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天安中國投資有限公司

TIAN AN CHINA INVESTMENTS COMPANY LIMITED

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 28)**

## CONTINUING CONNECTED TRANSACTIONS

### – SHARING OF ADMINISTRATIVE SERVICES AND MANAGEMENT SERVICES AGREEMENT

The Company entered into the Sharing of Administrative Services and Management Services Agreement with AGL on 15 December 2005 pursuant to which the Group agreed to reimburse AGL the costs incurred in respect of the Administrative Services and the Management Services provided by AGL to the Group.

In view of the fact that the Company is held as to approximately 48.60% by SHK, which is held as to approximately 74.99% by APL, which is in turn held as to approximately 74.93% by AGL, AGL is a connected person of the Company and the entering into of the Sharing of Administrative Services and Management Services Agreement and the transactions regarding the sharing of the Management Services contemplated thereunder will constitute continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules. Pursuant to Rules 14A.31(8) and 14A.33(2) of the Listing Rules, the transactions regarding the sharing of the Administrative Services between the Company and AGL contemplated under the Sharing of Administrative Services and Management Services Agreement will be exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

As it is anticipated that one or more of the relevant percentage ratios (other than the profit ratio) set out in Rule 14.07 of the Listing Rules in respect of the fees payable by the Group to AGL for the sharing of Management Services under the Sharing of Administrative Services and Management Services Agreement will, on an annual basis, be (i) less than 2.5%; or (ii) equal to or more than 2.5% but less than 25% and the annual consideration shall be less than HK\$10,000,000, the entering into of the Sharing of Administrative Services and Management Services Agreement by the Company, which is on normal commercial terms, and the transactions regarding the sharing of Management Services contemplated thereunder will constitute continuing connected transactions under Rule 14A.34 of the Listing Rules and will only be subject to the reporting and announcement requirements and exempt from independent shareholders' approval requirements under the Listing Rules.

Details of the Sharing of Administrative Services and Management Services Agreement and the transactions contemplated thereunder will be included in the Company's next published annual report and accounts in accordance with Rules 14A.45 and 14A.46 of the Listing Rules.

## BACKGROUND

The Company entered into the Sharing of Administrative Services and Management Services Agreement with AGL on 15 December 2005 pursuant to which the Company agreed to reimburse AGL the costs incurred in respect of the Administrative Services and the Management Services provided by AGL to the Group. Details of the Sharing of Administrative Services and Management Services Agreement are set out below.

## SHARING OF ADMINISTRATIVE SERVICES AND MANAGEMENT SERVICES AGREEMENT

Date: 15 December 2005

Effective period: Three years commencing from 1 January 2005

Party A: The Company

Party B: AGL

Nature of transactions: The Company agreed to reimburse AGL the costs incurred in respect of the Administrative Services and the Management Services provided by AGL to the Group.

Terms: In respect of the Administrative Services provided to the Group, the Group agreed to reimburse the actual costs incurred by AGL which will be payable by the Group on a monthly basis. The fees charged were determined by reference to the actual use of the Administrative Services by the Group on a cost basis without margin which varies across different types of services. For instance, in respect of sharing of office space, the rent and utility charges paid by the Company to AGL was calculated by reference to the floor area occupied by the Company. For other office administrative expenses such as postage, delivery and international telephone calls, AGL kept a record of such uses and the Company was charged on its actual use. The Directors consider that such cost allocation of the Administrative Services between the Group and AGL is on a fair and equitable basis and that the fees charged by AGL are comparable to market rates for similar services provided by Independent Third Parties.

In respect of the Management Services provided to the Group, the Group agreed to reimburse a portion of the actual costs of the services incurred by AGL by reference to a specified percentage of the remuneration of members of the senior management of AGL providing the Management Services to the Group, which will be payable by the Group on a quarterly basis. Such percentage varies between each member of the senior management of AGL and the percentage of remuneration of individual members of the senior management of AGL payable by the Company was determined by reference to the percentage of the time devoted by the individual members of the senior management of AGL on the affairs of the Group against the amount of time they would otherwise devote on the affairs of AGL.

Annual cap: In respect of the Management Services: HK\$3,200,000, HK\$3,400,000 and HK\$3,600,000 for each of the three financial years ending 31 December 2007.

Historical figures:

Prior to the signing of the Sharing of Administrative Services and Management Services Agreement, the aggregate amount of fees paid by the Group to AGL for the administrative services and the management services provided by AGL for each of the two financial years ended 31 December 2004 were approximately HK\$300,000 and HK\$1,400,000 respectively. The historical service charge paid by the Group reflected the actual level of requirement for administrative services and management services that were provided by AGL.

Basis of the annual cap:

In determining the annual cap, besides taking into account the aforementioned service fees paid by the Group during the period between 1 January 2003 and 31 December 2004, the Directors have also taken into consideration the existing scales of the Group's operations and, for the purpose of determining the annual cap only, the anticipated growth of the Group, the anticipated increase in the remuneration of those senior management personnel of AGL who are involved in providing management, strategic and business advice to the Group, and having done so, for the three financial years ending 31 December 2007, the aggregate annual amount payable by the Group in respect of the Management Services under the Sharing of Administrative Services and Management Services Agreement is expected not to exceed HK\$3,200,000, HK\$3,400,000 and HK\$3,600,000 respectively and accordingly, the above figures have been adopted as the annual cap for the transactions in respect of the Management Services under the Sharing of Administrative Services and Management Services Agreement in respect of the same period.

Reasons for and benefits of the transactions:

The Directors consider that the sharing of Administrative Services and Management Services arrangement will benefit the Group in that both AGL and the Group can enjoy economies of scale brought about by the sharing of the Administrative Services and the Management Services provided by AGL which maximises cost efficiency and management effectiveness. In addition, since members of the senior management of AGL will devote part of their time on the affairs of the Group in the course of performance of the Management Services to the Group, both the Directors of the Company and the directors of AGL consider that it is reasonable for the Group to be charged for the Management Services so as to allocate the costs borne by AGL in this respect.

## **CONTINUING CONNECTED TRANSACTIONS**

In view of the fact that the Company is held as to approximately 48.60% by SHK, which is held as to approximately 74.99% by APL, which is in turn held as to approximately 74.93% by AGL, AGL is a connected person of the Company and the entering into of the Sharing of Administrative Services and Management Services Agreement and the transactions regarding the sharing of the Management Services contemplated thereunder will constitute continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules. Pursuant to Rules 14A.31(8) and 14A.33(2) of the Listing Rules, the transactions regarding the sharing of the Administrative Services between the Company and AGL contemplated under the Sharing of Administrative Services and Management Services Agreement will be exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules and the details of such transactions have been set out in this announcement for the sake of completeness of disclosure of the material terms of the Sharing of Administrative Services and Management Services Agreement.

As it is anticipated that one or more of the relevant percentage ratios (other than the profit ratio) set out in Rule 14.07 of the Listing Rules in respect of the fees payable by the Group to AGL for the Continuing Connected Transactions will, on an annual basis, be (i) less than 2.5%; or (ii) equal to or more than 2.5% but less than 25% and the annual consideration shall be less than HK\$10,000,000, the entering into of the Sharing of Administrative Services and Management Services Agreement by the Company, which is on normal commercial terms, and the transactions regarding the sharing of Management Services contemplated thereunder will constitute continuing connected transactions under Rule 14A.34 of the Listing Rules and will only be subject to the reporting and announcement requirements and exempt from independent shareholders' approval requirements under the Listing Rules.

## **GENERAL**

The principal activity of the Company is investment holding. The principal activities of the Company's major subsidiaries are development of high-end apartments, villas, office buildings and commercial properties, manufacture and sale of building materials, property management and hotel operation.

The principal activity of AGL is investment holding. The principal activities of AGL's major subsidiaries are property investment and development, hospitality related activities and the provision of financial services.

The Company will comply with the requirements under Rule 14A.36 of the Listing Rules if the aggregate value of the service fees paid for the Continuing Connected Transactions exceeds the relevant annual cap, during the three years ending 31 December 2007, or when the relevant agreement is renewed or where there are material changes to the terms of the agreement. The Company will also comply with the requirements under Rules 14A.37 to 14A.41 of the Listing Rules.

The Directors (including the Independent Non-Executive Directors) are of the view that the terms of the Sharing of Administrative Services and Management Services Agreement were entered into after arm's length negotiations and reflect normal commercial terms and that the terms of the Sharing of Administrative Services and Management Services Agreement are fair and reasonable so far as the shareholders of the Company are concerned.

## DEFINITIONS

For the purposes of this announcement, capitalised terms appearing herein shall, unless the context otherwise admits, have the meanings set out below:

“Administrative Services”	the secretarial services, provision of registered office address, utilities, courier and delivery, telephone (including international telephone), internet, photocopying and other ancillary office services
“AGL”	Allied Group Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange (Stock Code: 373) and is a substantial shareholder of the Company through its interests in APL and SHK
“APL”	Allied Properties (H.K.) Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange (Stock Code: 56) and is a substantial shareholder of the Company through its interests in SHK
“Company”	Tian An China Investments Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange (Stock Code: 28)
“Continuing Connected Transactions”	the transactions regarding the sharing of Management Services under the Sharing of Administrative Services and Management Services Agreement
“Directors”	the board of directors of the Company
“Group”	the Company and its subsidiaries, but excluding those in the group of Shanghai Allied Cement Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange (Stock Code : 1060) and is held as to approximately 74.51% by the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	party(ies) independent of and not connected with the Directors, chief executives or substantial shareholders of the Company or its subsidiaries, or their respective associate(s) (as defined in the Listing Rules) or not otherwise a connected person of the Company within the meaning of the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Services”	the management, strategic and business advice provided by the senior management of AGL to the board of Directors
“Sharing of Administrative Services and Management Services Agreement”	the agreement dated 15 December 2005 between the Company and AGL in respect of sharing of Administrative Services and Management Services between AGL and the Group

“SHK”	Sun Hung Kai & Co. Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange (Stock Code: 86) and is a substantial shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning as defined in the Listing Rules
“%”	per cent.

By Order of the Board  
**Tian An China Investments Company Limited**  
**Patrick Lee Seng Wei**  
*Chairman*

Hong Kong, 16 December 2005

*As at the date of this announcement, the Directors comprises Messrs. Patrick Lee Seng Wei (Chairman and Acting Managing Director), Ng Qing Hai (Deputy Managing Director), Ma Sun, Edwin Lo King Yau and Li Chi Kong being the Executive Directors, Mr. Moses Cheng Mo Chi and Miss Lisa Yang Lai Sum being the Non-Executive Directors, and Messrs. Francis J. Chang Chu Fai, Goodwin Gaw, Ngai Wah Sang and Xu Su Jing being the Independent Non-Executive Directors.*