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HAYWOOD INVESTMENTS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 905)

SUBSCRIPTION OF NEW SHARES

On 10th June, 2004, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Subscriber has agreed to subscribe for and the Company has agreed to allot and issue an aggregate of 27,200,000 Subscription Shares in cash at a subscription price of HK\$0.10 per Subscription Share.

The Subscription Shares represent approximately 15.7% of the issued share capital of the Company as at the date of this announcement and approximately 13.6% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The Subscription Shares will be issued to the Subscriber under the general mandate granted to the Directors at the annual general meeting of the Company held on 1st June, 2004. The Subscription is conditional upon the granting by the Stock Exchange of the listing of, and permission to deal in, the Subscription Shares by 5:00 p.m. on 16th August, 2004 (or such other time and date as may be agreed by the Company and the Subscriber in writing), being the long stop date for the Subscription Agreement.

The subscription price of HK\$0.10 per Subscription Share represents (i) a premium of approximately 17.6% over the closing price of HK\$0.085 per Share as quoted on the Stock Exchange on 10th June, 2004, being the date of the Subscription Agreement; and (ii) a premium of approximately 16.0% over the average closing price of HK\$0.0862 per Share for the last 5 consecutive trading days up to and including 10th June, 2004.

The gross proceeds from the Subscription amounted to HK\$2.72 million. The net proceeds from the Subscription of approximately HK\$2.5 million (with net issue price calculated to be approximately HK\$0.092 per Subscription Share) will be applied for future investment purposes which will be invested in accordance with the Company's investment policy of investing in listed and unlisted companies in Hong Kong and the PRC so as to achieve medium term capital appreciation.

At present, no particular investment targets have been identified by the Company. Should any investment be made, the Company will comply with the Listing Rules.

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Friday, 11th June, 2004 pending release of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on Tuesday, 20th July, 2004.

THE SUBSCRIPTION AGREEMENT

Parties

Issuer: The Company

Subscriber: Gimmick Investments Limited

The Company and the Subscriber entered into the Subscription Agreement on 10th June, 2004 pursuant to which the Subscriber has agreed to subscribe for and the Company has agreed, subject to the condition referred to below, to allot and issue an aggregate of 27,200,000 Subscription Shares in cash at a subscription price of HK\$0.10 per Subscription Share.

The Subscriber is ultimately and beneficially wholly-owned by Mr. Luk Chi Shing, who is not a connected person (as defined under the Listing Rules) and is not a person acting in concert (as defined under the Hong Kong Code on Takeovers and Mergers) with any of the Directors, chief executive or substantial shareholder of the Company or its subsidiaries or any of their respective associates. Immediately prior to entering into the Subscription Agreement, the Subscriber had no shareholding interest in the Company.

Number of Subscription Shares

The 27,200,000 Subscription Shares represent approximately 15.7% of the issued share capital of the Company as at the date of this announcement and approximately 13.6% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The Subscription Shares will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 1st June, 2004.

Subscription Price

The subscription price of HK\$0.10 per Subscription Share represents:

- (i) a premium of approximately 17.6% over the closing price of HK\$0.085 per Share as quoted on the Stock Exchange on 10th June, 2004, being the date of the Subscription Agreement; and
- (ii) a premium of approximately 16.0% over the average closing price of HK\$0.0862 per Share for the last 5 consecutive trading days up to and including 10th June, 2004.

The subscription price and the terms of the Subscription Agreement were arrived at after arm's length negotiations between the Company and the Subscriber with reference to the share price performance of the Shares.

Ranking of new Shares

The Subscription Shares will rank pari passu in all respects with the issued Shares existing on the date of their allotment and issue.

Condition of the Subscription

The Subscription is conditional upon the granting by the Stock Exchange of the listing of, and permission to deal in, the Subscription Shares by 5:00 p.m. on 16th August, 2004 (or such other time and date as may be agreed by the Company and the Subscriber in writing), being the long stop date of the Subscription Agreement.

In the event that the condition of the Subscription has not been fulfilled by the date and time stipulated above, the Subscription Agreement will lapse and all rights, obligations and liabilities of the Company or the Subscriber shall cease and terminate and neither the Company nor the Subscriber shall have any claim against the other, save for any antecedent breaches thereof.

Completion

Completion of the Subscription will take place on the third Business Day after the condition of the Subscription has been fulfilled.

Reason for the Subscription

The Company is an investment holding company and its subsidiaries are principally engaged in the investments in listed and unlisted companies in Hong Kong and in the PRC.

The Directors consider the Subscription to be beneficial to the Company as it will increase the capital base of the Company for future investment purposes. The Board considers the dilution of the percentage shareholding of the existing Shareholders by 13.6% to be acceptable. The Directors are of the view that the terms of the Subscription Agreement and the subscription price, which were arrived at after arm's length negotiation, are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Use of proceeds

The gross proceeds from the Subscription amounted to HK\$2.72 million. The net proceeds from the Subscription, net of the expenses to be borne by the Company, is approximately HK\$2.5 million (with net issue price calculated to be approximately HK\$0.092 per Subscription Share) and will be applied for future investment purposes which will be invested in accordance with the Company's investment policy of investing in listed and unlisted companies in Hong Kong and the PRC to achieve medium term capital appreciation. At present, no particular investment targets have been identified by the Company. Should any investment be made, the Company will comply with the Listing Rules.

Fund raising exercise by the Company in the past twelve months

The Company carried out a placing on 11th March, 2004 for the placing of 28,800,000 Shares at a price of HK\$0.124 per Share to more than six placees who were not connected persons of the Company as defined in the Listing Rules, which raised net proceeds of approximately HK\$3.38 million and was intended to be used for general working capital purposes. The Company has applied a total of approximately HK\$0.36 million for investment purpose. As to the remaining balance, the Company has applied approximately HK\$0.38 million for the Company's operating expenses up to 31st May, 2004 whilst the remaining unused balance of approximately HK\$2.64 million has been placed as short-term deposit and is intended to be applied as general working capital of the Group.

Application for listing

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Changes in shareholding in the Company

The shareholding structures of the Company immediately before and after completion of the Subscription are as follows:

Shareholders	Existing		Immediately after completion of the Subscription	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Mr. Lee Wing On Samuel	40,988,000	23.7	40,988,000	20.5
Universal Funds And Asset Management Inc. (<i>note</i>)	15,000,000	8.7	15,000,000	7.5
Subscriber	–	–	27,200,000	13.6
Public	116,812,000	67.6	116,812,000	58.4
<i>Total</i>	<u>172,800,000</u>	<u>100.0</u>	<u>200,000,000</u>	<u>100.0</u>

Note: Universal Funds And Asset Management Inc. is wholly owned by Mega Wealth Investment Limited which is ultimately and wholly-owned by Mr. Chow Kwok Chung Bruce. Accordingly, Mr. Chow Kwok Chung Bruce is deemed to be interested in the 15,000,000 Shares.

After completion of the Subscription, the Subscriber will own 27,200,000 Shares, representing approximately 13.6% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and accordingly will become a substantial Shareholder as defined under the Listing Rules.

The Subscriber has indicated that it does not intend to participate in the management of the Group or to appoint any representative to the Board following completion of the Subscription. There will be no change in the composition of the Board as a result of the Subscription.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Friday, 11th June, 2004, pending release of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on Tuesday, 20th July, 2004.

As at the date of this announcement, the executive Directors are Mr. Wong Fong Kim, Mr. Lok Kung Yao, Perry and Mr. Tai Ah Lam, Michael. The non-executive Directors are Mr. Chang Hang Vai and Mr. Lam Shu Chung and the independent non-executive Directors are Dr. Wong Yun Kuen, Edward, Mr. Hsieh Dominick and Mr. Chang Kin Man.

DEFINITIONS

The terms used in this announcement have the following meanings unless the context otherwise requires:

“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding a Saturday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Haywood Investments Limited, a company incorporated in the Cayman Islands with limited liability and whose issued Shares are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Gimmick Investments Limited, a company incorporated in the British Virgin Island with limited liability and is beneficially owned by Mr. Luk Chi Shing
“Subscription”	the subscription of 27,200,000 Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 10th June, 2004 entered into between the Company and the Subscriber in relation to the Subscription and as supplemented by an agreement dated 16th July, 2004
“Subscription Shares”	an aggregate of 27,200,000 new Shares to be allotted and issued by the Company to the Subscriber pursuant to the Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By order of the Board of
Haywood Investments Limited
Wong Fong Kim
Chairman

Hong Kong, 19th July, 2004

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