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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 securities 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 AND CONNECTED TRANSACTION**

**ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF  
GURU STAR INVESTMENTS LIMITED  
TOGETHER WITH THE ASSIGNMENT OF RELATED SHAREHOLDER'S LOAN**

*Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders*



**Menlo Capital Limited**

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A letter from the Board is set out on pages 4 to 10 of this circular and a letter from the Independent Board Committee containing its recommendation in respect of the Acquisition is set out on page 11 of this circular. A letter from Menlo Capital Limited containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition is set out on pages 12 to 19 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at Golden Restaurant, 1/F., East Wing, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Monday, 20 October 2008 at 3:15 p.m. is set out on page 29 of this circular.

Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the registered office of the Company at 23rd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting thereof should you so wish.

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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:*

“Acquisition”	the acquisition of the entire issued share capital of Guru Star and the assignment of related shareholder’s loan
“Agreement”	the sale and purchase agreement dated 17 September 2008 entered into between Join Ally, as purchaser, and Enhancement, as vendor, for the acquisition of the entire issued share capital of Guru Star and the assignment of related shareholder’s loan to Join Ally
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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 holding approximately 53.49% of the issued share capital of the Company as at the Latest Practicable Date
“Chinney EGM”	the extraordinary general meeting of Chinney to be convened for approving the Acquisition
“Chinney Holdings”	Chinney Holdings Limited, a company incorporated in Hong Kong with limited liability and which is the holding company of Chinney
“Company” or “Hon Kwok”	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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for approving the Acquisition
“Enhancement”	Enhancement Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is owned by Mr. James Sai-Wing Wong
“Group”	the Company and its subsidiaries
“Guru Star”	Guru Star Investments Limited, a company incorporated in the British Virgin Islands with limited liability

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## DEFINITIONS

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“Guru Star Group”	Guru Star and its two wholly-owned subsidiaries
“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
“Independent Board Committee”	the committee of the Board consisting of all the independent non-executive directors, namely Messrs. Daniel Chi-Wai Tse, Kenneth Kin-Hing Lam and Hsin-Kang Chang, formed to advise the Independent Shareholders in respect of the Acquisition
“Independent Financial Adviser” or “Menlo Capital”	Menlo Capital Limited, a licensed corporation for type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
“Independent Shareholders”	Shareholders (other than Chinney and its associates) who are not required under the Listing Rules to abstain from voting at the EGM to approve the Acquisition
“Join Ally”	Join Ally Limited, a company incorporated in the British Virgin Islands with limited liability and which is an indirect wholly-owned subsidiary of the Company
“Latest Practicable Date”	23 September 2008, 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
“Lucky Year”	Lucky Year Finance Limited, a company incorporated in the British Virgin Islands with limited liability
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers
“Property”	a completed 20-storey commercial and office building situated at 3 Beijing Road (北京路), Yuexiu District, Guangzhou, Guangdong Province, PRC and known as Newsun Commercial Building (新光商務大廈)
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

*For illustration purpose, RMB has been translated into HK\$ at the exchange rate of HK\$1.00 = RMB0.87. 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.*



**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*)  
Dennis Kwok-Wing Cheung  
Zuric Yuen-Keung Chan  
Daniel Chi-Wai Tse\*  
Kenneth Kin-Hing Lam\*  
Hsin-Kang Chang\*

*Registered Office:*

23rd Floor  
Wing On Centre  
111 Connaught Road Central  
Hong Kong

\* *Independent non-executive directors*

30 September 2008

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION**

**ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF  
GURU STAR INVESTMENTS LIMITED  
TOGETHER WITH THE ASSIGNMENT OF RELATED SHAREHOLDER'S LOAN**

**INTRODUCTION**

With reference to the joint announcement dated 17 September 2008 made by Chinney and the Company whereby pursuant to the Agreement dated 17 September 2008, Enhancement, as vendor, has agreed to sell and Join Ally, as purchaser, has agreed to purchase the entire issued share capital of Guru Star and Enhancement has also agreed to assign the related shareholder's loan to Join Ally at an aggregate cash consideration of HK\$135,000,000.

The Acquisition constitutes a discloseable and connected transaction for the Company under the Listing Rules. The purpose of this circular is to provide you with (i) details of the terms of the Acquisition; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (iv) notice of the EGM; and (v) other information as required by the Listing Rules.

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# LETTER FROM THE BOARD

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## THE AGREEMENT

Pursuant to the Agreement, Enhancement agreed to sell and Join Ally agreed to purchase the entire issued share capital of Guru Star and Enhancement also agreed to assign the related shareholder's loan to Join Ally.

### (a) Date

17 September 2008

### (b) Parties

(i) Vendor : Enhancement

(ii) Purchaser : Join Ally, an indirect wholly-owned subsidiary of the Company

### (c) Information of Guru Star and the Property

Guru Star is an investment holding company and the sole asset of significance held by the Guru Star Group is the Property. The Property is a completed 20-storey commercial and office building situated at the junction of Beijing Road (北京路), Nanti Er Road (南堤二馬路) and Baqi Er Road (八旗二馬路), Yuexiu District, Guangzhou, Guangdong Province, PRC and known as Newsun Commercial Building (新光商務大廈) with a gross floor area of approximately 13,000 square metres. The Property is currently leased out for rental income with occupancy rate of 93% and is subject to a corporate income tax rate of 25% (reduced from 33%) effective from 1 January 2008.



Newsun Commercial Building and No.5 Residence



Indicative location map of Newsun Commercial Building and Hon Kwok currently owned No.5 Residence and two development sites

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## LETTER FROM THE BOARD

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The Property is valued at RMB179,000,000 (equivalent to approximately HK\$205,747,000) both as at 31 March 2008 and 17 September 2008. The valuation report on the Property as at 17 September 2008 is set out in Appendix I to this circular. The original cost of the Property acquired by the Guru Star Group was approximately RMB95,000,000 (equivalent to approximately HK\$109,000,000). The Property is currently mortgaged to a bank and the outstanding mortgage loan amount as at 31 August 2008 was RMB42,333,000 (equivalent to approximately HK\$48,659,000).

The audited net profit before and after tax attributable to the Guru Star Group for the year ended 31 March 2007 were HK\$20,560,000 and HK\$20,437,000 respectively. The audited net profit before and after tax attributable to the Guru Star Group for the year ended 31 March 2008 were HK\$14,864,000 and HK\$11,026,000 respectively. The drop in audited profit after tax for the year ended 31 March 2008 is mainly attributable to the decrease in revaluation gain of the Property.

As at 31 August 2008, the unaudited consolidated net assets of the Guru Star Group (which has already taken into account of the revaluation of the Property to its market value) was HK\$92,591,000 and the amount of related shareholder's loan was HK\$43,116,000.

The unaudited consolidated net assets of the Guru Star Group as at 31 August 2008 is based on its audited financial statements as at 31 March 2008 and its unaudited management accounts for the five months ended 31 August 2008. A provision for deferred tax of HK\$26,385,000 on revaluation gain of the Property has been made in the management accounts and also taken into account in determination of the unaudited consolidated net assets of the Guru Star Group as at 31 August 2008.

However, it is the intention of the Directors to hold the Property as an investment property for long-term rental purpose and not for re-sale in a short-term period. Hence, the provision for deferred tax of HK\$26,385,000 is expected not become payable by the Guru Star Group in foreseeable future until at such time when the Property is disposed of in future years.

An analysis of the unaudited consolidated net assets of the Guru Star Group as at 31 August 2008 is as follows:

	<i>HK\$'000</i>
Audited net assets before shareholder's loan and deferred tax provision on revaluation gain of the Property as at 31 March 2008 (including cash and bank balances of HK\$6,778,000)	111,335
Increase in reserves (including net profit and exchange gain) per management accounts from 1 April 2008 to 31 August 2008	<u>7,641</u>
Unaudited consolidated net assets before deferred tax provision as at 31 August 2008 (including cash and bank balances of HK\$7,968,000)	118,976
Shareholder's loan as at 31 August 2008	<u>43,116</u>
Unaudited consolidated net assets before deferred tax provision together with shareholder's loan	162,092
Provision for deferred tax on revaluation gain of the Property	<u>(26,385)</u>
Unaudited consolidated net assets after deferred tax provision together with shareholder's loan as at 31 August 2008	<u><u>135,707</u></u>



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## LETTER FROM THE BOARD

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Upon completion of the Agreement, Guru Star shall become a wholly-owned subsidiary of Join Ally, which in turn is an indirect wholly-owned subsidiary of the Company.

**(d) Consideration and Payment Terms**

The aggregate cash consideration for the acquisition of the entire issued share capital of Guru Star and the assignment of related shareholder's loan is HK\$135,000,000 which is determined by reference to the unaudited consolidated net assets of the Guru Star Group together with the shareholder's loan as at 31 August 2008 and was agreed at after arm's length negotiations between the parties.

The aggregate cash consideration of HK\$135,000,000 will be payable in the following manners:

- (i) an initial deposit of HK\$13,500,000 has been paid upon signing of the Agreement; and
- (ii) the balance of the consideration of HK\$121,500,000 will be paid upon completion of the Agreement.

**(e) Completion**

Completion of the Agreement is subject to and conditional on the following conditions being fulfilled or waived:

- (i) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Acquisition;
- (ii) the passing of an ordinary resolution by the independent shareholders of Chinney at the Chinney EGM to approve the Acquisition;
- (iii) if applicable, the granting of consent from bank or other third parties which are necessary in connection with the execution of and to give effect to the transactions contemplated under the Agreement and each of the documents to be executed on or before the completion of the Acquisition have been obtained by the vendor and/or the purchaser;
- (iv) there having been no breach by the vendor of any obligations, undertakings, representations and warranties under the Agreement;
- (v) there having been no breach by the purchaser of any obligations, undertakings, representations and warranties under the Agreement; and
- (vi) the purchaser having been reasonably satisfied with the results of the due diligence review on the Guru Star Group.

Completion of the Agreement shall take place within five business days immediately after all of the conditions are fulfilled or waived (or such other date as the parties may agree in writing).

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## LETTER FROM THE BOARD

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### REASONS AND BENEFITS FOR THE ACQUISITION

The Group's core business is to develop real estate properties for sale and to hold investment properties for rental income. The Property is a completed 20-storey commercial and office building very well situated at the junction of Beijing Road (北京路), Nanti Er Road (南堤二馬路) and Baqi Er Road (八旗二馬路), Yuexiu District, Guangzhou, Guangdong Province, PRC.

- (a) The Group owns a commercial and residential building in the course of completion, known as "No. 5 Residence" (北京路5號公館) which is adjoining to the Property along Beijing Road plus two development sites situated right next to "No. 5 Residence" (北京路5號公館). The Property, together with "No. 5 Residence" (北京路5號公館) and the two development sites currently owned by the Group for development, when wholly completed, will command a total shop frontage of well over 200 meters along Beijing Road (北京路) and Nanti Er Road (南堤二馬路). The Group intends to develop a composite project with a commercial podium, comprising shops, commercial and offices together with river view residential units on top of the commercial podium in order to substantially enhance the overall merger value of "No. 5 Residence" (北京路5號公館) and the two sites already owned and to be developed by the Group upon acquisition of the well situated Property, with the commercial podium in particular.
- (b) As mentioned under the paragraph headed "Information of Guru Star and the Property" above, a potential deferred tax liability of HK\$26,385,000 on revaluation gain of the Property has been provided and also taken into account in determination of the unaudited consolidated net assets of the Guru Star Group as at 31 August 2008. The Group intends to hold the Property for long-term rental purpose and the Guru Star Group will not incur actual tax payment not until the Property is disposed of in the long run. The consideration for the Acquisition of HK\$135,000,000 has therefore been reduced favourably by this deferred tax provision.
- (c) As at 31 August 2008, the mortgage loan on the Property only amounted to approximately HK\$48,659,000. Cash and liquidity position of the Group could be strengthened through refinancing of the Property basing on its carrying value of approximately HK\$205,747,000 as at 17 September 2008.
- (d) The net cash outflow for the Acquisition will be reduced to approximately HK\$127,032,000 as the net assets to be acquired from the Guru Star Group comprise cash and bank balances of approximately HK\$7,968,000.
- (e) In addition to the potential enhancement of merger value on the Property together with "No. 5 Residence" (北京路5號公館) and the two development sites, acquisition of the Property will also provide the Group with immediate stable rental income and improve the quality of the Group's investment portfolio and total recurrent revenue therefrom.

In view of the above, the Directors believe that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### FINANCIAL EFFECTS OF THE ACQUISITION

After completion of the Acquisition, the total assets and liabilities of the Group will be increased upon consolidation of the Guru Star Group. In addition, in view of the profitability of the Guru Star Group in the past years, the Acquisition is expected to have a positive impact on the future earnings of the Group.

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## LETTER FROM THE BOARD

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### 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.

As at the Latest Practicable Date, Chinney is holding approximately 53.49% of the issued share capital of the Company.

### INFORMATION ON THE VENDOR

Enhancement is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company.

### IMPLICATIONS OF THE LISTING RULES

Enhancement is a connected person of the Company by virtue of the fact that it is a company controlled by Mr. James Sai-Wing Wong, the Chairman and substantial shareholder of the Company. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the consideration exceeds HK\$10 million, the Acquisition is subject to the approval of the Independent Shareholders at the EGM by poll.

As the applicable percentage ratios of the Acquisition exceed 5% but less than 25% for the Company, the Acquisition also constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders regarding the fairness and reasonableness of the terms of the Acquisition.

Menlo Capital has been appointed as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

### EGM

The Company will convene the EGM at Golden Restaurant, 1/F., East Wing, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Monday, 20 October 2008 at 3:15 p.m. for the purpose of considering, and if thought fit, approving the Acquisition. A notice of the EGM is set out on page 29 of this circular.

Pursuant to the Listing Rules, the votes to be taken in respect of the ordinary resolution to approve the Acquisition must be taken by poll. Mr. James Sai-Wing Wong and its associates (if any) are holding 256,882,553 shares (representing 53.49% of the issued share capital) of the Company as at the Latest Practicable Date and they will abstain from voting at the EGM in respect of the resolution to be proposed to approve the Acquisition.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the registered office of the Company at 23rd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

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## LETTER FROM THE BOARD

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### PROCEDURE FOR DEMANDING A POLL

Pursuant to article 75 of the articles of association of the Company, a resolution put to the vote of a general meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded or, in the case of paragraph (v), required:

- (i) by the chairman of the meeting; or
- (ii) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person (or, in the case of a member being corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) by a member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring the right; or
- (v) by the relevant provisions of the Listing Rules.

### RECOMMENDATION

Your attention is drawn to (a) the “Letter from the Independent Board Committee” as set out on page 11 of this circular, which contains its recommendation to the Independent Shareholders; and (b) the “Letter from Menlo Capital” as set out on pages 12 to 19 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.

Having taken into account the recommendation and advice from Menlo Capital in respect of the Acquisition, the Independent Board Committee is of the view that the terms of the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM for approving the Acquisition.

For reasons set out above, the Directors concur and are of the view that the Agreement and the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM for approving the Acquisition.

### GENERAL

Your attention is also drawn to the additional information set out in the appendices of this circular.

Yours faithfully,  
By Order of the Board  
**Herman Man-Hei Fung**  
*Vice-Chairman*



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

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

30 September 2008

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION**

**ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF  
GURU STAR INVESTMENTS LIMITED  
TOGETHER WITH THE ASSIGNMENT OF RELATED SHAREHOLDER'S LOAN**

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Acquisition, details of which are set out in the letter from the Board to the circular of the Company dated 30 September 2008 (the "Circular"). Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We wish to draw your attention to the letter from Menlo Capital to the Circular containing the advice of Menlo Capital in respect of the Acquisition.

**RECOMMENDATION**

Having taken into account of the principal factors taken into account by Menlo Capital in arriving at its opinion in respect of the Acquisition, we concur with the views of Menlo Capital that the Agreement is entered into on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution for approving the Acquisition at the EGM.

Yours faithfully,  
For and on behalf of  
**Independent Board Committee of  
Hon Kwok Land Investment Company, Limited**

**Daniel Chi-Wai Tse**

**Kenneth Kin-Hing Lam**

**Hsin-Kang Chang**

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## LETTER FROM MENLO CAPITAL

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*The following is the text of a letter from Menlo Capital in connection with the advice to the Independent Board Committee and the Independent Shareholders on the Acquisition, which has been prepared for the purpose of inclusion in this circular.*



### Menlo Capital Limited

Room 1104, Wing On Centre  
111 Connaught Road Central, Hong Kong

30 September 2008

*To the Independent Board Committee and  
the Independent Shareholders of  
Hon Kwok Land Investment Company, Limited*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF  
GURU STAR INVESTMENTS LIMITED  
TOGETHER WITH THE ASSIGNMENT OF RELATED SHAREHOLDER'S LOAN**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the letter from the Board (the "Board Letter") contained in the circular of the Company dated 30 September 2008 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

On 17 September 2008, Join Ally, as purchaser, has entered into the Agreement with Enhancement, as vendor, for the Acquisition for an aggregate cash consideration of HK\$135,000,000. Enhancement is a connected person of both the Company and Chinney. Accordingly, the Acquisition constitutes a connected transaction for both the Company and Chinney under the Listing Rules. The Acquisition is therefore subject to the approval of the independent shareholders at the respective general meetings of the Company and Chinney by poll. The Acquisition also constitutes a discloseable transaction for the Company and a major transaction for Chinney under the Listing Rules.

In formulating our opinion, we have relied on the accuracy of statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and which the Directors consider to be complete and relevant, and have assumed that the statements made were true, accurate and complete at the time they were made and continue to be true on the date of the Circular. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Company are true at the time they were made and will continue to be true at the date of the despatch of the Circular.

We consider that we have received sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our view and recommendation. We have no reason to suspect that any material information has been withheld by the Company or by the Directors. We

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## LETTER FROM MENLO CAPITAL

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have not, however, carried out any independent investigation into the business and affairs of the Company. We have taken all reasonable steps pursuant to the Listing Rules which include the following:

- (a) obtained all the information and documents relevant to an assessment of the fairness and reasonableness of the Acquisition, including but not limited to, the announcement of the Company dated 17 September 2008, the Board Letter, the Agreement, the valuation report from Savills Valuation and Professional Services Limited (“Savills”), the audited financial statements of the Guru Star Group for the years ended 31 March 2007, 31 March 2008 and its unaudited management accounts as at 31 August 2008;
- (b) reviewed the performance and financial situation of the Company and the Guru Star Group as well as the reasons and background of the Acquisition;
- (c) reviewed the terms of the Agreement;
- (d) reviewed the fairness, reasonableness and completeness of the assumptions made in the valuation report of Savills;
- (e) without limiting the generality of paragraph (d) above, in relation to Savills providing an opinion or valuation relevant to the Acquisition:
  - (i) interviewed Savills including as to its expertise and any current or prior relationships with the Company, other parties to the Acquisition and connected persons of either the Company or another party to the Acquisition;
  - (ii) reviewed the terms of engagement (having particular regard to the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by Savills’ valuation report, opinion or statement); and
  - (iii) where the independent financial adviser is aware the Company or another party to the Acquisition has made formal or informal representations to Savills, assessed whether the representations are in accordance with the independent financial adviser’s knowledge.

### **PRINCIPAL FACTORS TAKEN INTO ACCOUNT**

In arriving at our opinions and recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, we have considered the principal factors and reasons set out below:

#### **I. Background and Reasons for the Acquisition**

The Company is an investment holding company. The core business of the Group is to develop real estate properties for sale and to hold investment properties for rental income.

On 17 September 2008, Join Ally, as purchaser, has entered into the Agreement with Enhancement, as vendor, for the acquisition of the entire issued share capital of Guru Star and the assignment of related shareholder’s loan to Join Ally for an aggregate cash consideration of HK\$135,000,000. As at 31 August 2008, the unaudited consolidated net assets of the Guru Star Group was HK\$92,591,000 and the related shareholder’s loan amounted to HK\$43,116,000.

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## LETTER FROM MENLO CAPITAL

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Guru Star is an investment holding company and the sole asset of significance held by the Guru Star Group is the Property. The Property is a completed 20-storey commercial and office building situated at 3 Beijing Road, Yuexiu District, Guangzhou, Guangdong Province, PRC and known as Newsun Commercial Building. The Property is located at the road junction of Beijing Road, Nanti Er Road and Baqi Er Road and currently leased out for rental income with occupancy rate of 93%. The current carrying value of the Property as at 17 September 2008 is RMB179,000,000 (equivalent to approximately HK\$205,747,000) as revalued by Savills. The Property is currently mortgaged to a bank and the outstanding mortgage loan amount as at 31 August 2008 is RMB42,333,000 (equivalent to approximately HK\$48,659,000).

The Group owns a commercial and residential building in the course of completion known as “No. 5 Residence” which is adjoining to the Property along Beijing Road plus two development sites situated right next to “No. 5 Residence”. The Property, together with “No. 5 Residence” and the two development sites currently owned by the Group for development, when wholly completed, will command a total shop frontage of well over 200 meters along Beijing Road and Nanti Er Road. The Group intends to develop a composite project with a commercial podium, comprising shops, commercial and offices together with river view residential units on top of the commercial podium in order to enhance the overall merger value of “No. 5 Residence” and the two sites already owned and to be developed by the Group upon acquisition of the well situated Property, with the commercial podium in particular.

The holding of investment properties for rental income is one of the core business operations of the Group and the sole asset of the Guru Star Group is the Property currently leased out for rental income. Accordingly, we are of the view that the Acquisition is in the ordinary course of business of the Group. We are also of the view that the acquisition of the Property, which is adjoining to the Group’s three projects under development, will substantially enhance the overall merger value of the other three sites owned by the Group along Beijing Road and the transaction is in the interest of the Company and the Shareholders as a whole.

## II. Terms of the Acquisition

Pursuant to the Agreement, Enhancement agreed to sell and Join Ally agreed to purchase the entire issued share capital of Guru Star and Enhancement also agreed to assign the related shareholder’s loan to Join Ally:

### THE AGREEMENT

#### 1. Date

17 September 2008

#### 2. Parties

- (a) Vendor : Enhancement
- (b) Purchaser : Join Ally, an indirect wholly-owned subsidiary of the Company



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## LETTER FROM MENLO CAPITAL

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### 3. Information of Guru Star and the Property

Guru Star is an investment holding company and the sole asset of significance held by the Guru Star Group is the Property. The Property is a completed 20-storey commercial and office building situated at 3 Beijing Road, Yuexiu District, Guangzhou, Guangdong Province, PRC and known as Newsun Commercial Building with a gross floor area of approximately 13,000 square metres. The Property is currently leased out for rental income with occupancy rate of 93%.

The Property is revalued by Savills at RMB179,000,000 (equivalent to approximately HK\$205,747,000) both as at 31 March 2008 and 17 September 2008. The original cost of the Property acquired by the Guru Star Group was approximately RMB95,000,000 (equivalent to approximately HK\$109,000,000). The Property is currently mortgaged to a bank and the outstanding mortgage loan amount as at 31 August 2008 was RMB42,333,000 (equivalent to approximately HK\$48,659,000).

The audited net profit before and after tax attributable to the Guru Star Group for the year ended 31 March 2007 were HK\$20,560,000 and HK\$20,437,000 respectively. The audited net profit before and after tax attributable to the Guru Star Group for the year ended 31 March 2008 were HK\$14,864,000 and HK\$11,026,000 respectively. The drop in audited profit after tax for the year ended 31 March 2008 is mainly attributable to the decrease in revaluation gain of the Property.

As at 31 August 2008, the unaudited consolidated net assets of the Guru Star Group (which has already taken into account of the revaluation of the Property to its market value of approximately HK\$205,747,000) was HK\$92,591,000 and the amount of related shareholder's loan was HK\$43,116,000.

Upon completion of the Agreement, Guru Star shall become a wholly-owned subsidiary of Join Ally, which in turn is an indirect wholly-owned subsidiary of the Company.

### 4. Consideration and Payment Terms

The aggregate cash consideration for the acquisition of the entire issued share capital of Guru Star and the assignment of related shareholder's loan is HK\$135,000,000 which is determined by reference to the unaudited consolidated net assets of the Guru Star Group together with the shareholder's loan as at 31 August 2008 and was agreed at after arm's length negotiations between the parties to the Agreement.

The aggregate cash consideration of HK\$135,000,000 will be payable in the following manners:

- (a) an initial deposit of HK\$13,500,000 has been paid upon signing of the Agreement; and
- (b) the balance of the consideration of HK\$121,500,000 will be paid upon completion of the Agreement.

### 5. Completion

Completion of the Agreement is subject to and conditional on the following conditions being fulfilled or waived:

- (a) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Acquisition;

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## LETTER FROM MENLO CAPITAL

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- (b) the passing of an ordinary resolution by the independent shareholders of Chinney at the Chinney EGM to approve the Acquisition;
- (c) if applicable, the granting of consent from bank or other third parties which are necessary in connection with the execution of and to give effect to the Acquisition contemplated under the Agreement and each of the documents to be executed on or before the completion of the Acquisition have been obtained by the vendor and/or the purchaser;
- (d) there having been no breach by the vendor of any obligations, undertakings, representations and warranties under the Agreement;
- (e) there having been no breach by the purchaser of any obligations, undertakings, representations and warranties under the Agreement; and
- (f) the purchaser having been reasonably satisfied with the results of the due diligence review on the Guru Star Group.

Completion of the Agreement shall take place within five business days immediately after all of the conditions are fulfilled or waived (or such other date as the parties may agree in writing).

We have reviewed the Agreement. We are of the view that the Agreement is on normal commercial terms.

### **Consideration of the Acquisition**

Based on the audited financial statements of the Guru Star Group as at 31 March 2008 and the management accounts for the five months ended 31 August 2008, the aggregate amount of the unaudited consolidated net assets and the shareholder's loan of the Guru Star Group was approximately HK\$135,707,000 as at 31 August 2008 (which has taken into account of the revaluation of the Property to its market value by Savills).

### *Valuation of the Property*

*Being stated in the valuation report on the Property from Savills, as set out in Appendix I to the Circular, Savills' valuation of the Property is Savills' opinion of its market value which means "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".*

*In valuing the Property which is to be held by the Group for investment, Savills have valued the Property by reference to comparable market transactions and on the basis of the capitalization of the net incomes derived from the existing tenancies with due allowance for reversionary income potential of the Property.*

*In valuing the Property, Savills stated that they have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Valuation Standards on Properties published by the Hong Kong Institute of Surveyors.*

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## LETTER FROM MENLO CAPITAL

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We have discussed with Savills the assumptions applied by them as set out in the valuation report. We consider that their assumptions are in line with the market practice and have no reason to doubt the assumptions applied by Savills in preparing the valuation report. However, we wish to draw the attention of the Shareholders that the assumptions made in the valuation report are by nature subject to future uncertainty.

In determination of the Guru Star Group's net assets, a deferred tax liability of HK\$26,385,000 on revaluation gain of the Property has been provided in the unaudited management accounts as at 31 August 2008. No actual tax payment is required not until the Property is disposed of by the Guru Star Group. The management of the Company confirmed that the Property would be held for long term rental purpose and not for re-sale in a short term period. Hence, the aggregate cash consideration, which has already net of the potential deferred tax liability, for the acquisition of the entire issued share capital of Guru Star and the assignment of related shareholder's loan of HK\$135,000,000 is compared favourably to the actual underlying unaudited consolidated net assets and the shareholder's loan of the Guru Star Group as at 31 August 2008.

A summary of the unaudited consolidated net assets of the Guru Star Group as at 31 August 2008 is as follows:

	<i>HK\$'000</i>
Audited net assets before shareholder's loan and deferred tax provision on revaluation gain of the Property as at 31 March 2008 (including cash and bank balances of HK\$6,778,000)	111,335
Increase in reserves (including net profit and exchange gain) per management accounts from 1 April 2008 to 31 August 2008	<u>7,641</u>
Unaudited consolidated net assets before deferred tax provision as at 31 August 2008 (including cash and bank balances of HK\$7,968,000)	118,976
Shareholder's loan as at 31 August 2008	<u>43,116</u>
Unaudited consolidated net assets before deferred tax provision together with shareholder's loan	162,092
Provision for deferred tax on revaluation gain of the Property	<u>(26,385)</u>
Unaudited consolidated net assets after deferred tax provision together with shareholder's loan as at 31 August 2008	<u><u>135,707</u></u>

In addition to acquisition of the net assets of the Guru Star Group, the transaction will also substantially enhance the overall merger value of the Group's other three development projects adjoining to the Property along Beijing Road.

Given the above, we consider the consideration of the Acquisition is fair and reasonable so far as the interests of the Company and the Shareholders are concerned.

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## LETTER FROM MENLO CAPITAL

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### III. Financial Effects of the Acquisition

The aggregate cash consideration for the acquisition of the entire issued share capital of Guru Star and the assignment of related shareholder's loan is HK\$135,000,000.

The financial effects of the Acquisition will be as follows:

**(i) Earnings**

The audited net profit before and after tax attributable to the Guru Star Group for the year ended 31 March 2007 were HK\$20,560,000 and HK\$20,437,000 respectively. The audited net profit before and after tax attributable to the Guru Star Group for the year ended 31 March 2008 were HK\$14,864,000 and HK\$11,026,000 respectively.

Based on the above accounts, the Acquisition will have an improvement of the profitability of the Group.

**(ii) Net assets value**

Based on the consideration for the Acquisition of HK\$135,000,000 being slightly below the aggregate amount of the unaudited consolidated net assets and the shareholder's loan of the Guru Star Group as at 31 August 2008, there will be a slight improvement of the net assets value of the Group immediately after the completion of the Acquisition.

**(iii) Liquidity**

The cash outflow for the consideration for the Acquisition of HK\$135,000,000 is (i) an initial deposit of HK\$13,500,000 paid upon signing of the Agreement; and (ii) the balance of the consideration of HK\$121,500,000 will be paid upon completion of the Agreement. There is a decrease in the liquidity of the Group in relation to the Acquisition. However, the cash outflow for settlement of the purchase consideration will be partially recovered from the cash and bank balances of HK\$7,968,000 which is currently maintained in the Guru Star Group. Also, the Directors intend to refinance the Property from bank basing on the current valuation of RMB179,000,000.

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## LETTER FROM MENLO CAPITAL

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### OPINION

Having taken into consideration of the above principal factors and reasons, in particular:

1. the Acquisition is in the ordinary course of business of the Company;
2. the acquisition of the Property will substantially enhance the overall merger value of the other three sites owned by the Group along Beijing Road and the composite project is in the interest of the Company and the Shareholders as a whole;
3. the Agreement is on normal commercial terms;
4. the consideration of the Acquisition being a slight discount to the aggregate amount of the unaudited consolidated net assets and the shareholder's loan of the Guru Star Group is fair and reasonable to the Company and the Shareholders;
5. the Acquisition will decrease the liquidity of the Group and the Directors intend to refinance the Property from bank basing on the current valuation; and
6. the Acquisition will have improvement on both of the earnings and the net assets value of the Group.

### RECOMMENDATION

We are of the view that the Acquisition is in the ordinary course of business of the Company and in the interests of the Company and the Shareholders as a whole and that the Agreement is on normal commercial terms and the terms of the Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to approve the Acquisition at the EGM.

Yours faithfully,  
For and on behalf of  
**Menlo Capital Limited**  
**Michael Leung**  
*Executive Director*

*The following is the text of the letter and valuation certificate received from Savills Valuation and Professional Services Limited, independent property valuer, in connection with their valuation of the property as at 17 September 2008 for the purpose of incorporation in this circular.*



The Directors  
Chinney Investments, Limited  
Hon Kwok Land Investment Company, Limited  
23rd Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

Savills Valuation and  
Professional Services Limited  
23/F Two Exchange Square  
Central, Hong Kong

T: (852) 2801 6100  
F: (852) 2530 0756

EA Licence: C-023750  
savills.com

30 September 2008

Dear Sirs,

**RE: NEWSUN COMMERCIAL BUILDING (新光商務大廈), 3 BEIJING ROAD, YUEXIU DISTRICT, GUANGZHOU, GUANGDONG PROVINCE, PRC (THE “PROPERTY”)**

In accordance with the instructions from Chinney Investments, Limited (“Chinney”) and Hon Kwok Land Investment Company, Limited (“Hon Kwok”) for us to value the property situated in the People’s Republic of China (the “PRC”), we confirm that we have carried out an inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of the property as at 17 September 2008 (“date of valuation”) for incorporation in a public circular.

Our valuation of the property is our opinion of its market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

In the course of our valuation, we have assumed that transferable land use rights in respect of the property for its specific term at nominal land use fees have been granted and that any land grant premium payable has been fully paid. We have also assumed that the grantee has an enforceable title to the property and has free and uninterrupted rights to use, occupy or assign the property for the whole of the unexpired terms as granted.

In valuing the property which is to be held by Hon Kwok for investment, we have valued the property by reference to comparable market transactions and on the basis of the capitalization of the net incomes derived from the existing tenancies with due allowance for reversionary income potential of the property.

We have been provided with copies of the title document relating to the property such as Real Estate Title Certificates. However, we have not inspected the original documents to verify the ownership or to ascertain the existence of any amendments which may not appear on the copies provided to us. In the course of our valuation, we have relied to a considerable extent on the information given by Hon Kwok and its PRC's legal adviser, Guangdong G & Z Law Firm, regarding the title to the property. We have also accepted advice given to us by Hon Kwok on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided by Hon Kwok to us and are therefore only approximations. No on-site measurements have been taken. We have had no reason to doubt the truth and accuracy of the information provided to us by Hon Kwok, which is material to our valuation. We have also sought confirmation from Hon Kwok that no material facts have been omitted from the information supplied.

We have inspected the exterior and where possible, the interior of the property. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made, we are therefore unable to report whether the property is free from rot, infestation or any other defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value.

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Valuation Standards on Properties published by the Hong Kong Institute of Surveyors.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi ("RMB").

We enclose herewith our valuation certificate.

Yours faithfully,  
For and on behalf of  
**Savills Valuation and Professional Services Limited**  
**Charles C K Chan**  
*MSc FRICS FHKIS MCI Arb RPS(GP)*  
*Managing Director*

*Note: Charles C K Chan, MSc, FRICS, FHKIS, MCI Arb, RPS(GP), is a qualified valuer and has about 24 years' experience in the valuation of properties in Hong Kong and has about 19 years' experience in the valuation of properties in the PRC.*

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 17 September 2008
Newsun Commercial Building (新光商務大廈), 3 Beijing Road, Yuexiu District, Guangzhou, Guangdong Province, PRC	<p>The property comprises a 20-storey plus a 3-level basement commercial and office building completed in about 2003.</p> <p>The total gross floor area of the property is approximately 13,053.258 sq.m. (140,505 sq.ft.).</p> <p>The land use rights of the property have been granted for terms of 40 years expiring on 24 January 2042 for commercial uses and 50 years expiring on 24 January 2052 for office use.</p>	<p>Except for approximately 767.97 sq.m. which are vacant and 105.35 sq.m. which are occupied by Guangzhou Tungfu, the property is subject to various tenancies with the latest one due to expire in July 2013 at a total monthly rent of approximately RMB670,000 exclusive of management fees.</p>	RMB179,000,000

*Notes:*

- (1) Pursuant to 24 Real Estate Title Certificate Nos. Yue Fang Di Zheng Zi C3902829 to C3902852 issued by Guangzhou State-owned Land Resources and Housing Administration Bureau on 22 July 2005, the building ownership of the property is vested in 廣州市同孚物業管理有限公司 (Guangzhou Tungfu Property Management Co., Ltd.) (“Guangzhou Tungfu”).
- (2) We have been provided with a legal opinion on the title to the property issued by Hon Kwok’s PRC legal adviser, which contains, *inter alia*, the following information:
- i. Guangzhou Tungfu has obtained the Real Estate Title Certificates of the property;
  - ii. except for the 3-level basement, the property was mortgaged to the Bank of East Asia, Guangzhou Branch; and
  - iii. Guangzhou Tungfu has the right to lease, transfer or mortgage the property save and except the mortgaged portion which require the consent from the mortgagee.



**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****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 to be notified to the Company and the Stock Exchange, were as follows:

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

<b>Name of Director</b>	<i>Note</i>	<b>Nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
James Sai-Wing Wong	<i>1</i>	Corporate	256,882,553	53.49
Madeline May-Lung Wong	<i>1</i>	Corporate	256,882,553	53.49
Herman Man-Hei Fung		Personal	300,000	0.06

*(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/amount of paid up registered capital held	Percentage of the associated corporation's issued share capital/paid up registered capital
James Sai-Wing Wong	2	Chinney	Corporate	307,571,324	55.78
	3	Chinney Holdings	Corporate	9,900,000	99.00
		Chinney Holdings	Personal	100,000	1.00
		Lucky Year	Personal	10,000	50.00
	4	Guangzhou Honkwok Fuqiang Land Development Ltd.	Corporate	RMB185,000,000	100.00
Madeline May-Lung Wong	2	Chinney	Corporate	307,571,324	55.78
	3	Chinney Holdings	Corporate	9,900,000	99.00
		Lucky Year	Personal	10,000	50.00

*Notes:*

- 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 Mr. James Sai-Wing Wong and Madam Madeline May-Lung Wong are directors and have beneficial interests therein.*
- These shares are beneficially held by Chinney Holdings. By virtue of note 1, Mr. James Sai-Wing Wong and Madam Madeline May-Lung Wong are deemed to be interested in these shares.*
- These shares are beneficially held by Lucky Year. By virtue of note 1, Mr. James Sai-Wing Wong and Madam Madeline May-Lung Wong are deemed to be interested in these shares.*
- Out of the RMB185,000,000 registered capital, RMB111,000,000 is held by a wholly-owned subsidiary of the Company and RMB74,000,000 is held by a company controlled by Mr. James Sai-Wing Wong. By virtue of note 1, Mr. James Sai-Wing Wong is deemed to be interested in this company.*

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.

### 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:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held in long position	Percentage of the Company's issued share capital
Chinney	1	Directly beneficially owned	256,882,553	53.49
Chinney Holdings	1	Through a controlled corporation	256,882,553	53.49
Lucky Year	1	Through a controlled corporation	256,882,553	53.49
DJE Investment S.A.	2	Directly beneficially owned	33,618,000	7.00
Dr. Jens Ehrhardt Kapital AG	2	Through a controlled corporation	33,618,000	7.00
Dr. Jens Alfred Karl Ehrhardt	2	Through a controlled corporation	33,618,000	7.00
Morgan Stanley	3	Directly beneficially owned	37,179,494	7.74

*Notes:*

1. *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.*
2. *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.*
3. *In June 2006, a wholly-owned subsidiary of the Company issued 3.5% convertible guaranteed bonds due 2011 (the "Bonds") with a principal sum of HK\$280 million. The bondholders have the right to convert the Bonds into shares of the Company at a conversion price, subject to adjustment in certain events, of HK\$4 per share. Morgan Stanley subscribed for a principal sum of HK\$145 million of the Bonds and was regarded to be interested in 36,250,000 shares of the Company at the issue date of the Bonds. The Bonds are freely transferable and there has been no conversion of the Bonds since issuance.*

*Based on the last corporate substantial shareholder notice, Morgan Stanley disclosed it held a long position of 37,179,494 shares of the Company as at 23 September 2008.*

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 any other member of the Group or had any option in respect of such capital:

<b>Name of Shareholder</b>	<b>Name of member of the Group in which interest held</b>	<b>Approximate percentage of equity interested</b>
Sharp Billion Development Limited	Guangzhou Honkwok Fuqiang Land Development Ltd.	40
Guangzhou Hengsheng Group Co., Ltd.	Guangzhou Honkwok Hengsheng Land Development Ltd.	25
Market Delight Investments Limited	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 any other member of the Group or had any option in respect of such capital.

### **3. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND IN COMPETING BUSINESSES**

The Company has entered into a management contract with Chinney for the provision of general corporate management services to the Company. The contract is for an unspecified duration and may be terminated by either party by giving two months' written notice. A management fee of HK\$6,000,000 was paid by the Company for the year ended 31 March 2008. Mr. James Sai-Wing Wong and Madam Madeline May-Lung Wong are directors of and have beneficial interests in Chinney. Mr. Herman Man-Hei Fung is also a director of Chinney.

Mr. James Sai-Wing Wong, Chairman of the Company, has deemed interests and held directorships in companies engaged in the businesses of property investment. Madam Madeline May-Lung Wong is a director of HKR International Limited, whose group's businesses consist of property development and property investment. In this respect, Mr. James Sai-Wing Wong and Madam Madeline May-Lung Wong are regarded as being interested in businesses which might compete with the Group.

So far as the Directors are aware and, save as disclosed as aforesaid, as at the Latest Practicable Date:

- (a) none of the Directors or their associates had any direct or indirect interest in any assets which have been, since 31 March 2008 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group;

- (b) none of the Directors or their associates was materially interested in any contract or arrangement entered into by any member of the Group and subsisting at the date of this circular which was significant in relation to the business of the Group; and
- (c) none of the Directors or their associates had interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

#### 4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

#### 5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2008, being the date to which the latest published audited financial statements of the Group were made up.

#### 6. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinions and advice which are included in this circular:

<b>Name</b>	<b>Qualification</b>
Menlo Capital	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Savills Valuation and Professional Services Limited	a property valuer

- (a) As at the Latest Practicable Date, neither Menlo Capital nor Savills Valuation and Professional Services Limited has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (b) Each of Menlo Capital and Savills Valuation and Professional Services Limited has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter or references to its name in the form and context in which they are included.
- (c) Neither Menlo Capital nor Savills Valuation and Professional Services Limited has any direct or indirect interest in any assets which have been, since 31 March 2008 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

#### 7. LITIGATION

So far as the Directors are aware, there are no litigation or claims of material importance pending or threatened against any member of the Group as at the Latest Practicable Date.

**8. GENERAL**

- (a) 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.
- (b) 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.
- (c) The registered office of the Company is at 23rd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.
- (d) The Company's share registrar is Tricor Tengis Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (e) The English language text of this circular shall prevail over the Chinese language text.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the registered office of the Company at 23rd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong from the date of this circular up to and including 17 October 2008:

- (a) the Agreement;
- (b) the letter from the Independent Board Committee as set out on page 11 of this circular;
- (c) the letter of advice from Menlo Capital as set out on pages 12 to 19 of this circular;
- (d) the valuation report on the Property from Savills Valuation and Professional Services Limited as set out in Appendix I to this circular; and
- (e) the written consents referred to under the section headed "Experts and Consents" in Appendix II.

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## NOTICE OF EGM

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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)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Hon Kwok Land Investment Company, Limited (the “Company”) will be held at Golden Restaurant, 1/F., East Wing, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Monday, 20 October 2008 at 3:15 p.m. for considering and if thought fit passing the following resolution as ordinary resolution:

### ORDINARY RESOLUTION

“**THAT** (i) the sale and purchase agreement dated 17 September 2008 (the “Agreement”) entered into between Join Ally Limited as purchaser and Enhancement Investments Limited as vendor for the acquisition of the entire issued share capital of Guru Star Investments Limited and the assignment of the related shareholder’s loan to Join Ally Limited at an aggregate cash consideration of HK\$135,000,000 (a copy of which has been produced to the meeting and marked “A” and initialled by the Chairman of the meeting for identification purpose) be and is hereby approved, ratified and confirmed; and (ii) any director of the Company be and is hereby authorised for and on behalf of the Company to execute (whether under the seal or under hand) all such other documents, instruments and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated therein or relating to the Agreement and completion thereof as he may consider necessary, desirable or expedient to give effect to the Agreement and the transactions contemplated thereunder.”

By Order of the Board  
**Wendy Yuk-Ying Chan**  
Company Secretary

Hong Kong, 30 September 2008

*Notes:*

- Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of such member in accordance with the articles of association of the Company. A proxy need not be a member of the Company.*
- A form of proxy for use at the meeting is enclosed.*
- To be valid, a proxy form, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be completed and deposited at the registered office of the Company at 23rd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
- In the case of joint holders of a share, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the above meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.*