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## HUTCHISON WHAMPOA LIMITED

(incorporated in Hong Kong with limited liability)  
(Stock Code: 013)

### PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND LOANS TO NEWSCOTT INVESTMENTS LIMITED AND GREAT WINWICK LIMITED CONNECTED TRANSACTIONS



## HUTCHISON HARBOUR RING LIMITED

和記港陸有限公司\*  
(incorporated in Bermuda with limited liability)  
(Stock Code: 715)

### PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND LOANS TO NEWSCOTT INVESTMENTS LIMITED AND GREAT WINWICK LIMITED PROPOSED ISSUE OF CONVERTIBLE NOTE MAJOR AND CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

#### ACQUISITION AGREEMENTS AND CONVERTIBLE NOTE SUBSCRIPTION AGREEMENT

On 4 October 2005, City Island, a wholly-owned subsidiary of HHR as purchaser, Hildon as vendor, CKHC and HWP as vendor guarantors and HHR as purchaser guarantor entered into the Newscott Agreement pursuant to which City Island has conditionally agreed to acquire from Hildon the entire issued share capital of, and all the shareholder's loans to, Newscott for a total consideration of US\$252,000,000 (or approximately HK\$1,965,600,000) payable in cash, subject to adjustment. On the same date, City Island as purchaser, Montoya as vendor, CKHC and HWP as vendor guarantors and HHR as purchaser guarantor entered into the Great Winwick Agreement pursuant to which City Island has conditionally agreed to acquire from Montoya the entire issued share capital of, and all the shareholder's loans to, Great Winwick for a total consideration of US\$48,000,000 (or approximately HK\$374,400,000) payable in cash, subject to adjustment. Hildon and Montoya are entities jointly controlled indirectly by HWL and CKH.

The principal assets of Newscott and Great Winwick are the holding of the entire equity interests in, and loans to, He Hui and Xin Hui which are joint owners of the Property.

Also on 4 October 2005, HHR and the Subscriber entered into the Convertible Note Subscription Agreement pursuant to which HHR conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the Convertible Note in the principal amount of US\$128,200,000 (or approximately HK\$999,960,000) concurrent with and conditional upon, amongst other things, completion of the Acquisition Agreements.

The transactions under the Acquisition Agreements and the Convertible Note Subscription Agreement together constitute major and connected transactions for HHR under the Listing Rules and therefore are subject to the approval by the HHR Independent Shareholders at the SGM under Listing Rules 14.40 and 14A.18.

The transactions under the Acquisition Agreements constitute connected transactions for HWL under the Listing Rules which are subject to the reporting and announcement requirements under Listing Rules 14A.45 to 14A.47 and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Listing Rule 14A.32.

#### MANAGEMENT AGREEMENTS

On completion of the Acquisition Agreements, the Property Owners and HESA will enter into the Estate Management Agreement and the Clubhouse Management Agreement; and the Property Owners and PPSL will enter into the Letting and Lease Management Agreement.

HHR will issue a further announcement to disclose further information relating to the transactions contemplated under the Estate Management Agreement, Letting and Lease Management Agreement and the Clubhouse Management Agreement including to state the annual caps to be set for these transactions for the purpose of Chapter 14A of the Listing Rules.

#### LEASEBACK AGREEMENTS

On 3 October 2005, the Property Owners as landlord and Ya Hui as tenant entered into a tenancy agreement in respect of the whole of the Mezzanine Floor of the Development. On 13 June 2004, the Property Owners as landlord and Ya Hui as tenant entered into a tenancy agreement in respect of the whole of the 2nd Floor of the Development.

Upon completion of the Acquisition Agreements, each of the Leaseback Agreements will become continuing connected transactions for HHR. Pursuant to Listing Rule 14A.34, each of the Leaseback Agreements is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules for HHR.

#### GENERAL

An independent board committee of HHR will be established to consider the transactions under the Acquisition Agreements and the Convertible Note Subscription Agreement and to advise the HHR Independent Shareholders in this regard. An independent financial adviser will be appointed to advise the independent board committee of HHR and the HHR Independent Shareholders in this regard.

HHR will dispatch to the HHR Shareholders a circular containing, among other things, further details of the Acquisition Agreements, the Convertible Note Subscription Agreement, the recommendation from the independent board committee to the HHR Independent Shareholders, the recommendation of the independent financial adviser to the independent board committee and the HHR Independent Shareholders, the accountants' reports on Newscott and Great Winwick, a valuation report on the Property, the unaudited pro forma financial information on the Enlarged HHR Group and a notice convening the SGM in accordance with the requirements of the Listing Rules.

**HHR Shareholders should note that the Acquisition Agreements and the Convertible Note Subscription Agreement, which are inter-conditional with each other and each of which is subject to a number of conditions precedent, may or may not be completed. HHR Shareholders are reminded to exercise caution when dealing in HHR Shares.**

#### NEWSCOTT AGREEMENT

##### Date

4 October 2005

##### Parties

Vendor : Hildon, a company indirectly owned as to 50% by each of CKHC and HWP. Hildon is an associate of CKH, the controlling shareholder of HWL. Hildon is also an associate of Promising Land, the controlling shareholder of HHR. Therefore, Hildon is a connected person of HWL and of HHR. The principal business of Hildon is investment holding.

Purchaser : City Island, an indirect wholly-owned subsidiary of HHR.

Guarantors of Vendor : CKHC and HWP, which have agreed to guarantee, on a several basis and limited as to 50% of all liabilities, the performance by Hildon of its obligations under the Newscott Agreement. CKHC and HWP are associates of CKH and of Promising Land respectively and therefore connected persons of HWL and of HHR.

Guarantor of Purchaser : HHR, which has agreed to guarantee the performance by City Island of its obligations under the Newscott Agreement.

##### Assets to be acquired by City Island

City Island has conditionally agreed to purchase from Hildon and Hildon has conditionally agreed to sell to City Island (i) the Newscott Sale Shares, being 100 shares of US\$1.00 each in the capital of Newscott and representing the entire issued share capital of Newscott, and (ii) the Newscott Loan, being all the shareholder's loans due and owing from Newscott to Hildon as at the Completion Date.

##### Consideration

The aggregate consideration payable by City Island to Hildon for the acquisition of the Newscott Sale Shares and the assignment of the Newscott Loan is US\$252,000,000 (or approximately HK\$1,965,600,000), subject to adjustment. Such consideration will be payable in cash upon completion of the Newscott Agreement, subject to adjustment.

The consideration payable at completion of the Newscott Agreement will be US\$252,000,000 (or approximately HK\$1,965,600,000) as reduced by the amount of any NS Unaudited Net Liability or increased by the amount of any NS Unaudited Net Surplus (as the case may be). Such consideration is subject to further adjustment on a dollar-for-dollar basis where the NS Audited Net Liability or the NS Audited Net Surplus (as the case may be) is not equivalent to the NS Unaudited Net Liability or the NS Unaudited Net Surplus (as the case may be) in the following manner:

- (i) if (a) the NS Audited Net Surplus exceeds the NS Unaudited Net Surplus; (b) the NS Audited Net Liability falls short of the NS Unaudited Net Liability; or (c) there is an NS Audited Net Surplus but an NS Unaudited Net Liability, then the sum equivalent to the difference between the two amounts will be payable by City Island to Hildon; or
- (ii) if (a) the NS Audited Net Liability exceeds the NS Unaudited Net Liability; (b) the NS Audited Net Surplus falls short of the NS Unaudited Net Surplus; or (c) there is an NS Audited Net Liability but an NS Unaudited Net Surplus, then the sum equivalent to the difference between the two amounts will be payable by Hildon to City Island.

The consideration payable under the Newscott Agreement was determined after arm's length negotiations between City Island and Hildon and by reference to the US\$300 million property valuation on the Development as at 30 June 2005.

#### GREAT WINWICK AGREEMENT

##### Date

4 October 2005

##### Parties

Vendor : Montoya, a company indirectly owned as to 50% by each of CKHC and HWP. Montoya is an associate of CKH, the controlling shareholder of HWL. Montoya is also an associate of Promising Land, the controlling shareholder of HHR. Therefore, Montoya is a connected person of HWL and of HHR. The principal business of Montoya is investment holding.

Purchaser : City Island, an indirect wholly-owned subsidiary of HHR.

Guarantors of Vendor : CKHC and HWP, which have agreed to guarantee, on a several basis and limited as to 50% of all liabilities, the performance by Montoya of its obligations under the Great Winwick Agreement. CKHC and HWP are associates of CKH and of Promising Land respectively and therefore connected persons of HWL and of HHR.

Guarantor of Purchaser : HHR, which has agreed to guarantee the performance by City Island of its obligations under the Great Winwick Agreement.

##### Assets to be acquired by City Island

City Island has conditionally agreed to purchase from Montoya and Montoya has conditionally agreed to sell to City Island (i) the Great Winwick Sale Shares, being 100 shares of US\$1.00 each in the capital of Great Winwick and representing the entire issued share capital of Great Winwick, and (ii) the Great Winwick Loan, being all the shareholder's loans due and owing from Great Winwick to Montoya as at the Completion Date.

## Consideration

The aggregate consideration payable by City Island to Montoya for the acquisition of the Great Winwick Sale Shares and the assignment of the Great Winwick Loan is US\$48,000,000 (or approximately HK\$374,400,000), subject to adjustment. Such consideration will be payable in cash upon completion of the Great Winwick Agreement, subject to adjustment.

The consideration payable at completion of the Great Winwick Agreement will be US\$48,000,000 (or approximately HK\$374,400,000) as reduced by the amount of any GW Unaudited Net Liability or increased by the amount of any GW Unaudited Net Surplus (as the case may be). Such consideration is subject to further adjustment on a dollar-for-dollar basis where the GW Audited Net Liability or the GW Audited Net Surplus (as the case may be) is not equivalent to the GW Unaudited Net Liability or the GW Unaudited Net Surplus (as the case may be) in the following manner:

- (i) if (a) the GW Audited Net Surplus exceeds the GW Unaudited Net Surplus; (b) the GW Audited Net Liability falls short of the GW Unaudited Net Liability; or (c) there is a GW Audited Net Surplus but a GW Unaudited Net Liability, then the sum equivalent to the difference between the two amounts will be payable by City Island to Montoya; or
- (ii) if (a) the GW Audited Net Liability exceeds the GW Unaudited Net Liability; (b) the GW Audited Net Surplus falls short of the GW Unaudited Net Surplus; or (c) there is a GW Audited Net Liability but a GW Unaudited Net Surplus, then the sum equivalent to the difference between the two amounts will be payable by Montoya to City Island.

The consideration payable under the Great Winwick Agreement was determined after arm's length negotiations between City Island and Montoya and by reference to a US\$300 million property valuation on the Development as at 30 June 2005.

## Conditions precedent to completion of the Acquisition Agreements

Completion of each of the Acquisition Agreements is subject to the satisfaction of a number of conditions precedent including:

- (a) the HHR Independent Shareholders passing at the SGM of ordinary resolution(s) approving the Acquisition Agreements and the transactions contemplated thereunder;
- (b) due diligence on Newscott, Great Winwick, the Property Owners and the Property, as the case may be, including without limitation, their respective state of affairs, assets and liabilities, financial position and business operation, being completed to the reasonable satisfaction of the Purchaser and there being no matter appearing to the Purchaser from such due diligence which in the reasonable opinion of the Purchaser may adversely affect the value of the Newscott Sale Shares and the Newscott Loan or the Great Winwick Sale Shares and the Great Winwick Loan, as the case may be, to a material extent;
- (c) the Purchaser having obtained a legal opinion issued by a law firm of lawyers qualified in practising the laws of the PRC reasonably acceptable to the Purchaser covering such issues and matters of laws and requirements in the PRC as the Purchaser may reasonably consider to be relevant to the Acquisition Agreements and the transactions contemplated thereunder, which opinion shall be in such form and substance reasonably satisfactory to the Purchaser;
- (d) the Purchaser having received a legal opinion issued by a firm of lawyers qualified in practising the laws of the British Virgin Islands reasonably acceptable to the Purchaser confirming that Newscott or Great Winwick, as the case may be, is duly incorporated and validly existing and no resolution or order has been made or passed to appoint receiver, liquidator or similar officer of, or to wind up or dissolve, Newscott or Great Winwick, as the case may be, and covering such other matters as the Purchaser may reasonably consider to be relevant to the relevant Acquisition Agreement and the transactions contemplated thereunder, which opinion shall be in such form and substance reasonably satisfactory to the Purchaser;
- (e) all consents, approvals and waivers from government or regulatory authorities or third parties as may be required or necessary to give effect to the transactions contemplated under the Acquisition Agreements having been obtained and where any such consent, approval or waiver is subject to conditions, such conditions being reasonably satisfactory to the Purchaser and the relevant Vendor;
- (f) the representations, warranties and undertakings given by the relevant Vendor under the relevant Acquisition Agreement remaining true and accurate in all material respects and not misleading in any material respect as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date;
- (g) the Leaseback Agreements remaining in full force and effect and not being terminated;
- (h) in respect of an Acquisition Agreement, the other Acquisition Agreement having become unconditional in all respects save as regards any conditions requiring that Acquisition Agreement to become unconditional; and
- (i) the Convertible Note Subscription Agreement having become unconditional in all respects save as regards any condition requiring that the Acquisition Agreements to become unconditional.

## Completion of the Acquisition Agreements

Completion of the Acquisition Agreements shall take place concurrently with each other and the Convertible Note Subscription Agreement on the second business day after all the conditions have either been fulfilled or waived, as the case may be, (or such other date and time as may be agreed by the parties) (except the condition set out in (f), which shall be fulfilled simultaneously upon completion). If all of the conditions are not fulfilled or waived, as the case may be, by 31 March 2006 (or on such later date as the relevant Vendor and the Purchaser may agree in writing) (except the condition set out in (f) which shall be fulfilled simultaneously upon completion), the relevant Acquisition Agreement shall lapse and be terminated with immediate effect and, save in respect of any antecedent breaches, all rights and liabilities of the parties under the relevant Acquisition Agreement shall cease and determine. HHR will fund the Acquisition through a combination of external commercial borrowings and internal resources.

## CONVERTIBLE NOTE SUBSCRIPTION AGREEMENT

### Date

4 October 2005

### Parties

- (i) HHR, the issuer of the Convertible Note
- (ii) Subscriber, an associate of Promising Land, the controlling shareholder of HHR. Therefore, the Subscriber is a connected person of HHR. The principal business of Subscriber is investment holding.

## Conditions of the Convertible Note Subscription Agreement

Completion of the Convertible Note Subscription Agreement is conditional upon the fulfilment of a number of conditions precedent including:

- (a) the HHR Independent Shareholders passing at the SGM of ordinary resolution(s) approving the Convertible Note Subscription Agreement and the transactions contemplated thereunder;
- (b) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Conversion Shares either unconditionally or subject only to conditions to which HHR and the Subscriber have no reasonable objection;
- (c) the representations, warranties and undertakings given by HHR remaining true and accurate in all material respects and not misleading in any material respect as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date;
- (d) (where required) the Bermuda Monetary Authority granting its permission to the issue of the Convertible Note and the issue and allotment of the Conversion Shares; and
- (e) each of the Acquisition Agreements having become unconditional in all respects save as regards any conditions requirement the Convertible Note Subscription Agreement to become unconditional.

If all of the conditions are not fulfilled or waived, as the case may be, by 31 March 2006 (or on such later date as HHR and the Subscriber may agree in writing) (except the condition set out in (c) which shall be fulfilled simultaneously upon completion), the Convertible Note Subscription Agreement shall lapse and be terminated with immediate effect and, save in respect of any antecedent breaches, all rights and liabilities of the parties under the Convertible Note Subscription Agreement shall cease and determine.

## Completion of the Convertible Note Subscription Agreement

Subject to fulfilment or waiver of all of the conditions, completion of the Convertible Note Subscription Agreement will take place concurrently with completion of the Acquisition Agreements.

## Principal terms of the Convertible Note

The principal terms of the Convertible Note are summarised below:

- Issuer** : HHR
- Principal** : US\$128,200,000 (or approximately HK\$999,960,000)
- Initial conversion price** : HK\$0.89, subject to adjustments in certain events including, amongst other things, share consolidation, share subdivision, capitalisation issue, capital distribution and rights issue. The initial conversion price at HK\$0.89 per HHR Share represents (i) a premium of 4.98% to the volume weighted average price ("VWAP") of the HHR Shares quoted on the Stock Exchange on 3 October 2005; (ii) a premium of 5.95% to the closing price of the HHR Shares on 3 October 2005 of HK\$0.84 (iii) a premium of 8.01% to the 5-day average closing price of the HHR Shares over the 5 Trading Days up to and including 3 October 2005 of HK\$0.824; (iv) a premium of 10.29% to the 10-day average closing price of the HHR Shares over the 10 Trading Days up to and including 3 October 2005 of HK\$0.807; and (v) a premium of 9.40% to the 20 day average closing price of the HHR Shares over the 20 Trading Days up to and including 3 October 2005 of HK\$0.8135. The initial conversion price of HK\$0.89 per HHR Share is negotiated between HHR and the Subscriber on an arm's length basis and by reference to the VWAP of the HHR Shares on the Stock Exchange on 3 October 2005.
- Interest rate** : 2% per annum, payable on a semi-annual basis.
- Maturity date** : The business day immediately preceding the fifth anniversary of the Issue Date. Outstanding principal amount of the Convertible Note (together with all unpaid and accrued interest) will be repaid on maturity.
- Early redemption** : Early redemption of the outstanding principal amount of the Convertible Note in whole (but not in part unless consented to by the noteholder) by HHR is allowed without penalty at any time after the third anniversary of the Issue Date subject to the right of the noteholder to exercise his conversion rights during the redemption notice period and the average closing price of the HHR Shares quoted on the Stock Exchange over the 20 Trading Days up to and including the date of giving of the redemption notice being no less than the Conversion Price prevailing as at such date.
- Security** : (i) legal charge over the entire issued share capital of, and loan interests in, Newscott  
(ii) legal charge over the entire issued share capital of, and loan interests in, Great Winwick  
(iii) legal charge over the entire equity and loan interests in He Hui  
(iv) legal charge over the entire equity and loan interests in Xin Hui
- Conversion Period** : Holder of the Convertible Note shall have the right to convert, on any business day commencing from the Issue Date to the maturity date, the whole or any part (in integral multiples of HK\$1,000,000) of the outstanding principal amount of the Convertible Note into Conversion Shares at the then prevailing conversion price.
- Voting** : Holder of the Convertible Note will not be entitled to receive notice of, attend or vote at, any meeting of HHR by reason only of it being the holder of Convertible Note.
- Listing** : No application will be made for the listing of the Convertible Note on the Stock Exchange or any other stock exchange.  
An application will be made by HHR for the listing of, and permission to deal in, the Conversion Shares (which based on the full conversion of the Convertible Note at the initial conversion price, comprises 1,123,550,561 HHR Shares) which may fall to be issued as a result of the exercise of the conversion rights attached to the Convertible Note.
- Ranking** : The Convertible Note constitutes unsubordinated secured obligations of HHR. The Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Note will rank *pari passu* with all other HHR Shares in issue at the date of allotment of the Conversion Shares.
- Transferability** : Subject to the relevant rules, laws, regulations, requirements and consents, the Convertible Note may be transferred to any Affiliate of the holder of the Convertible Note. However, the Convertible Note may not be transferred to a connected person of HHR except with the prior approval of HHR and (if required) the Stock Exchange, other than to an Affiliate of the holder of the Convertible Note. The outstanding principal amount of the Convertible Note may be transferred in full or in part (but only in multiples of US\$125,000 if in part).  
If the Convertible Note or any part thereof has been transferred to a transferee who is an Affiliate of the holder of the Convertible Note and the transferee subsequently ceases to be an Affiliate of the noteholder, the transferee is required to transfer the Convertible Note (and the original holder of the Convertible Note shall procure that the Convertible Note is transferred) to an Affiliate of the holder of the Convertible Note.

## Net proceeds

The net proceeds from the issue of the Convertible Note are expected to be approximately US\$128,180,000 (or approximately HK\$999,800,000).

## Effect on the share capital of HHR as a result of full conversion of the Convertible Note

The table below sets out the shareholding structure of HHR (1) immediately prior to completion of the Acquisition Agreements and the Convertible Note Subscription Agreement, and (2) following completion of the Acquisition Agreements and the Convertible Note Subscription Agreement and assuming the Convertible Note is fully converted at the initial conversion price of HK\$0.89.

	(1)		(2)	
	Immediately prior to completion of the Acquisition Agreements and the Convertible Note Subscription Agreement		Following completion of the Acquisition Agreements and the Convertible Note Subscription Agreement and assuming the Convertible Note is fully converted at the initial conversion price of HK\$0.89	
HHR Shareholders	Number of HHR Shares	%	Number of HHR Shares	%
HWL Group	4,155,284,508	61.97%	5,278,835,069	67.4%
Public*	2,549,715,755	38.03	2,549,715,755	32.6%
Total:	6,705,000,263	100%	7,828,550,824	100%

\* This includes the 670,473,579 HHR Shares (representing approximately 9.99% of the existing issued share capital of HHR) which Acefield (B.V.I.) Limited, an HHR Independent Shareholder, was deemed to be interested by virtue of the Securities and Futures Ordinance.

A total of 1,123,550,561 HHR Shares will be issued assuming the Convertible Note is fully converted at the initial conversion price of HK\$0.89, representing approximately 16.8% of the existing issued share capital of HHR and approximately 14.4% of HHR's existing issued share capital as enlarged by the conversion.

HHR does not have any outstanding notes convertible into HHR Shares and has not raised any funds through equity issues in the past twelve (12) months.

#### Requirements of the Listing Rules

The transactions contemplated under the Acquisition Agreements and the Convertible Note Subscription Agreement together constitute major and connected transactions for HHR under the Listing Rules and therefore are subject to the approval by HHR Independent Shareholders at the SGM under Listing Rules 14.40 and 14A.18.

The transactions under the Acquisition Agreements constitute connected transactions for HWL under the Listing Rules which are subject to the reporting and announcement requirements under Listing Rules 14A.45 to 14A.47 and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Listing Rule 14A.32.

#### Reasons for and benefits of the Acquisition Agreements and Convertible Note Subscription Agreement

Property investments to generate stable rental income, principally in China, has been one of the core businesses of the HHR Group. The office rental market in Shanghai, the leading commercial and financial centre of China, continues to experience strong growth and the HHR Group's existing commercial properties portfolio has maintained satisfactory rental yields and occupancy rates. The Proposed Acquisition represents a valuable opportunity for the HHR Group to pursue its strategy of replacing its existing investments in aging properties by newly constructed prime. A high quality tenanted commercial building with good market appreciation potential that can generate a stable cashflow and more favourable rental yield to the HHR Group contributes incremental profits. The general expectation of Renminbi appreciation would boost further the market value of properties which generate rental income in such currency.

The HHR Directors, excluding the independent non-executive HHR Directors who will opine on the transactions contemplated under the Acquisition Agreements after taking into account the advice to be received from an independent financial adviser, consider that the Acquisition Agreements have been entered into in the ordinary and usual course of business of HHR and the terms as contained therein are normal commercial terms, which were arrived at after arm's length negotiations between the parties, and are fair and reasonable and in the interests of HHR and the HHR Shareholders taken as a whole.

The proposed issue of the Convertible Note will raise immediate funds for HHR which can be used for general working capital purposes and for funding new business start up and other acquisitions. The conversion of the Convertible Note into Conversion Shares will further increase HWL's controlling interest in and hence support for HHR. The HHR Directors consider that this will facilitate the further development and expansion of HHR. Taking into account that the initial conversion price represents a premium to the closing price of the HHR Shares as quoted on the Stock Exchange on 3 October 2005, notwithstanding the dilutive effect on the existing HHR Shareholders as a whole, the HHR Directors, excluding the independent non-executive HHR Directors who will opine on the transactions contemplated under the Convertible Note Subscription Agreement after taking into account the advice to be received from an independent financial adviser, are of the view that the proposed terms and conditions of the Convertible Note are fair and reasonable and are in the interests of HHR and the HHR Shareholders taken as a whole.

The HWL Board, including the independent non-executive directors of HWL has regard to the factors considered by the HHR Board as reasons for and benefits of the Acquisition Agreements to HHR and fully endorse the same. The HWL Directors also consider that the Acquisition Agreements are entered into in the ordinary and usual course of business of HHR and the terms as contained therein are normal commercial terms, which were arrived at after arm's length negotiations between the parties, and are fair and reasonable and in the interests of HWL and its shareholders taken as a whole.

#### MANAGEMENT AGREEMENTS

##### Details of the Estate Management Agreement

On completion of the Acquisition Agreements, the Property Owners and HESA will enter into the Estate Management Agreement, the principal terms of which are summarised as follows:

- Duration** : 5 years, commencing on the Completion Date, and at the option of the Property Owners, a further term of 5 years
- Nature of transaction** : Property Owners jointly appoint HESA to provide, on an exclusive basis, estate management services for the Development
- Management fee** : 5% of the monthly management expenses

##### Details of the Letting and Lease Management Agreement

On completion of the Acquisition Agreements, the Property Owners and PPSL will enter into the Letting and Lease Management Agreement, the principal terms of which are summarised as follows:

- Duration** : 5 years, commencing on the Completion Date, and at the option of the Property Owners, a further term of 5 years
- Nature of transaction** : The Property Owners jointly appoint PPSL to provide, on an exclusive basis, letting and lease management services for the Development
- Management fee & Commission** : (1) 1% of one month's rental receivable under all letting;  
(2) 1 month's rental as commission for each new letting but if the letting is procured by an external agent, no commission is payable to PPSL but the Property Owners will bear any external agent's commission; and  
(3) 50% of one month's rental for each lease renewal with an existing tenant

##### Details of the Clubhouse Management Agreement

On completion of the Acquisition Agreements, the Property Owners and HESA will enter into the Clubhouse Management Agreement, the principal terms of which are summarised as follows:

- Duration** : 5 years, commencing on the Completion Date, and at the option of the Property Owners, a further term of 5 years
- Nature of transaction** : Property Owners jointly appoint HESA to provide, on an exclusive basis, as the manager for the Clubhouse
- Rights & Obligations** : HESA will manage the operation of the Clubhouse and is entitled to keep any revenue howsoever derived from the operation or use of the Clubhouse.  
HESA will indemnify the Property Owners fully from and against all loss, damage, costs and expenses of whatsoever nature which the Property Owners may suffer or incur arising from or in connection with the Clubhouse.

#### Requirements of the Listing Rules

Upon completion of the Acquisition Agreements, each of the Management Agreements will constitute continuing connected transactions of HHR.

HHR will issue a further announcement to disclose further information relating to the transactions contemplated under the Estate Management Agreement, Letting and Lease Management Agreement and the Clubhouse Management Agreement including to state the annual caps to be set for these transactions for the purpose of Chapter 14A of the Listing Rules.

#### Reasons for and benefits of the Management Agreements

By entering into the Management Agreements, the HHR Group will be able to benefit from the expertise and experience from past management of the Property of the HWL Group. The terms of the Management Agreements were arrived at after arm's length negotiations between the parties thereto. The HHR Directors (including the independent non-executive HHR Directors) considered that the Management Agreements are on normal commercial terms and the terms of which are fair and reasonable and, subject to completion of

the Acquisition Agreements taking place, the entering into of the same is in the interests of HHR and the HHR Shareholders taken as a whole.

#### LEASEBACK AGREEMENTS

##### Details of the Leaseback Agreements

On 3 October 2005, the Property Owners as landlords and Ya Hui as tenant entered into a tenancy agreement in respect of the whole of the Mezzanine Floor of the Development, the principal terms of which are summarised below:

- Lease Area** : 636.36 square metres
- Lease Period** : 60 months from 1 October 2005 to 30 September 2010
- Renewal** : The tenant has the option to renew for a term of three (3) years at open market rental, subject to a maximum increment of 20% on the previous term's rental
- Rent** : From the 3rd to the 12th and the 15th to the 24th months – RMB78,496.97 per month  
From the 25th to the 60th month – open market rent subject to a cap of 20% increment  
The rent mentioned above shall be net of estate management fee and other expenses
- Rent Free Period** : 4 months in total, from 1 October 2005 to 30 November 2005 and from 1 October 2006 to 30 November 2006  
During these periods, only management fee and utility charges are payable
- Management fee** : RMB20,070.79 per month
- Subletting** : Subletting to Affiliates of HWP or CKHC is permissible

On 13 June 2004, the Property Owners as landlords and Ya Hui as tenant entered into a tenancy agreement in respect of the whole of the 2nd Floor of the Development, the principal terms of which are summarised below:

- Lease Area** : 2,163 square metres
- Lease Period** : 72 months from 1 October 2004 to 30 September 2010
- Renewal** : The tenant has the option to renew for a term of three (3) years at open market rental, subject to a maximum increment of 20% on the previous term's rental
- Rent** : From the 3rd to the 36th month – RMB242,115.41 per month  
From the 37th to the 72th month – open market rent subject to a cap of 20% increment  
The rent mentioned above shall be net of estate management fee and other expenses
- Rent Free Period** : 61 days from 1 October 2004 to 30 November 2004  
During such period, only management fee and utility charges were payable
- Management Fee** : RMB68,221.02 per month
- Decoration Period** : 3 months from 1 July 2004 to 30 September 2004
- Subletting** : Not allowed without landlords' consent, such consent not to be unreasonably withheld
- Special Condition** : The landlords to provide 10 car parking spaces at a monthly licence fee of RMB1,250.00 each

#### Requirements of the Listing Rules

Upon completion of the Acquisition Agreements, each of the Leaseback Agreements will become continuing connected transactions of HHR. Since each of the relevant percentage ratios in relation to the Leaseback Agreements will be less than 2.5%, each of the Leaseback Agreements is, pursuant to Listing Rule 14A.34, exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

It is proposed that the aggregate rental income and management fees payable under the Leaseback Agreements, for each of the six year period ending 31 December 2005, 31 December 2006, 31 December 2007, 31 December 2008, 31 December 2009 and 30 September 2010 and shall be subject to the caps of HK\$1,100,000, HK\$4,800,000, HK\$5,200,000, HK\$5,700,000, HK\$5,700,000 and HK\$4,400,000 respectively for the purpose of Chapter 14A of the Listing Rules. These caps are determined by reference to the terms of the Leaseback Agreements.

If the aggregate rental income and management fees payable under the Leaseback Agreements shall exceed the relevant caps or upon the expiry of the caps or where these agreements are renewed, including the exercise of the option to renew these agreements under the terms thereof, or there is a material change to the terms of these agreements, HHR will comply with all applicable requirements under the Listing Rules, including (where required) the obtaining of approval of the independent shareholders of HHR (within the meaning of the Listing Rules).

Each of the Leaseback Agreements was entered into prior to the entering into of the Acquisition Agreements and therefore constituted legally binding obligations of the Property Owners before City Island has agreed to acquire any interest in Newscott and Great Winwick. The independent financial adviser of HHR to be appointed will opine on whether it is normal business practice for lease of this type to be of duration mentioned above.

#### Reasons for and benefits of the Leaseback Agreements

It is one of the principal businesses of the Property Owners to lease the Development. The entering into of the Leaseback Agreements is therefore in the ordinary course of business of the Property Owners. The HHR Directors (including the independent non-executive HHR Directors) considered that the Leaseback Agreements have been entered into on normal commercial terms and the terms of which are fair and reasonable and, subject to Completion taking place, in the interests of HHR and the HHR Shareholders taken as a whole.

#### INFORMATION ON THE HWL GROUP, HHR GROUP AND CKH GROUP

The HWL Group operates and invests in five core businesses: ports and related services; property and hotels; retail and manufacturing; energy and infrastructure, finance and investments; and telecommunications. The principal activities of the CKH Group are investment holding, property development and investment, hotel and serviced suite operation, property and project management and investments in securities.

The HHR Group is principally engaged in toy manufacturing, property development, provision of integrated solutions of design, production and distribution of mobile companion solutions and other high-end electronic products as well as licensing and sourcing of consumer products.

#### FURTHER INFORMATION ABOUT NEWSCOTT, GREAT WINWICK AND THE PROPERTY

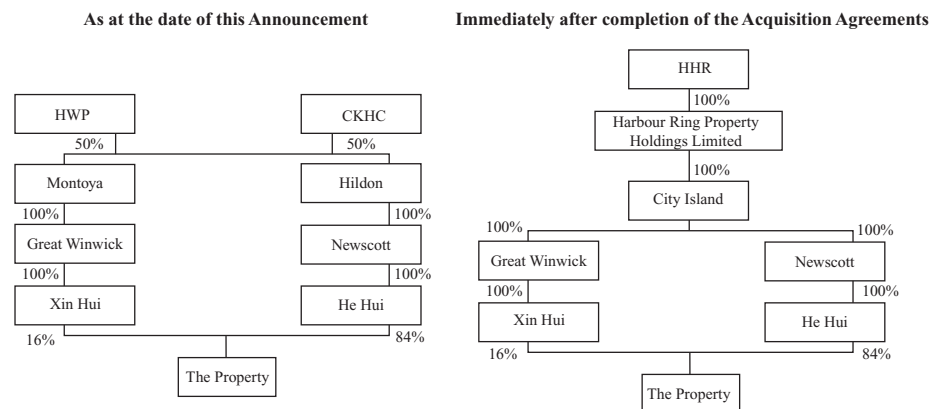
##### Business carried on by Newscott and Great Winwick

Newscott is an investment holding company and its principal asset is its 100% equity interest in He Hui. Great Winwick is an investment holding company and its principal asset is its 100% equity interest in Xin Hui. He Hui is a wholly foreign owned enterprise established in the PRC on 25 September 1995 and its registered capital and total investment amount are US\$46,330,000 (or approximately HK\$361,374,000) and US\$139,000,000 (or approximately HK\$1,084,200,000) respectively. Xin Hui is a wholly foreign owned enterprise established in the PRC on 10 March 1993 and its registered capital and total investment amount are US\$15,600,000 (or approximately HK\$121,680,000) and US\$37,000,000 (or approximately HK\$288,600,000) respectively. The principal activities of both He Hui and Xin Hui are the development, construction, sale, lease and management of the Property. The Property is jointly owned by He Hui and Xin Hui as to 84% and 16% respectively.

## Structure of Newscott, Great Winwick and the Property

The Development is a forty storey Grade A office tower fully occupied and commercial leasing commenced in July 2004. The Clubhouse is a clubhouse within a residential development which is located adjacent to the Development.

The diagrams below illustrate the ownership structure of the Property as at the date of this announcement and immediately after completion of the Acquisition Agreements respectively:



After completion of the Acquisition Agreements, Newscott, Great Winwick and the Property Owners will become indirect wholly-owned subsidiaries of HHR and the Property will become wholly-owned by the HHR Group.

## Financial information on Newscott and Great Winwick

Based on information made available by the Vendors,

- (1) the Newscott Sale Shares represent 100% of the issued share capital of Newscott, incorporated on 3 November 2004. The principal asset of Newscott was the entire issued share capital in He Hui. For the financial year ended 31 December 2003 the audited profit before tax of He Hui were approximately RMB346 million (or approximately HK\$332 million) and for the financial year ended 31 December 2004 the audited losses before tax of He Hui were approximately RMB 90 million (or approximately HK\$86 million). For the same periods, the audited profit (or losses) after taxation and extraordinary items and losses after taxation and extraordinary items of He Hui were approximately RMB241 million (or approximately HK\$231 million and RMB(60 million) (or approximately (HK\$57.6 million)) respectively. The unaudited net asset value of Newscott as at 30 June 2005 according to its unaudited balance sheet as at such date was HK\$846 million. He Hui accounts were prepared in accordance with generally accepted accounting principles applied in PRC and the above information has not been adjusted to accounting principles generally accepted in Hong Kong.
- (2) the Great Winwick Sale Shares represent 100% of the issued share capital of Great Winwick, incorporated on 12 March 2004. The principal asset of Great Winwick was the entire issued share capital in Xin Hui. For the financial year ended 31 December 2003 the audited profit before tax of Xin Hui were approximately RMB77 million (or approximately HK\$74 million) and for the financial year ended 31 December, 2004 the audited losses before tax of Xin Hui were approximately RMB 11 million (or approximately HK\$10.6 million). For the same periods, the audited profit (or losses) after taxation and extraordinary items and losses after taxation and extraordinary items of Xin Hui were approximately RMB52 million (or approximately HK\$50 million) and RMB(7 million) (or approximately HK\$(6.7 million) respectively. The unaudited net asset value of Great Winwick as at 30 June 2005 based on the unaudited balance sheet as at such date was HK\$159 million. Xin Hui accounts were prepared in accordance with generally accepted accounting principles applied in PRC and the above information has not been adjusted to accounting principles generally accepted in Hong Kong.

It should be noted that the above financial information of He Hui and Xin Hui for the financial year ended 31 December 2003 reflected their respective property investment businesses not relating to the Development. To the extent commercial leasing of the Development commenced in July 2004, such activities were reflected in the above financial information of He Hui and Xin Hui for the financial year ended 31 December 2004. Further analysis of such financial information will be included in the circular to the HHR Shareholders to be sent in respect of, among other things, further details of the Acquisition and Convertible Note Subscription Agreement.

The original costs of investments of Hildon in Newscott and of Montoya in Great Winwick are HK\$683 million and HK\$201 million respectively.

## INFORMATION ON THE EXCLUDED PROPERTY

As at the date of this announcement, the Excluded Property is owned by He Hui and/or Xin Hui. It is the intention of City Island and the Vendors that certain rights relating to ownership of the Excluded Property will be transferred by the Property Owners for nominal consideration to a subsidiary of HWP before completion of the Acquisition Agreements. The Excluded Property relates to interests held by the Property Owners and relating to The Summit and Walton Plaza which are buildings adjacent to the Development. However, if and to the extent that the Property Owners continue to hold any interests or title to any of the Excluded Property on or after the Completion Date, then pursuant to the Acquisition Agreements, City Island will procure the Property Owners to (1) promptly account to the Vendors (or their nominees) for all revenue derived and received by them from the Excluded Property; and (2) on reasonable request by and at the cost of the Vendors, take all necessary acts to effect the transfer of such interests or title as directed by the Vendors (or their nominees) or arrange for the leasing or letting of the Excluded Property or parts thereof.

The Vendors will indemnify City Island and the Property Owners against all taxes and costs which they may incur or suffer by virtue of the Property Owners continuing to hold any interests or title to any of the Excluded Property or otherwise from or in connection with the Excluded Property.

## GENERAL

At the SGM, CKH, HWL and their respective associates which are HHR Shareholders are required to abstain from voting for the approval of the transactions under the Acquisition Agreements and the Convertible Note Subscription Agreement. An independent board committee of HHR will be established to consider the transactions under the Acquisition Agreements and the Convertible Note Subscription Agreement and to advise the HHR Independent Shareholders in this regard. An independent financial adviser will be appointed to advise the independent board committee of HHR and the HHR Independent Shareholders in this regard.

HHR will dispatch to the HHR Shareholders a circular containing, among other things, further details of the Acquisition Agreements, the Convertible Note Subscription Agreement, the recommendation from the independent board committee to the HHR Independent Shareholders, the recommendation of the independent financial adviser to the independent board committee of HHR and the HHR Independent Shareholders, the accountants' reports on Newscott and Great Winwick, a valuation report on the Property, the unaudited pro forma financial information on the Enlarged HHR Group and a notice convening the SGM. As the transactions contemplated under the Acquisition Agreements and the Convertible Note Subscription Agreement together constitute major and connected transactions for HHR, HHR will dispatch the circular to the HHR Shareholders as soon as reasonably practicable and in compliance with the requirements of the Listing Rules.

**HHR Shareholders should note that the Acquisition Agreements and the Convertible Note Subscription Agreement, which are inter-conditional with each other and each of which is subject to a number of conditions precedent, may or may not be completed. HHR Shareholders are reminded to exercise caution when dealing in securities of HHR.**

As at the date of this announcement, the Directors of HWL and HHR are:

## HWL:

### Executive Directors:

Mr. LI Ka-shing (*Chairman*)  
Mr. LI Tzar Kuoi, Victor (*Deputy Chairman*)  
Mr. FOK Kin-ning, Canning  
Mrs. CHOW WOO Mo Fong, Susan  
Mr. Frank John SIXT  
Mr. LAI Kai Ming, Dominic  
Mr. George Colin MAGNUS  
Mr. KAM Hing Lam

### Non-executive Director:

Mr. William SHURNIAK

### Independent Non-executive Directors:

Mr. Michael David KADOORIE  
Mr. Holger KLUGE  
Mr. William Elkin MOCATTA  
(*Alternate to Mr. Michael David Kadoorie*)  
Mr. Simon MURRAY  
Mr. OR Ching Fai, Raymond  
Mr. WONG Chung Hin  
(*Also Alternate to Mr. Simon Murray*)

## HHR:

### Executive Directors:

Mr. FOK Kin-ning, Canning (*Chairman*)  
Mr. LAI Kai Ming, Dominic (*Deputy Chairman*)  
Mr. LUK Tei, Lewis (*Deputy Chairman*)  
Mr. KO Yuet Ming  
Ms. CHAN Wen Mee, May (*Michelle*)  
Mrs. CHOW WOO Mo Fong, Susan  
Mr. CHOW Wai Kam, Raymond  
Ms. Edith SHIH  
Mr. ENDO Shigeru  
Ms. CHEUNG Wing Han, Miranda  
Mr. TAM Yue Man

### Non-executive Director:

Mr. Ronald Joseph ARCULLI

### Independent Non-executive Directors:

Mr. KWAN Kai Cheong  
Dr. LAM Lee G.  
Mr. LAN Hong Tsung, David

## DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below:

“Acquisition”	the transactions contemplated under the Acquisition Agreements
“Acquisition Agreements”	the Newscott Agreement and the Great Winwick Agreement, and an Acquisition Agreement means either of them
“Affiliates”	in respect of a company, means any subsidiaries or holding companies of such company or any subsidiaries of any of the holding companies of such company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“City Island” or the “Purchaser”	City Island Developments Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of HHR, the purchaser under the Acquisition Agreements
“CKH”	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong and whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 001)
“CKH Group”	CKH and its subsidiaries
“CKHC”	Cheung Kong Holdings (China) Limited, a company incorporated in Hong Kong and an indirect wholly owned subsidiary of CKH, a vendor guarantor under the Acquisition Agreements
“Clubhouse”	the clubhouse with a gross floor area of 2,337.79 square metres located at The Summit, No.1 to No.4, Lane 99 Urumqi Zhong Lu, Shanghai, PRC
“Clubhouse Management Agreement”	the agreement to be entered into on completion of the Acquisition Agreements between the Property Owners and HESA in respect of the appointment of HESA as the manager of the Clubhouse
“Completion Date”	the date on which the Acquisition Agreements and the Convertible Note Subscription Agreement are completed in accordance with their respective terms
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Conversion Shares”	the new HHR Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Note
“Convertible Note”	the convertible note in the principal sum of US\$128,200,000 (or approximately HK\$999,960,000) to be issued by HHR to the Subscriber pursuant to the Convertible Note Subscription Agreement
“Convertible Note Subscription Agreement”	the conditional agreement dated 4 October 2005 entered into between HHR and the Subscriber in relation to the subscription of the Convertible Note
“Development”	the development known as “The Center” located at 989 Changle Road, Shanghai, the PRC with a total gross floor area of 98,337.09 square metres (including 204 underground parking spaces)
“Director(s)”	director(s) of HWL or HHR, as the case may be
“Enlarged HHR Group”	the HHR Group as enlarged by the acquisitions pursuant to the Acquisition Agreements
“Estate Management Agreement”	the supplemental agreement to be entered into on completion of the Acquisition Agreements between the Property Owners and HESA as the manager in respect of the estate management of the Development
“Excluded Property”	(i) such car parks located on B1/F and B2/F of The Summit, of No.1 to No.4, Lane 99 Urumqi Zhong Lu, Shanghai, PRC currently owned by He Hui and Xin Hui subject to disposal from time to time after the date of the Acquisition Agreements, (ii) carparking space of approximately 1,344 square metres located in the Basement of Walton Plaza, Phase I of 801 Changle Road, Shanghai, PRC together with the basement of Walton Plaza and all access to such basement; (iii) Unit 2103, Tower 1, The Summit, No.1 to No.4, Lane 99 Urumqi Zhong Lu, Shanghai, PRC; and (iv) the area of 80,9558 square metres at Ground Level outside the building on the corner of Changle Road and Changshu Road
“Great Winwick”	Great Winwick Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Montoya

“Great Winwick Agreement”	the conditional sale and purchase agreement dated 4 October 2005 made between City Island as purchaser, Montoya as vendor, CKHC and HWP as vendor guarantors and HHR as purchaser guarantor relating to the sale and purchase of the Great Winwick Sale Shares and the Great Winwick Loan	“Newscott Agreement”	the conditional sale and purchase agreement dated 4 October 2005 made between City Island as purchaser, Hildon as vendor, HWP and CKHC as vendor guarantors and HHR as purchaser guarantor relating to the sale and purchase of the Newscott Sale Shares and the Newscott Loan
“Great Winwick Loan”	all the shareholder’s loans due and owing from Great Winwick to Montoya as at the Completion Date, the amount outstanding as at 30 June 2005 being approximately HK\$201 million	“Newscott Loan”	all the shareholder’s loans due and owing from Newscott to Hildon as at the Completion Date, the amount outstanding as at 30 June 2005 being approximately HK\$683 million
“Great Winwick Sale Shares”	100 shares of US\$1.00 each in the capital of Great Winwick, representing the entire issued share capital of Great Winwick	“Newscott Sale Shares”	100 shares of US\$1.00 each in the capital of Newscott, representing the entire issued share capital of Newscott
“GW Audited Completion Balance Sheet”	the audited consolidated balance sheet of Great Winwick as at the Completion Date prepared in accordance with Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants	“NS Audited Completion Balance Sheet”	the audited balance sheet of Newscott and He Hui as at the Completion Date prepared in accordance with Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants
“GW Audited Net Liability”	the amount by which the consolidated liabilities of Great Winwick as shown in the GW Audited Completion Balance Sheet (excluding for this purpose any shareholders’ loans and any deferred tax liability) shall exceed the consolidated assets of Great Winwick as shown in the GW Audited Completion Balance Sheet (excluding for this purpose the value of the Property, the Clubhouse, the Excluded Property, any deferred tax asset and any unamortised rent free asset)	“NS Audited Net Liability”	the amount by which the consolidated liabilities of Newscott as shown in the NS Audited Completion Balance Sheet (excluding for this purpose any shareholders’ loans and any deferred tax liability) shall exceed the consolidated assets of Newscott as shown in the NS Audited Completion Balance Sheet (excluding for this purpose the value of the Property, the Clubhouse, the Excluded Property, any deferred tax asset and any unamortised rent free asset)
“GW Audited Net Surplus”	the amount by which the consolidated assets of Great Winwick as shown in the GW Audited Completion Balance Sheet (excluding for this purpose the value of the Property, the Clubhouse, the Excluded Property, any deferred tax asset and any unamortised rent free asset) shall exceed the consolidated liabilities of Great Winwick as shown in the GW Audited Completion Balance Sheet (excluding for this purpose any shareholders’ loans and any deferred tax liability)	“NS Audited Net Surplus”	the amount by which the consolidated assets of Newscott as shown in the NS Audited Completion Balance Sheet (excluding for this purpose the value of the Property, the Clubhouse, the Excluded Property, any deferred tax asset and any unamortised rent free asset) shall exceed the consolidated liabilities of Newscott as shown in the NS Audited Completion Balance Sheet (excluding for this purpose any shareholders’ loans and any deferred tax liability)
“GW Unaudited Completion Balance Sheet”	the proforma unaudited consolidated balance sheet of Great Winwick as at Completion Date to be prepared on the basis set out in the Great Winwick Agreement	“NS Unaudited Completion Balance Sheet”	the proforma unaudited consolidated balance sheet of Newscott as at the Completion Date to be prepared on the basis set out in the Newscott Agreement
“GW Unaudited Net Liability”	the amount by which the consolidated liabilities of Great Winwick as shown in the GW unaudited Estimated Completion Balance Sheet (excluding for this purpose any shareholders’ loans and any deferred tax liability) shall exceed the consolidated assets of Great Winwick as shown in the GW unaudited Estimated Completion Balance Sheet (excluding for this purpose the value of the Property, the Clubhouse, the Excluded Property, any deferred tax asset and any unamortised rent free asset)	“NS Unaudited Net Liability”	the amount by which the consolidated liabilities of Newscott as shown in the Estimated Unaudited Completion Balance Sheet (excluding for this purpose any shareholders’ loans and any deferred tax liability) shall exceed the consolidated assets of Newscott as shown in the Estimated Unaudited Completion Balance Sheet (excluding for this purpose the value of the Property, the Excluded Property, any deferred tax asset and any unamortised rent free asset)
“GW Unaudited Net Surplus”	the amount by which the consolidated assets of Great Winwick as shown in the GW unaudited Estimated Completion Balance Sheet (excluding for this purpose the value of the Property, the Clubhouse, the Excluded Property any deferred tax asset and any unamortised rent free asset) shall exceed the consolidated liabilities of Great Winwick and Xin Hui as shown in the GW unaudited Estimated Completion Balance Sheet (excluding for this purpose any shareholders’ loans and any deferred tax liability)	“NS Unaudited Net Surplus”	the amount by which the consolidated assets of Newscott (excluding for this purpose the value of the Property, the Excluded Property, any deferred tax asset and any unamortised rent free asset) shall exceed the consolidated liabilities of Newscott (excluding for this purpose any shareholders’ loans and any deferred tax liability), computed by reference to the NS Unaudited Balance Sheet
“He Hui”	Shanghai He Hui Property Development Co., Ltd. (上海和匯房產開發有限公司), a foreign owned enterprise established in the PRC and wholly-owned by Newscott and a joint owner of the Development	“PPSL”	Pacific Property (Shanghai) Limited, an indirect wholly owned subsidiary of HWP, the manager to be appointed by the Property Owners under the Letting and Lease Management Agreement and a connected person for HHR
“HESA”	Hutchison Estate Service & Agency (Shanghai) Limited 和記物業服務(上海)有限公司, a wholly owned subsidiary of HWP, the manager to be appointed by the Property Owners under the Estate Management Agreement and the Clubhouse Management Agreement and a connected person for HHR	“PRC”	the People’s Republic of China
“HHR”	Hutchison Harbour Ring Limited, a company incorporated in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 715)	“Promising Land”	Promising Land International Inc., a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of HWL, the controlling shareholder of HHR
“HHR Board”	the board of Directors of HHR	“Property”	the Development and the Clubhouse
“HHR Group”	HHR and its subsidiaries	“Proposed Acquisition”	the proposed acquisition of the Property through completion of the transactions contemplated under the Acquisition Agreements
“HHR Independent Shareholders”	HHR Shareholders other than CKH, HWL and their respective associates	“Property Owners”	collectively, Xin Hui and He Hui
“HHR Share(s)”	share(s) of HK\$0.10 each in the capital of HHR	“Purchaser”	City Island, an indirect wholly owned subsidiary of HHR and the purchaser under the Acquisition Agreements
“HHR Shareholder(s)”	holders of HHR Share(s)	“SGM”	the special general meeting of HHR to be convened and held for, amongst other things, seeking approvals from the HHR Independent Shareholders for the transactions contemplated under the Acquisition Agreements and the Convertible Note Subscription Agreement
“Hildon”	Hildon Development Limited, a company incorporated in Hong Kong and indirectly owned as to 50% by each of HWL and CKH, and a Vendor	“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HWL”	Hutchison Whampoa Limited, a company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 013)	“Subscriber”	Hutchison International Limited, a company incorporated in Hong Kong and an wholly-owned subsidiary of HWL, or such of its subsidiary as it may designate for the purpose of subscribing for the Convertible Note
“HWL Board”	the board of Directors of HWL	“Trading Day”	a day on which the Stock Exchange is open for business
“HWL Group”	HWL and its subsidiaries	“Vendors”	Hildon and Montoya collectively, and a “Vendor” means either entity
“HWP”	Hutchison Whampoa Properties Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of HWL, a vendor guarantor under the Acquisition Agreements	“Xin Hui”	Shanghai Xin Hui Property Development Co., Ltd. (上海新匯房產開發有限公司), a foreign owned enterprise established in the PRC and wholly-owned by Great Winwick and a joint owner of the Development and owner of the Clubhouse
“Issue Date”	the date of issue of the Convertible Note	“Ya Hui”	Shanghai Yahui Property Development Co, Limited (上海雅匯房產開發有限公司), a foreign owned enterprise established in the PRC, indirectly owned as to 50% by each of HWL and CKH, the tenant under the Leaseback Agreements and a connected person for HHR
“Leaseback Agreements”	the tenancy agreement dated 13 June 2004 entered into between the Property Owners and Yahui in respect of the whole of 2nd Floor of the Development and the tenancy agreement dated 3 October 2005 entered into between the Property Owners and Yahui in respect of the whole of the Mezzanine Floor of the Development	“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Letting and Lease Management Agreement”	the agreement to be entered into on completion of the Acquisition Agreements between the Property Owners and PPSL in respect of the appointment of PPSL as the leasing and letting manager of the Development	“RMB”	Renminbi, the lawful currency of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange	“US\$”	United States dollars, the lawful currency of the United States of America
“Management Agreements”	(i) the Estate Management Agreement; (ii) the Letting and Lease Management Agreement; and (iii) Clubhouse Management Agreement	<i>Unless otherwise stated, the conversion of Hong Kong dollars into United States dollars and of Renminbi into Hong Kong dollars is based on the exchange rate of US\$1.00 = HK\$7.80 and of RMB1.00 = HK\$0.96. Such conversions should not be construed as a representation that the amount in question has been, could have been or could be converted at any particular rate at all.</i>	
“Montoya”	Montoya (HK) Limited, a company incorporated in Hong Kong and indirectly owned as to 50% by each of HWL and CKH, and a Vendor	<p style="text-align: center;">By Order of the Board  <b>Hutchison Whampoa Limited</b>  <b>Edith Shih</b>  <i>Company Secretary</i></p> <p style="text-align: center;">By Order of the Board  <b>Hutchison Harbour Ring Limited</b>  <b>Edith Shih</b>  <i>Director and Company Secretary</i></p>	
“Newscott”	Newscott Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Hildon	<p style="text-align: center;">Hong Kong, 4 October 2005</p> <p style="text-align: center;">* <i>for identification purpose only</i></p>	