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## **HUTCHISON HARBOUR RING LIMITED**

**和記港陸有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 715)**

### **ANNOUNCEMENT**

### **VERY SUBSTANTIAL DISPOSAL**

**to**

### **HAWKWIND INVESTMENTS LIMITED**

### **Financial advisers to Hawkwind Investments Limited**

**LEHMAN BROTHERS**

**雷曼兄弟**

### **Lehman Brothers Asia Limited**

The Directors are pleased to announce that after the trading hours on 16 May 2008, the Vendor (a wholly-owned subsidiary of the Company) and the Company as vendor guarantor entered into the Sale and Purchase Agreement with the Purchaser (an Affiliate of Asia Pacific Land Limited) and the Purchaser Guarantor for the sale and purchase of the Sale Shares and the Sale Loans for a cash consideration of the US\$ equivalent of RMB4,438 million (or approximately HK\$4,957 million), before any adjustment.

The Sale Shares comprise the entire issued share capital of City Island, which indirectly owns 100% of the equity capital of He Hui and of Xin Hui. The principal assets of He Hui and Xin Hui are their joint ownership in the Property.

The Sale Loans comprise all shareholder's loans and net amounts due and owing by certain members of the City Island Group to certain members of the Remaining Group outstanding as at the date of the Sale and Purchase Agreement.

The Remaining Group expects to realise an estimated gain of approximately HK\$2.1 billion from the Disposal.

Concurrent with the signing of the Sale and Purchase Agreement, the Vendor and the Purchaser entered into the Escrow Agreement, and pursuant to which the unpaid amount of the Consideration (reflecting the Initial Adjustment to the Base Consideration stipulated in the Sale and Purchase Agreement) and the key completion deliverables were delivered to the Escrow Agent pending Completion to occur upon fulfilment or satisfaction (or waiver) of the conditions precedent to the Sale and Purchase Agreement including the obtaining of Independent Shareholders' approval at the SGM to be held to consider and, if thought fit, pass the necessary resolution(s) to approve the Disposal.

The transactions underlying the Disposal constitute a very substantial disposal for the Company under the Listing Rules and are therefore subject to the approval by the Independent Shareholders at the SGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser, the Purchaser Guarantor and their respective ultimate beneficial owners are Independent Third Parties, no Shareholder has a material interest in the Disposal and no Shareholder is required to abstain from voting for the approval of the Disposal at the SGM. The controlling shareholders of the Company, holding in aggregate approximately 71.51% of the Shares in issue, have given their irrevocable undertakings to vote at the SGM to approve the Disposal.

The Circular containing further information on the Disposal, a notice of the SGM and other information prescribed by the Listing Rules will be dispatched to the Shareholders as soon as practicable.

## **INTRODUCTION**

Reference is made to the announcements of the Company dated 17 March 2008 and 30 April 2008 in relation to the entering into of the Exclusivity Agreement by the Vendor, a wholly-owned subsidiary of the Company, and the agreed extension of the exclusive negotiation period thereunder. Pursuant to the exclusive negotiations contemplated by the Exclusivity Agreement, the parties have reached the following agreements for effecting the Disposal.

## **SALE AND PURCHASE AGREEMENT**

### **Date**

16 May 2008

### **Parties**

- (i) Vendor, a wholly-owned subsidiary of the Company
- (ii) Company, as vendor guarantor
- (iii) Purchaser
- (iv) Purchaser Guarantor

Each of the Company and the Purchaser Guarantor has agreed to guarantee the performance of the respective obligations of the Vendor and the Purchaser under the Sale and Purchase Agreement.

## **Assets to be disposed of**

The Sale Shares comprise the entire issued share capital of City Island, which owns:

- (a) 100% of the issued share capital of Newscott, which in turn owns 100% of the issued share capital of Newscott HK, which is the legal and beneficial owner of 100% of the equity capital of He Hui; and
- (b) 100% of the issued share capital of Great Winwick, which in turn owns 100% of the issued share capital of Great Winwick HK, which is the legal and beneficial owner of 100% of the equity capital of Xin Hui.

The principal assets of He Hui and Xin Hui are their joint ownership in the Property.

The Vendor has agreed to sell and procure the sale of the Sale Loans, which comprise all the shareholder's loans and net amounts due and owing by certain members of the City Island Group to certain members of the Remaining Group outstanding as at the date of the Sale and Purchase Agreement.

The Sale Shares and the Sale Loans will be sold and assigned to the Purchaser at Completion free from encumbrances or third-party rights of any kind whatsoever but together with all rights attached, accrued or accruing thereto as at the date of the Sale and Purchase Agreement.

## **Consideration**

The Base Consideration is the US\$ equivalent of RMB4,438 million (or approximately HK\$4,957 million).

The Sale and Purchase Agreement provides for certain adjustments to the Base Consideration including any adjustment on a dollar-for-dollar basis in the following manner:

- (a) the Consideration paid into the Escrow Account on signing of the Sale and Purchase Agreement which reflected an increase to the Base Consideration by the US\$ equivalent of the amount of the Unaudited Net Surplus or, as the case may be, a reduction to the Base Consideration by the US\$ equivalent of the amount of the Unaudited Net Liability;
- (b) if (i) the Audited Net Surplus exceeds the Unaudited Net Surplus; (ii) the Audited Net Liability falls short of the Unaudited Net Liability; or (iii) there is an Audited Net Surplus but an Unaudited Net Liability, then the sum equivalent to the difference between the two amounts will be payable by the Purchaser to the Vendor; or
- (c) if (i) the Audited Net Liability exceeds the Unaudited Net Liability; (ii) the Audited Net Surplus falls short of the Unaudited Net Surplus; or (iii) there is an Audited Net Liability but an Unaudited Net Surplus, then the sum equivalent to the difference between the two amounts will be payable by the Vendor to the Purchaser.

The amount of the Base Consideration was arrived at after arm's length negotiations between the parties and by reference to recent market transactions and market comparables.

## **Conditions precedent to the Sale and Purchase Agreement and Completion**

Completion is subject to, and conditional upon, satisfaction (or waiver by the Purchaser only of (b)) of the following conditions:

- (a) Independent Shareholders passing at the SGM ordinary resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereby; and
- (b) the representations, warranties and undertakings relating to title to the Sale Shares, the Sale Loans and the Property remaining true and accurate in all respects as of the date of the Sale and Purchase Agreement and the date of Completion by reference to the facts and circumstances subsisting as at such date.

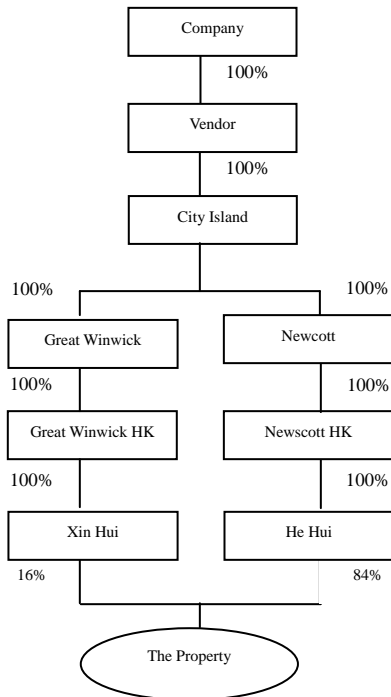
If either of the above conditions is not fulfilled or waived (as the case may be) by the Long Stop Date, the Purchaser shall have the right by notice to the Vendor to:

- (a) postpone the Long Stop Date to a later date; or
- (b) terminate the Sale and Purchase Agreement, in which case the Sale and Purchase Agreement (other than certain exceptions) shall lapse and be terminated with immediate effect and, save in respect of any antecedent breaches, all rights and liabilities of the parties thereto shall cease and no party shall have any claim against the other provided that such termination shall be without prejudice to any rights or remedies of the parties which shall have accrued prior to such termination.

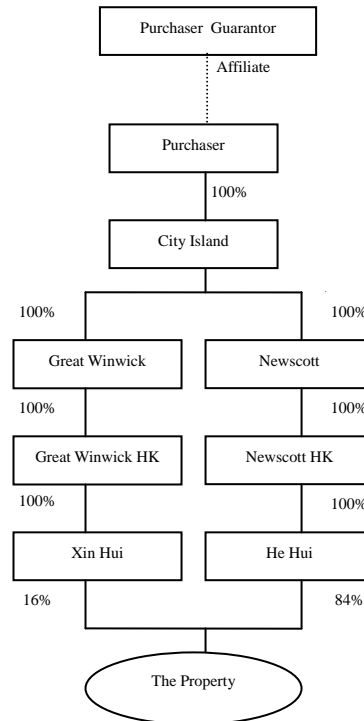
Completion shall take place on the Business Day immediately following the date on which both of the above conditions are fulfilled or waived (as the case may be), or such other date and time as may be agreed by the parties.

The ownership structure of the City Island Group and the Property before and after the Disposal is diagrammatically represented below:

**Ownership Structure of the City Island Group and the Property before the Disposal**



**Ownership Structure of the City Island Group and the Property after the Disposal**



**ESCROW AGREEMENT**

**Date**

16 May 2008

**Parties**

- (i) Vendor, a wholly-owned subsidiary of the Company
- (ii) Purchaser
- (iii) Purchaser’s Lender
- (iv) Escrow Agent

**Principal terms**

Concurrent with the signing of the Sale and Purchase Agreement, the Vendor and the Purchaser, among others, entered into the Escrow Agreement, and pursuant to which the unpaid amount of the Consideration (reflecting the Initial Adjustment by way of an increase to the Base Consideration by an Unaudited Net Surplus of the US\$ equivalent of HK\$24.4 million) was deposited into the Escrow Account and the key completion deliverables were delivered to the Escrow Agent, all being held subject to and in accordance with the terms of the Escrow Agreement and pending Completion to occur on the Business Day immediately following the date on which the conditions precedent to the Sale and Purchase Agreement are fulfilled or, if applicable, waived.

## **REASONS FOR, AND BENEFITS OF, THE DISPOSAL**

The Property was acquired by the Group through the acquisition of interests in Newscott and Great Winwick in 2005 for long-term investment and for property letting purpose. Having regard to the existing market condition in the PRC and other relevant factors and circumstances prevailing, the Directors consider the Disposal to represent a good opportunity for the Remaining Group to yield a reasonable return from the realisation of its investment on terms which are in the interest of the Shareholders.

The Remaining Group expects to realise an estimated gain of approximately HK\$2.1 billion from the Disposal which is calculated based on (i) the Base Consideration, and (ii) the net asset value of the City Island Group recorded in its unaudited consolidated balance sheet as at 30 April 2008 as adjusted by the Sale Loans and the Initial Adjustment.

The Directors, including the Non-executive Directors, consider the Sale and Purchase Agreement and the Escrow Agreement to have been entered into in the ordinary and usual course of business of the Company, and that the respective terms and conditions as contained therein to be on normal commercial terms, which were arrived at after arm's length negotiations between the parties, and fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

## **USE OF PROCEEDS**

The Directors intend to use the net sale proceeds from the Disposal for the following purposes:

- (a) make further investments in the Group's existing lines of business and capturing attractive opportunities as they present themselves with a view to producing more returns to the Shareholders;
- (b) provide additional capital to enhance the operational capability of the Group's existing operations, including expanding its business of design, production and distribution of mobile accessories and other high-end electronic products; and
- (c) apply as working capital and general corporate purposes of the Group.

The Group has not yet determined the exact allocation of the net sale proceeds from the Disposal.

## **INFORMATION ON THE GROUP, THE CITY ISLAND GROUP AND THE SALE ASSETS**

### **The Group**

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

## **The City Island Group**

The principal activities of each member of the City Island Group is investment holding.

He Hui is a wholly foreign-owned enterprise established in the PRC on 25 September 1995 and its registered capital and total investment are US\$46.33 million (or approximately HK\$361 million) and US\$139 million (or approximately HK\$1,084 million) respectively. Xin Hui is a wholly foreign-owned enterprise established in the PRC on 10 March 1993 and its registered capital and total investment are US\$15.6 million (or approximately HK\$122 million) and US\$37 million (or approximately HK\$289 million) respectively.

The principal activities of both He Hui and Xin Hui are the development, operation, 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.

## **Financial information of the City Island Group**

For the financial year ended 31 December 2006, the audited consolidated profit before tax of the City Island Group was approximately HK\$227.3 million and for the financial year ended 31 December 2007, the audited consolidated profit before tax of the City Island Group was approximately HK\$342.5 million. For the same years, the audited consolidated profits of the City Island Group were approximately HK\$153.8 million and HK\$400.6 million respectively. The audited net asset value of the City Island Group as at 31 December 2007 according to its audited consolidated balance sheet as at such date was HK\$656.5 million. The City Island Group accounts were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

## **The Property**

The Property is a forty-storey office tower located at an office tower known as “The Center” located at 989 Changle Road, Shanghai, the PRC, with a total gross floor area of approximately 98,337 square metres (including 204 car park spaces), which is almost fully occupied. Commercial leasing of the Property commenced in July 2004.

After Completion, the City Island Group will cease to be subsidiaries of or consolidated into the accounts of the Company.

## **INFORMATION ON THE OTHER PARTIES**

The principal activity of each of the Purchaser and the Purchaser Guarantor is, to the best of the knowledge, information and belief of the Directors, investment holding.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, both the Purchaser and the Purchaser Guarantor and their respective ultimate beneficial owners are Independent Third Parties.

## **REQUIREMENTS UNDER THE LISTING RULES**

The transactions underlying the Disposal constitute a very substantial disposal for the Company under the Listing Rules and are subject to the approval by the Independent Shareholders at the SGM.

## **GENERAL**

The SGM will be convened and held to consider and, if thought fit, pass the necessary resolution(s) to approve the Disposal.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Disposal and no Shareholder is required to abstain from voting for the approval of the Disposal at the SGM. Promising Land International Inc. and Uptalent Investments Limited, the controlling shareholders of the Company owning, legally and/or beneficially, as at the date of the Sale and Purchase Agreement an aggregate of approximately 71.51% of the Shares in issue, have given their irrevocable undertakings to the Purchaser and the Purchaser Guarantor to vote at the SGM to approve the Disposal.

The Circular containing further information on the Disposal, the Sale and Purchase Agreement and the Escrow Agreement, a notice of the SGM and other information prescribed by the Listing Rules will be dispatched to the Shareholders as soon as practicable.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms have the meanings set out below:

“Affiliate”	any person that, directly or indirectly, controls, is controlled by, or is under common control with the referenced party or other person. The term “control” shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of any person, or the power to veto major policy decisions of any person, whether through the ownership of voting securities, by agreement, or otherwise
“Audited Completion Balance Sheet”	the audited consolidated balance sheet of City Island as at the date of the Sale and Purchase Agreement to be prepared in accordance with and on the basis set out in the Sale and Purchase Agreement
“Audited Net Liability”	the amount, if any, by which the consolidated liabilities of City Island as shown in the Audited Completion Balance Sheet (excluding for this purpose any shareholders' loans and net amounts due and owing to certain members of the Remaining Group and any deferred tax liability) shall exceed the consolidated assets of City Island as shown in the Audited Completion Balance Sheet (excluding for this purpose the book value of the Property, goodwill, the deferred tax asset and any physical assets)

“Audited Net Surplus”	the amount, if any, by which the consolidated assets of City Island as shown in the Audited Completion Balance Sheet (excluding for this purpose the book value of the Property, goodwill, the deferred tax asset and any physical assets) shall exceed the consolidated liabilities of City Island as shown in the Audited Completion Balance Sheet (excluding for this purpose any shareholders’ loans and net amounts due and owing to certain members of the Remaining Group and any deferred tax liability)
“Base Consideration”	the US\$ equivalent of RMB4,438 million, being the aggregate consideration payable in cash by the Purchaser for the sale and purchase of the Sale Shares and the Sale Loans, before any adjustment, under and in accordance with the terms of the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day”	a day on which licensed banks in Hong Kong, the Macau Special Administrative Region of the PRC, and, where the context so requires, New York and Shanghai, the PRC are generally open for business (other than a Saturday, a Sunday or a public holiday)
“BVI”	the British Virgin Islands
“Circular”	the circular to the Shareholders on the Disposal to be despatched by the Company as soon as practicable after the date of this announcement
“City Island”	City Island Developments Limited, a limited liability company incorporated in the BVI and currently wholly-owned by the Vendor
“City Island Group”	comprising City Island, Newscott, Newscott HK, Great Winwick, Great Winwick HK, He Hui and Xin Hui and “member(s) of the City Island Group” shall be construed accordingly
“Company”	Hutchison Harbour Ring Limited, a limited liability company incorporated in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 715)
“Completion”	completion of the sale and purchase of the Sale Shares and the Sale Loans on and subject to the terms and conditions of the Sale and Purchase Agreement
“connected person”	shall have the meaning ascribed to that term in the Listing Rules
“Consideration”	the Base Consideration as adjusted under and in accordance with the terms of the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the transactions contemplated by the Sale and Purchase Agreement for effecting the sale and purchase of the Sale Shares and the Sale Loans subject to and in accordance with its terms
“Escrow Account”	an account opened with the Escrow Agent and which operation is to be governed by the terms of the Escrow Agreement

“Escrow Agent”	The Hongkong and Shanghai Banking Corporation Limited, a bank licensed in Hong Kong and an Independent Third Party
“Escrow Agreement”	the escrow agreement dated 16 May 2008 and entered into amongst the Purchaser, the Vendor, the Purchaser’s Lender and the Escrow Agent
“Exclusivity Agreement”	the exclusivity agreement dated 17 March 2008 and entered into between the Vendor and the Purchaser Guarantor, as amended by the supplemental agreement dated 30 April 2008 and made between the same parties
“Great Winwick”	Great Winwick Limited, a limited liability company incorporated in the BVI and currently an indirect wholly-owned subsidiary of the Vendor
“Great Winwick HK”	Great Winwick (Hong Kong) Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Great Winwick
“Group”	the Company and its subsidiaries
“He Hui”	上海和滙房產開發有限公司 (Shanghai He Hui Property Development Co., Ltd.), a wholly foreign-owned enterprise established under the laws of the PRC, owner as to 84% of the Property, and currently an indirect wholly-owned subsidiary of the Vendor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
an “Independent Shareholder”	Shareholder who does not have any material interest in the Disposal other than by virtue of its shareholding in the Company, and as at the date of this announcement, the Company is not aware of any Shareholder who is required to abstain from voting on the resolution to be proposed at the SGM for approval of the Disposal
“Independent Third Party”	a third party which, based on the information provided by it and to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, is independent of the Company and its connected persons
“Initial Adjustment”	the adjustment to the Base Consideration for the purpose of determining the amount payable into the Escrow Account on signing of the Sale and Purchase Agreement and as summarised in paragraph (a) of the section entitled “Consideration” above
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the date which is 40 days from 16 May 2008, the date of execution of the Sale and Purchase Agreement, or, if such date is not a Business Day, the next succeeding Business Day, as may be extended by the Purchaser
“Newscott”	Newscott Investments Limited, a limited liability company incorporated in the BVI and currently an indirect wholly-owned subsidiary of the Vendor

“Newscott HK”	Newscott (Hong Kong) Investments Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Newscott
“PRC”	People’s Republic of China
“Property”	the property located at an office tower known as “The Center” located at 989 Changle Road, Shanghai, the PRC, with a total gross floor area of approximately 98,337 square metres (including 204 car park spaces)
“Purchaser”	Hawkwind Investments Limited, a limited liability company incorporated in the BVI, an Affiliate of the Purchaser Guarantor, the purchaser of the Sale Shares and the Sale Loans under the Sale and Purchase Agreement and an Independent Third Party
“Purchaser Guarantor”	Asia Pacific Land Limited, an Independent Third Party, who has agreed to guarantee the performance of the Purchaser’s obligations under the Sale and Purchase Agreement
“Purchaser’s Lender”	Aareal Bank AG, as agent for itself, the lender to the Purchaser for funding part of the Consideration, and a party to the Escrow Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Remaining Group”	the Group excluding the City Island Group, and “member(s) of the Remaining Group” shall be construed accordingly
“Sale and Purchase Agreement”	the agreement dated 16 May 2008 and entered into amongst the Vendor, the Company as vendor guarantor, the Purchaser and the Purchaser Guarantor for the sale and purchase of the Sale Shares and the Sale Loans
“Sale Loans”	the aggregate amount of the loans and net amounts due and owing by certain members of the City Island Group to certain members of the Remaining Group and outstanding as at the date of the Sale and Purchase Agreement
“Sale Shares”	1,000 shares of par value of US\$1.00 each in, and representing the entire issued share capital of, City Island
“SGM”	a special general meeting of the Company (or any adjournment thereof) to be convened for the purpose of considering and, if thought fit, approving the transactions contemplated by the Sale and Purchase Agreement
“Share(s)”	ordinary share(s) of par value HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	shall have the meaning ascribed to that term in the Listing Rules
“Unaudited Completion Balance Sheet”	the pro forma unaudited consolidated balance sheet of City Island as at 31 March 2008 with an estimated projection up to the date of the Sale and Purchase Agreement prepared in accordance with and on the basis set out in the Sale and Purchase Agreement

“Unaudited Net Liability”	the amount by which the consolidated liabilities of City Island as shown in the Unaudited Completion Balance Sheet (excluding for this purpose any shareholders’ loans and net amounts due and owing to certain members of the Remaining Group and any deferred tax liability) shall exceed the consolidated assets of City Island as shown in the Unaudited Completion Balance Sheet (excluding for this purpose the book value of the Property, goodwill, the deferred tax asset and any physical assets)
“Unaudited Net Surplus”	the amount by which the consolidated assets of City Island as shown in the Unaudited Completion Balance Sheet (excluding for this purpose the book value of the Property, goodwill, the deferred tax asset and any physical assets) shall exceed the consolidated liabilities of City Island as shown in the Unaudited Completion Balance Sheet (excluding for this purpose any shareholders’ loans and net amounts due and owing to certain members of the Remaining Group and any deferred tax liability)
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	Hutchison Harbour Ring Property Holdings Limited, a limited liability company incorporated in the BVI, a wholly-owned subsidiary of the Company and the party named as the vendor for the sale and/or procuring the sale of the Sale Shares and the Sale Loans under the Sale and Purchase Agreement
“Xin Hui”	上海新滙房產開發有限公司 (Shanghai Xin Hui Property Development Co., Ltd.), a wholly foreign-owned enterprise established under the laws of the PRC, owner as to 16% of the Property, and currently an indirect wholly-owned subsidiary of the Vendor

*Unless otherwise stated, the conversion of United States dollars into Hong Kong dollars and of Renminbi into Hong Kong dollars is based on the exchange rate of US\$1.00 = HK\$7.8 and RMB1.00 = HK\$1.11687. 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.*

By order of the Board

**Edith SHIH**

*Director and Company Secretary*

Hong Kong, 16 May 2008

As at the date of this announcement, the Directors are:

**Executive Directors:**

Mr FOK Kin-ning, Canning (*Chairman*)  
Mr LAI Kai Ming, Dominic (*Deputy Chairman*)  
(*Also Alternate to Mrs CHOW WOO Mo Fong, Susan*)  
Ms CHAN Wen Mee, May (Michelle) (*Managing Director*)  
Mrs CHOW WOO Mo Fong, Susan  
Mr CHOW Wai Kam, Raymond  
Ms Edith SHIH  
(*Also Alternate to Mr FOK Kin-ning, Canning*)  
Mr ENDO Shigeru  
Mr KWOK Siu Kai, Dennis

**Non-executive Director:**

Mr Ronald Joseph ARCULLI

**Independent Non-executive Directors:**

Mr KWAN Kai Cheong  
(*Also Alternate to Mr Ronald Joseph ARCULLI*)  
Dr LAM Lee G  
(*Also Alternate to Mr LAN Hong Tsung, David*)  
Mr LAN Hong Tsung, David

*\*For identification purpose only*

