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**香港建設(控股)有限公司**  
**HONG KONG CONSTRUCTION (HOLDINGS) LIMITED**

*(Incorporated in Hong Kong with limited liability)*

*Web site: www.hkconstruction.com*

**(Stock code: 190)**

**DISCLOSEABLE TRANSACTION**  
**DISPOSAL OF ZONETIME LIMITED**

The Board is pleased to announce that on 20 July 2005, the Company entered into the S&P Agreement with Good Smart pursuant to which the Company agreed to sell and Good Smart agreed to purchase the entire issued share capital of Zonetime at the price of HK\$100 million.

The Disposal constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. A circular containing, among other things, further particulars of the Disposal will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

**1. INTRODUCTION**

The Board is pleased to announce that the Company as vendor and Good Smart as purchaser has entered into the S&P Agreement. Details of the S&P Agreement are summarised below.

**2. THE S&P AGREEMENT**

Date: 20 July 2005

Parties: (i) the Company as vendor; and  
(ii) Good Smart, a limited liability company established in the British Virgin Islands, as purchaser.

To the best of the Directors' knowledge and after having made all reasonable enquiry, Good Smart and its ultimate beneficial owner(s) are not connected persons of the Company (as defined in the Listing Rules) and are independent of and not connected to the directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates.

Assets involved in the subject transaction: Under the S&P Agreement, the entire issued share capital of Zonetime will be transferred to Good Smart.

Zonetime is a limited liability company established in the British Virgin Islands whose principal business activity is investment holding. Apart from its interest in the entire registered capital of the Property Company, Zonetime had no other assets or business.

Consideration: Under the S&P Agreement, the Company shall sell the Sale Share Capital at HK\$100 million, which shall be paid by Good Smart in cash by two installments as follows:

- (i) HK\$10 million has been paid upon the signing of the S&P Agreement as deposit; and
- (ii) HK\$90 million shall be paid upon Completion.

Conditions and Completion: According to the S&P Agreement, the Company shall undertake and complete before Completion the following matters:

- (i) the modification procedures with the relevant authority(ies) in respect of Land A so that:
  - (a) Land A will be free from any encumbrances;

- (b) Land A will have a site area of approximately 10,450 square metres;
  - (c) Land A will be designated for hotel and serviced apartment use;
  - (d) the plot ratio of Land A will not be more than 1;
  - (e) the use of Land A will be for a term of 50 years from the date of issue of the Approval for Construction Site;
  - (f) the Land Use Right Permit for State-Owned Land shall have been obtained;
  - (g) the red line drawing and the Construction Works Planning Permit shall have been obtained from the Zhuhai Land and Resources Bureau; and
- (ii) the registration procedures with the relevant authority(ies) in respect of Zonetime's interest in the registered capital of the Property Company.

If any of the above conditions is not satisfied on or before 29 July 2005, Good Smart may terminate the S&P Agreement (and the deposit shall be refunded) or elect to extend the completion date by not more than 28 days.

Completion shall take place within 5 days from the date of notice from the Company to Good Smart confirming the fulfillment of the above conditions.

Other material term:

The Company has warranted to Good Smart that the Property Company will not have any debt as at Completion. If there is any outstanding shareholder loan or loan owed to associated company(ies) or the Company as at Completion, the Company would upon Completion assign or procure the assignment of the loan to Good Smart at nil consideration. Save and except the intra-group indebtedness due from the Property Company to the Company in the amount of approximately RMB109 million (about HK\$103 million) as at 30 June 2005, the Property Company had no other major liabilities as at 30 June 2005.

### **3. REASONS FOR AND BENEFITS OF THE DISPOSAL**

#### **3.1 The Property Company and the basis of negotiation of the terms and conditions of the S&P Agreement**

The Property Company was established on 30 September 1992 with a registered capital of US\$12 million (about HK\$93.6 million), all of which has been fully paid up. The principal business of the Property Company is construction and sale of residential property and the major asset of the Property Company will be the Land.

According to the unaudited consolidated management accounts of Zonetime for the period from 3 November 2004 (being its date of incorporation) to 30 June 2005, the net assets of Zonetime (excluding the loan owed to the Company) was approximately HK\$40 million as at 30 June 2005, representing the value of Land B adjusted with the Hong Kong Financial Reporting Standards and the unaudited consolidated net loss of Zonetime for the period from 1 January 2005 to 30 June 2005 was approximately HK\$33 million.

The terms of the S&P Agreement were determined after arm's length negotiations between the parties having taken into account a number of factors including, among other things, the market value of Land B (being approximately HK\$40 million as at 31 December 2004 as valued by Chartersince Surveyors Limited, an independent professional property valuer in Hong Kong appointed by the Company) and the parties' estimated value and future development potential of Land A. The right to use Land A will be granted by the PRC government to the Property Company prior to Completion in exchange of the Property Company's right in another piece of land located in Zhuhai, the PRC which the Property Company had paid a land premium of approximately HK\$10 million in 1992. However, since the Group had been experiencing financial difficulty during the period from 1999 to 2003, no resources could be employed by the Group for the development of that piece of land at that time, and as a result thereof, the land premium paid was fully provided by the Property Company. As estimated by the PRC government, Land A worths approximately HK\$11.6 million, and reflects the land premium paid by the Property Company and interest earned thereon. The Company currently has no intention to carry out any independent property valuation in respect of Land A.

After completion of the S&P Agreement, Zonetime will cease to be a subsidiary of the Company.

#### **3.2 Reasons for and benefit of the S&P Agreement**

The principal activities of the Company in the past were construction, property development and investment. The Group has been diversifying its investment and business from previous sole investment in property and construction sectors. For example, the Group has recently acquired interests in wind power and toll road projects as recently announced by the Company.

As referred to in the 2004 annual report of the Company, as a result of the changes in town planning in Zhuhai, the plot ratio of Land B was substantially reduced and an impairment loss provision of HK\$180.7 million was made, based on professional valuation, in the accounts of the Company, thus reducing the carrying value of Land B to HK\$40 million. The Board believes that the Disposal provides the Company with a good opportunity to realize its investment in Zhuhai and the proceeds thereof could strengthen the working capital position of the Company. The Directors consider the terms of the Disposal to be fair and reasonable and are in the interest of the Company and Shareholders as a whole.

### 3.3 Use of proceeds and financial effect of the Disposal

The net proceeds from the Disposal after deducting the related expenses are estimated to be approximately HK\$99.6 million. The Group intends to apply the net proceeds as its general working capital.

As a result of the Disposal, the Group is expected to record an unaudited profit of approximately HK\$60 million, being the difference between the Consideration and the carrying value of the net assets of Zonetime, before deduction of any related costs and expenses.

## 4. GENERAL

The Disposal constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. A circular containing, among other things, further particulars of the Disposal will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

## 5. DEFINITIONS

“Board”	the board of Directors
“Company”	Hong Kong Construction (Holdings) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the S&P Agreement
“Consideration”	the cash consideration of HK\$100 million payable by Good Smart to the Company for the acquisition of the Sale Share Capital
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal by the Company of the entire issued share capital of Zonetime pursuant to the S&P Agreement
“Good Smart”	Good Smart Limited, a company incorporated in the British Virgin Islands with limited liability. To the best of the knowledge of the Directors after making reasonable enquiry, the principal business activity of Good Smart is investment holding
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	Land A and Land B
“Land A”	a parcel of land adjacent to Land B, south of the refrigeration factory, Wan Zai Town, Zhuhai, the PRC, occupying a site area of approximately 10,450 square metres
“Land B”	a parcel of land located south of the refrigeration factory, Wan Zai Town, Zhuhai, the PRC, occupying a site area of approximately 14,000 square metres
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Property Company”	珠海熊谷房產發展有限公司 (Zhuhai Kumagai Property Development Co., Ltd.*), a wholly foreign-owned enterprise established in Zhuhai, the PRC
“S&P Agreement”	the sale and purchase agreement dated 20 July 2005 entered into between the Company as the vendor and Good Smart as the purchaser relating to Zonetime
“Sale Share Capital”	the entire issued share capital of Zonetime

“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zonetime”	Zonetime Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States

By order of the Board  
**HONG KONG CONSTRUCTION (HOLDINGS) LIMITED**  
**OEI Kang Eric**  
*Managing Director and Chief Executive Officer*

Hong Kong, 22 July 2005

*As at the date hereof, the Board is comprised of 13 Directors, of which 5 are executive Directors, namely Mr. OEI Kang Eric, Mr. CHEN Libo, Mr. TSANG Sai Chung Kirk, Ms. SO Hang Selina and Mr. TANG Sau Wai Tom, 5 are non-executive Directors, namely Mr. OEI Tjie Goan, Mr. LI Xueming, Mr. XU Zheng, Mr. LIU Guolin and Mr. FAN Yan Hok Philip and 3 are independent non-executive Directors, namely Mr. CHUNG Cho Yee Mico, Mr. CHENG Yuk Wo and Mr. Albert Thomas DA ROSA, Junior.*

*For the purpose of this announcement, the translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.06 = HK\$1.00 and the translation of US\$ into HK\$ is based on the approximate exchange rate of US\$1.00 = HK\$7.80.*

*\* The unofficial English transliteration or translation is for identification purposes only.*

“Please also refer to the published version of this announcement in The Standard.”