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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)**

**PROPOSED CONVERTIBLE BOND ISSUE**

On 19 June 2006, the Company, the Issuer and the Purchasers entered into a subscription agreement, pursuant to which the Purchasers have severally agreed to subscribe for an aggregate principal amount of HK\$280 million 3.5 per cent. guaranteed convertible bonds due 2011 proposed to be issued by the Issuer and to be guaranteed by the Company, on the terms and conditions set out in the Subscription Agreement.

The Convertible Bonds will be convertible into Shares at the option of the Bondholders at any time during the Conversion Period at the initial Conversion Price of HK\$4.00, subject to adjustment, which represents a premium of 28 per cent. over the closing price of the Shares on the Stock Exchange on 19 June 2006. No application will be made for the listing of the Convertible Bonds on any stock exchange.

None of the Convertible Bonds are being offered to the public in Hong Kong and none of the Convertible Bonds will be issued to any connected persons (as defined in the Listing Rules) of the Company.

The estimated net proceeds from the issue of the Convertible Bonds amount to approximately HK\$273 million. The proceeds are currently intended to be used for general working capital purposes of the Group. The Company has not arranged any fund raising exercise in the preceding 12 months.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 20 June 2006 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 21 June 2006.

**Introduction**

The Directors announce that on 19 June 2006, the Company and the Issuer entered into a Subscription Agreement with the Purchasers in connection with the issue of the Convertible Bonds in an aggregate principal amount of HK\$280 million.

Subject to the fulfilment of the conditions in the Subscription Agreement, the Purchasers have severally agreed, amongst other things, to subscribe for the Convertible Bonds.

The Convertible Bonds will be offered and sold to persons whose ordinary business involves buying, selling or investing in securities, in compliance with any applicable laws and regulations. None of the Convertible Bonds are being offered to the public in Hong Kong and none of the Convertible Bonds will be issued to any connected persons (as defined in the Listing Rules) of the Company.

### Conditions of the Subscription Agreement

Completion of the Subscription Agreement is conditional upon, amongst other things, the Stock Exchange granting listing of, and permission to deal in, the Shares which may fall to be issued upon conversion of the Convertible Bonds (or the Purchasers being satisfied that such listing approval will be forthcoming).

### Principal Terms of the Convertible Bonds

The principal terms of the Convertible Bonds, which will be constituted by the Trust Deed, are summarised as follows:

Issuer	Hon Kwok Land Treasury IV Limited		
Guarantor	Hon Kwok Land Investment Company, Limited		
Purchasers			No. of Shares to be issued upon full conversion of the Convertible Bonds at the initial Conversion Price
	Purchasers	Amount of Convertible Bonds <i>HK\$ million</i>	
	Morgan Stanley & Co. International Limited	145	36,250,000
	Capital For Business Ltd.	30	7,500,000
	Evolution Master Fund Ltd. SPC, Segregated Portfolio M	47	11,750,000
	Julius Baer Investments Limited	23	5,750,000
	LIM Advisors Limited	35	8,750,000
		280	70,000,000

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

Aggregate principal amount	HK\$280 million
Maturity Date	Five years after the date on which the Convertible Bonds are issued.
Issue price	100 per cent. of the principal amount of the Convertible Bonds.
Interest	The Convertible Bonds will bear interest from (and including) the Issue Date at a rate of 3.5 per cent. per annum on the principal amount of each Convertible Bond, payable semi-annually in arrear up to and including the Maturity Date.

Conversion rights	<p>Holders of the Convertible Bonds have the right at any time on and after 30 days after the Issue Date up to the close of business on a date seven business days before the Maturity Date to convert the Convertible Bonds into Shares. The number of Shares issued on conversion will be determined by dividing the principal amount of the Convertible Bond to be converted by the Conversion Price in effect on the date of conversion.</p>
Conversion Price	<p>The initial conversion price at which a Share will be issued on conversion will be HK\$4.00 (which represents a premium of 28 per cent. over the closing price of the Shares on the Stock Exchange on 19 June 2006), subject to anti-dilutive adjustments for, among other things, subdivision or consolidation of Shares, bonus issues, rights issues and other dilutive events such as an issue of new Shares.</p>
Redemption at maturity	<p>Unless previously redeemed, purchased and cancelled or converted, the Convertible Bonds will be redeemed at 124.5481 per cent. of their principal amount in Hong Kong dollars on the Maturity Date, which, including the coupon interest of 3.5 per cent. per annum, reflects a yield to maturity of 7.625 per cent. per annum, calculated on a semi-annual basis, from the Issue Date to the Maturity Date.</p>
Redemption at the option of the Issuer	<p>The Issuer may, on or at any time after the third anniversary of the Issue Date and prior to the Maturity Date, redeem all of the Convertible Bonds at the Early Redemption Amount (as defined in the Terms and Conditions), if (i) the closing price of the Shares for each of the 20 Trading Days (as defined in the Terms and Conditions) out of 30 consecutive Trading Days, the last day of which occurs not more than 20 days prior to the date upon which notice of such redemption is published, shall be at least 130 per cent. of the applicable Early Redemption Amount in respect of one Convertible Bond in effect on such Trading Day divided by the Conversion Ratio (as defined in the Terms and Conditions) or (ii) at least 90 per cent. in principal amount of the Convertible Bonds has already been redeemed, converted or purchased and cancelled.</p>
Redemption for taxation reasons	<p>At any time the Issuer may, having given not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), redeem all but not some of the Convertible Bonds at the Early Redemption Amount, if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer (or, as the case may be, the Company) has or will become obliged to pay additional amounts (as will result in the receipt by the Bondholders of the net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 19 June 2006 and (ii) such obligation cannot be avoided by the Issuer (or, as the case may be, the Company) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or, as the case may be, the Company) would be obliged to pay such additional amounts were a payment in respect of the Convertible Bonds then due.</p>

If the Issuer gives a notice of redemption as contemplated above, each Bondholder will have the right to elect that his Convertible Bond(s) shall not be redeemed and that payment of all amounts in respect of the principal and interest due to be made after the relevant date of redemption shall be made subject to the deduction or withholding of the taxation required to be withheld or deducted by the government of the British Virgin Islands or Hong Kong or any authority thereof or therein having power to tax.

Redemption at  
the option of  
the Bondholders

The Convertible Bonds may be redeemed, at the option of the Bondholders,

- (i) at the Early Redemption Amount in the event of occurrence of a change of control which occurs when:
  - (a) any person or persons (other than Mr. James Sai-Wing Wong, Ms. Madeline May-Lung Wong and/or their children), acting together, acquires control of the Company if such person or persons does not or do not have, and would not be deemed to have, control of the Company on the Issue Date;
  - (b) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company's assets to any other person (other than Mr. James Sai-Wing Wong, Ms. Madeline May-Lung Wong and/or their children), unless the consolidation, merger, sale or transfer will not result in that other person or persons acquiring control over the Company or the successor entity; or
  - (c) Mr. James Sai-Wing Wong, Ms. Madeline May-Lung Wong and/or their children together cease to be the legal and beneficial owners of (i) more than 50 per cent. of the issued share capital of one or more Controlling Companies, or (ii) failing which, more than 40 per cent. of the issued share capital of the Company; or
- (ii) in the event the Shares cease to be listed or admitted to trading on the Stock Exchange or, if applicable, an alternative stock exchange.

Form

The Convertible Bonds will be in registered form only and in the denomination of HK\$10,000. The Convertible Bonds will be represented by a single permanent global bond certificate in registered form, without coupons attached, which will be deposited on or about the Issue Date with a common depository for Euroclear Bank S.A./N.V. as operator of the Euroclear System and Clearstream Banking, société anonyme.

Guarantee

The due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Convertible Bonds and the due performance by the Issuer of its obligations under the Trust Deed and the Convertible Bonds will be unconditionally and irrevocably guaranteed by the Company.

Status	The Convertible Bonds, subject to the negative pledge, will constitute direct, senior, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank pari passu and without any preference or priority among themselves. The obligations of the Issuer in respect of the Convertible Bonds and the Company under the above Guarantee (as defined above), respectively, shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to the negative pledge, rank at least equally with all its other respective present and future direct, senior, unconditional, unsecured and unsubordinated obligations.
Negative pledge	The Issuer and the Company will each give a negative pledge in relation to its International Investment Securities. "International Investment Securities" means any present or future indebtedness in the form of, or represented by, bonds, debentures, notes or other international or domestic investment securities which are for the time being, or are intended to be or capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or other securities market and/or any convertible, exchangeable, warrant, option or other similar security, but, for avoidance of doubt, shall not include any present or future indebtedness under any secured revolving or term loan facility (which term shall for these purposes mean any agreement for or in respect of indebtedness for borrowed money entered into by the Issuer, the Company or any of their Subsidiaries (as defined in the Terms and Conditions) in the ordinary course of business with one or more banks and/or financial institutions whereunder rights and obligations (if any) may be assigned and/or transferred), provided that such facility is not quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities markets.
Listing	No application will be made for the listing of, and permission to deal in, the Convertible Bonds on any stock exchange. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued upon conversion of the Convertible Bonds.
Governing law	The Convertible Bonds and the Trust Deed shall be governed by, and shall be construed in accordance with, the laws of Hong Kong.

### **Conversion Shares**

Assuming a conversion price of HK\$4.00 per Share, the aggregate principal amount of the Convertible Bonds of HK\$280 million are convertible into 70 million new Shares representing approximately 17.5 per cent. of the existing issued share capital of the Company and approximately 14.9 per cent. of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares will be issued pursuant to the general mandate given to the Directors at the annual general meeting of the Company held on 22 September 2005.

### **Use of the proceeds**

The estimated net proceeds from the issue of the Convertible Bonds amount to approximately HK\$273 million which are currently intended to be used for general working capital purposes of the Group. No new projects have been identified which will command usage of the proceeds from the issue of the Convertible Bonds.

## Reasons for and benefits of the issue of Convertible Bonds

The issue of the Convertible Bonds will, upon completion, raise funds which can be used by the Group for general working capital purposes. This will enhance the financing flexibility of the Group, which the Directors consider to be beneficial to the Group and the shareholders of the Company taken as a whole.

## Undertaking

The Company has undertaken to the Stock Exchange to promptly notify the Stock Exchange if it is aware of any dealings in the Convertible Bonds by any connected persons (as defined in the Listing Rules) of the Company.

## Changes of Shareholding of the existing Substantial Shareholders of the Company as a result of Conversion

To the best knowledge of the Directors and the Company, the shareholding of the existing substantial shareholders of the Company as at the date of this announcement and assuming the Convertible Bonds are fully converted into Shares is as follows:

Substantial Shareholder	Existing shareholding (as at the date of this announcement)		Assuming the Convertible Bonds are fully converted into Shares at the initial Conversion Price of HK\$4 each	
	No. of Shares	% of issued share capital of the Company	No. of Shares	% of enlarged share capital of the Company
Chinney Investments, Limited ( <i>Note</i> )	235,370,553	58.81%	235,370,553	50.05%
DJE Investment S.A.	24,156,000	6.04%	24,156,000	5.14%

*Note:* Mr. James Sai-Wing Wong and Ms. Madeline May-Lung Wong, directors of the Company, have beneficial interests in Chinney Investments, Limited.

## Suspension and Resumption of Trading

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:30 a.m. on 20 June 2006 pending issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 21 June 2006.

## Directors of the Company

At the date of this announcement, the directors are Mr. James Sai-Wing Wong, Ms. Madeline May-Lung Wong, Mr. Herman Man-Hei Fung, Mr. Zuric Yuen-Keung Chan and Mr. Dennis Kwok-Wing Cheung and the independent non-executive directors are Mr. Daniel Chi-Wai Tse, Mr. Patrick Yen-Tse Tsai and Mr. Kenneth Kin-Hing Lam.

## Terms used in this Announcement

“Bondholders”	holders of the Convertible Bonds
“business day”	a day other than a Saturday or Sunday on which banks are open for business in the city in which the specified office of the Registrar (as defined in the Terms and Conditions) (if a Certificate is deposited with it in connection with a transfer or conversion) or the Agent (as defined in the Terms and Conditions) with whom a Certificate is deposited in connection with a transfer or conversion, is located
“Company”	Hon Kwok Land Investment Company, Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Controlling Company”	(i) one or more companies which is (or where more than one, together are) the legal and beneficial owner(s) of more than 40 per cent. of the issued share capital of the Company, or (ii) a company which is the legal and beneficial owner of more than 50 per cent. of the issued share capital of another company which is a Controlling Company (or acting jointly with one or more other companies (together, the “relevant companies”) is the legal and beneficial owner of more than 50 per cent. of the share capital of another company which is a Controlling Company provided that the majority of the share capital of such relevant companies is either owned by Mr. James Sai-Wing Wong, Ms. Madeline May-Lung Wong and/or their children or by another Controlling Company)
“Conversion Period”	the period commencing 30 days after the Issue Date and ending on a date which is currently proposed to be 7 business days prior to the Maturity Date (both days inclusive)
“Conversion Price”	the price per Share at which the Convertible Bonds are to be convertible to Shares. The initial Conversion Price is HK\$4.00 (subject to adjustment)
“Conversion Shares”	the Shares to be issued upon conversion of the Convertible Bonds
“Convertible Bonds”	Convertible bonds denominated in Hong Kong dollars to be issued by the Issuer and guaranteed by the Company under the Subscription Agreement and on terms to be set out in the Trust Deed
“Directors”	directors of the Company
“Early Redemption Amount”	means the amount which will provide a yield from the Issue Date to the redemption date of 7.625 per cent. per annum, as more fully described in the Trust Deed
“Group”	the Company and its subsidiaries (as defined in the Terms and Conditions)
“HK\$”	Hong Kong dollars, the legal currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Issue Date”	On or about 23 June 2006 or such other date as may be agreed by the Issuer and the Purchasers as being the date on which the Convertible Bonds are to be issued in accordance with the terms of the Subscription Agreement
“Issuer”	Hon Kwok Land Treasury IV Limited, a wholly-owned subsidiary of the Company incorporated under the laws of the British Virgin Islands
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the fifth anniversary of the Issue Date
“Purchasers”	Morgan Stanley & Co. International Limited; Capital For Business Ltd.; Evolution Master Fund Ltd. SPC, Segregated Portfolio M; Julius Baer Investments Limited; and LIM Advisors Limited
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 19 June 2006 entered into between the Company, the Issuer and the Purchasers in connection with the issue of the Convertible Bonds
“Terms and Conditions”	the terms and conditions of the Convertible Bonds as annexed to the Trust Deed
“Trust Deed”	the trust deed to be dated on or about 23 June 2006 or such other date as may be agreed and to be entered into between the Company, the Issuer and JPMorgan Corporate Trustee Services Limited in connection with the issue of the Convertible Bonds

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

Dated : Hong Kong, 20 June 2006

“Please also refer to the published version of this announcement in the South China Morning Post and The Standard”