this circular, the Purchaser has not notified High Able that the conditions will be waived.

Completion of the S&P Agreement shall take place within seven business days immediately after all of the conditions are fulfilled or waived.

In the event that completion does not take place before the Long Stop Date, the S&P Agreement will lapse. In such event, High Able will refund the deposit to the Purchaser without deduction or interest and neither party shall have any claim against the other in connection with the S&P Agreement.

The proposed acquisition by Floralmist/Orient States of the remaining 20% equity interest in Nanhai will constitute a discloseable and connected transaction for the Company. Further announcement will be made when an agreement for the proposed acquisition is being signed. The consideration for the Sale Shares and the Loan has already taken into account of this proposed acquisition.

### 3. THE SHAREHOLDERS' AGREEMENT

On 17th December, 2005, High Able, the Purchaser and Floralmist have also entered into the Shareholders' Agreement which sets out certain commitments of the parties and to regulate the exercise of their rights in relation to the Floralmist Group and the development of the Property.

#### Principal Terms

Each party to the Shareholders' Agreement will have the right to appoint an equal number of directors in Floralmist. No director will have a casting vote at board meetings. The quorum for board meetings will be one director appointed by each shareholder of Floralmist. These arrangements for directors and board meetings will also apply to each of the other members of the Floralmist Group. High Able and the Purchaser as shareholders shall contribute funding required by the Floralmist Group for the development of the Property in equal portions.

### 4. USE OF PROCEEDS

The consideration for the S&P Agreement will be used as general working capital for the Group. No new projects have been identified, which will command usage of the proceeds from the Transaction.



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## LETTER FROM THE BOARD

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### 5. FINANCIAL INFORMATION ON FLORALMIST AND FINANCIAL EFFECTS OF THE TRANSACTION

The unaudited consolidated net loss before and after taxation and extraordinary items of Floralmist (based on the audited accounts of Orient States) for the financial year ended 31st March, 2005 were both approximately HK\$20,000. The unaudited consolidated net loss before and after taxation and extraordinary items of Floralmist (based on the audited accounts of Orient States) for the financial year ended 31st March, 2004 were both approximately HK\$16,000. The unaudited consolidated net asset value of Floralmist Group was approximately HK\$94 million as at 31st March, 2005. The carrying value of the Property as at 31st March, 2005 was approximately HK\$94 million.

The financial effects of the Transaction on the Group are expected to be (a) a decrease in non-current assets of approximately HK\$27 million; (b) an increase in current assets of approximately HK\$76 million; (c) an increase in current liabilities of approximately HK\$1 million; and (d) a decrease in exchange fluctuation reserve of approximately HK\$4 million. The preliminary capital gain on disposal of Floralmist before tax (if any) expected to accrue to the consolidated accounts of the Company upon completion of the Transaction is estimated to be approximately HK\$52 million.

### 6. REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTION

The Group's core business strategy is to develop and invest in properties, either by itself or with appropriate partners. The Transaction is consistent with this strategy and the Board believes the Transaction will be beneficial to the Group as, by introducing the Purchaser as a partner for the development of the Property, it will enable the Group to diversify risk and enable the Floralmist Group to benefit from a pooling of the resources and talents of both joint venture partners.

The Directors believe that the terms of the Transaction are fair and reasonable and in the interests of the shareholders of the Company as a whole.

### 7. INFORMATION ON THE COMPANY

The Company is an investment holding company. Its subsidiaries are mainly engaged in property development, property investment and property related businesses.

### 8. INFORMATION ON THE PURCHASER

The Purchaser is the Morgan Stanley Real Estate Fund for Asia acquisitions.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are independent third parties of the Company and are not connected persons (as defined in the Listing Rules) of the Company.

### 9. GENERAL

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

Yours faithfully,  
By Order of the Board  
**James Sai-Wing Wong**  
*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

### 2.1 Directors' interests and short positions in the shares and underlying shares of the Company

As at the Latest Practicable Date, the interests and short positions held by the Directors 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 into the register referred to therein, or which 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:

#### (a) Long positions in the ordinary shares of the Company

Name of director	Note	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
James Sai-Wing Wong	1	Corporate	235,370,553	58.81
Madeline May-Lung Wong	1	Corporate	235,370,553	58.81

#### (b) Long positions in the ordinary shares of associated corporations of the Company

Name of director	Notes	Name of associated corporation	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
James Sai-Wing Wong	2	Chinney	Corporate	306,959,324	55.67
	3	Chinney Holdings	Corporate	9,900,000	99.00
		Chinney Holdings	Personal	100,000	1.00
		Lucky Year	Personal	10,000	50.00
Madeline May-Lung Wong	2	Chinney	Corporate	306,959,324	55.67
	3	Chinney Holdings	Corporate	9,900,000	99.00
		Lucky Year	Personal	10,000	50.00
Zuric Yuen-Keung Chan		Chinney Contractors Company Limited	Personal	2,645	13.95

*Notes:*

1. *These shares are beneficially held by Chinney which is a subsidiary of Chinney Holdings. More than one-third of the equity capital of Chinney Holdings is owned by Lucky Year of which James Sai-Wing Wong and Madeline May-Lung Wong are directors and have beneficial interest therein.*
2. *These shares are beneficially held by Chinney Holdings. By virtue of note 1, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*
3. *These shares are held by Lucky Year. By virtue of note 1, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any interests or short positions in the shares, underlying shares or 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 to be recorded in the register kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## **2.2 Other persons' interests and short positions in shares and underlying shares of the Company and other members of the Group**

As at the Latest Practicable Date and so far as is known to the Directors, the following persons (not being the Directors) had or were deemed or taken to have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<b>Name</b>	<i>Notes</i>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of shareholding</b>
Chinney	<i>1 &amp; 2</i>	235,370,553	58.81
Chinney Holdings	<i>1 &amp; 2</i>	235,370,553	58.81
Lucky Year	<i>1 &amp; 2</i>	235,370,553	58.81
DJE Investment S.A.	<i>1 &amp; 3</i>	20,102,000	5.02
Dr. Jens Ehrhardt Kapital AG	<i>1 &amp; 3</i>	20,102,000	5.02
Dr. Jens Alfred Karl Ehrhardt	<i>1 &amp; 3</i>	20,102,000	5.02

*Notes:*

1. *All the interests stated above represent long positions.*
2. *Chinney, Chinney Holdings and Lucky Year are deemed to be interested in the same parcel of shares by virtue of Section 316 of the SFO.*
3. *DJE Investment S.A., Dr. Jens Ehrhardt Kapital AG and Dr. Jens Alfred Karl Ehrhardt are deemed to be interested in the same parcel of shares by virtue of Section 316 of the SFO.*

As at the Latest Practicable Date and so far as is known to the Directors, the following persons (not being the Directors) who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group or had any option in respect of such capital:

Name of Shareholder	Name of member of the Group in which interest held	Approximate percentage of equity interested
Guangzhou Fuqiang Development Co., Ltd. (廣州福強實業發展有限公司)	Guangzhou Honkwok Fuqiang Land Development Limited	40
Guangzhou Hengsheng Group Co., Ltd. (廣州市恒生集團有限公司)	Guangzhou Honkwok Hengsheng Land Development Limited	25
Shenzhen Yujianye Development Co., Ltd. (深圳市御建業實業發展有限公司)	Foshan Nanhai XinDa Land Development Ltd. (佛山市南海信達房地產有限公司)	20
Neimenggu Huaye Property Co., Ltd. (內蒙古華業地產股份有限公司)	Shenzhen Honkwok Huaye Development Co., Ltd.	20
Gold Sound Enterprises Limited	Wise Pacific Investment Limited	20
Lee Nam	Wise Pacific Investment Limited	20

Save as disclosed herein and as at the Latest Practicable Date, none of the Directors was aware of any person (not being the Directors) had or was deemed or taken to have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange 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 the Company or any other member of the Group or had any option in respect of such capital.

### 3. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, Ms. Madeline May-Lung Wong was a director of HKR International Limited whose group's businesses consist of property development and property investment. In this respect, Ms. Madeline May-Lung Wong is regarded to be interested in a competing business of the Group.

Save as disclosed above, none of the Directors is interested in any business which competes or is likely to compete, either directly or indirectly, with businesses of the Group.

### 4. LITIGATION

On 20th April, 1996, a writ was filed against a wholly-owned subsidiary of the Company, Joint Peace Investment Limited ("Joint Peace"), regarding an alleged disparity between the pavement and the ground floor level of the building at 18-22 Percival Street, junction of Jaffe Road, Causeway Bay, Hong Kong. The amount claimed, excluding minor construction and related costs, was either HK\$41,000,000 or HK\$69,300,000, representing the claim for a loss of rental income or a loss of interest on the purchase price, respectively, over a period of 12 months. A defence to contest this claim was filed on 22nd July, 1996.

On 2nd December, 1997, the plaintiff of this claim was allowed to amend the Writ of Summons and the Statement of Claim dated 20th April, 1996. As advised by its solicitors, Joint Peace filed an Amended Defence in respect thereof on 30th December, 1997. On the same date, a Request for Further and Better Particulars of the Amended Statement of Claim was sent by Joint Peace's solicitors to the plaintiff's solicitors.

Following consultation with legal advisers (in their capacity as the legal advisers of Joint Peace), the Directors formed the view that the amended claim was unlikely to succeed and were therefore of the opinion that no provision regarding this claim is necessary. There has been no further progress of this claim so far up to the date of this circular.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware that any of the respective members of the Group were engaged in any litigation or arbitration of material importance and there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened by or against any respective members of the Group.

## **5. GENERAL**

- (a) As at the Latest Practicable Date, none of the Directors has any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).
- (b) The company secretary of the Company is Ms. Wendy Yuk-Ying Chan. She is a fellow of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (c) The qualified accountant of the Company is Mr. Thomas Hang-Cheong Ma. He is a fellow of the Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants.
- (d) The registered office of the Company is at 18th Floor, Hang Seng Building, 77 Des Voeux Road Central, Hong Kong.
- (e) The English language text of this circular shall prevail over the Chinese language text.