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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)



亞證地產有限公司

ASIASEC PROPERTIES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 271)

JOINT ANNOUNCEMENT

POTENTIAL DISCLOSEABLE TRANSACTION

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POSSIBLE SPECIAL DIVIDEND OF HK\$0.95 PER ASL SHARE

PROPOSAL TO ACQUIRE CERTAIN PROPERTY INTERESTS

On 23rd June, 2021, TACI issued the Offer Letter to ASL (a non wholly-owned subsidiary of TACI) in respect of the Proposal, pursuant to which TACI proposed (i) to acquire ASL's interest in all property interests held by the associates of ASL in Hong Kong through the acquisition of the Proposed DF Group (being all interests in associates of ASL); and (ii) that, upon completion of the Proposed Acquisition, the ASL Board shall apply the proceeds from the Proposed Acquisition and distributable profit of ASL as at 31st December, 2020 as disclosed in the 2020 annual report of ASL to declare the Special Dividend of HK\$0.95 per ASL Share.

LISTING RULES IMPLICATIONS

TACI

As the relevant Percentage Ratio(s) in respect of the Proposed Acquisition, should ASL enter into the Sale and Purchase Agreement, exceeds 5% but is less than 25%, the Proposed Acquisition constitutes a discloseable transaction for TACI and is subject to announcement but exempt from TACI Shareholders' approval requirements under Chapter 14 of the Listing Rules.

ASL

This joint announcement is made by ASL pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

As at the date of this joint announcement, the ASL Board is in the process of seeking professional advice from its advisers on the Proposal. Under a preliminary assessment, the Proposed Acquisition, should it be approved and entered into, may constitute a major disposal for ASL under Chapter 14 of the Listing Rules. Furthermore, as at the date of this joint announcement, as TACI is a substantial shareholder of ASL, it is a connected person of ASL under Chapter 14A of the Listing Rules and that the Proposed Acquisition, should it be approved and entered into, constitutes a connected transaction for ASL.

If the ASL Board forms a view that it is appropriate to put forward the Proposal to ASL Shareholders for consideration, it will comply with the applicable provisions of Chapters 14 and 14A of the Listing Rules. Further announcement(s) will be made in respect thereof as and when required by the Listing Rules.

TACI and ASL have not entered into the Sale and Purchase Agreement or any agreement, and the Proposal may or may not proceed, and the Special Dividend may or may not be declared. ASL Shareholders, TACI Shareholders and potential investors of each of ASL and TACI should exercise caution when dealing in the shares of ASL and TACI, respectively.

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It is proposed that, subject to the fulfilment of the Conditions:

- (i) TACI or its wholly-owned subsidiary shall acquire ASL's interest in all properties held by the associates of ASL in Hong Kong through acquiring the Proposed DF Group and the Shareholder's Loan due to ASL by Dan Form, at the Consideration of HK\$1,080,000,000;
- (ii) to prepare for the disposal of the Proposed DF Group, ASL shall undergo the Reorganisation to the effect that:
 - (a) the Excluded Companies which are currently held by Dan Form be excluded from the Proposed DF Group; and
 - (b) the companies to be acquired by TACI or its wholly-owned subsidiary under the Proposed Acquisition shall comprise only the Proposed DF Group; and
- (iii) subject to Completion, ASL shall, by applying the proceeds from the Proposed Acquisition and distributable profit of ASL as at 31st December, 2020 as disclosed in the 2020 annual report of ASL, declare the Special Dividend of HK\$0.95 per ASL Share to the ASL Shareholders whose names appear on the register of members of ASL on the Record Date.

Consideration

The Consideration for the Proposed Acquisition shall be HK\$1,080,000,000, and shall be payable in the manner to be agreed between TACI or its wholly-owned subsidiary and ASL to be stipulated in the Sale and Purchase Agreement.

The Consideration was determined taking into account (i) the net asset value of the Proposed DF Group; (ii) the share of results of associates of ASL of a loss of approximately HK\$69,029,000 for the year ended 31st December, 2020 and a profit of approximately HK\$8,967,000 for the year ended 31st December, 2019; (iii) the discount represented by the share price of ASL to the net asset value of ASL; (iv) dividend received from the associates of ASL of approximately HK\$65,215,000 and nil for the years ended 31st December, 2020 and 31st December, 2019, respectively; and (v) the reasons for and the benefits of the Proposed Acquisition set out in the section headed “Reasons for and benefits of the Proposal” below.

Conditions

Completion is conditional upon the fulfilment of each of the following Conditions:

- (i) in the event that the Proposal requires the approval of the ASL Shareholders and/or the independent ASL Shareholders under the Listing Rules, the passing of the resolution(s) by the ASL Shareholders and/or independent ASL Shareholders at the EGM approving the Proposed Acquisition in accordance with the Listing Rules, and the Special Dividend to be distributed by ASL to the ASL Shareholders whose names appear on the register of members of ASL on the Record Date as soon as practicable after Completion;
- (ii) the completion of the Reorganisation;
- (iii) all other necessary governmental and regulatory approvals, consents, waivers, authorisations, registrations, filings and compliance with all the requirements under the Listing Rules and other applicable laws and regulations in connection with the transactions contemplated under the Proposed Acquisition having been obtained and not revoked prior to Completion; and
- (iv) all necessary consents, waivers and/or authorisations from any relevant third parties (where applicable) in connection with the transactions contemplated under the Proposed Acquisition having been obtained and not revoked prior to Completion.

None of the Conditions above can be waived. As at the date of this joint announcement, none of the Conditions has been fulfilled.

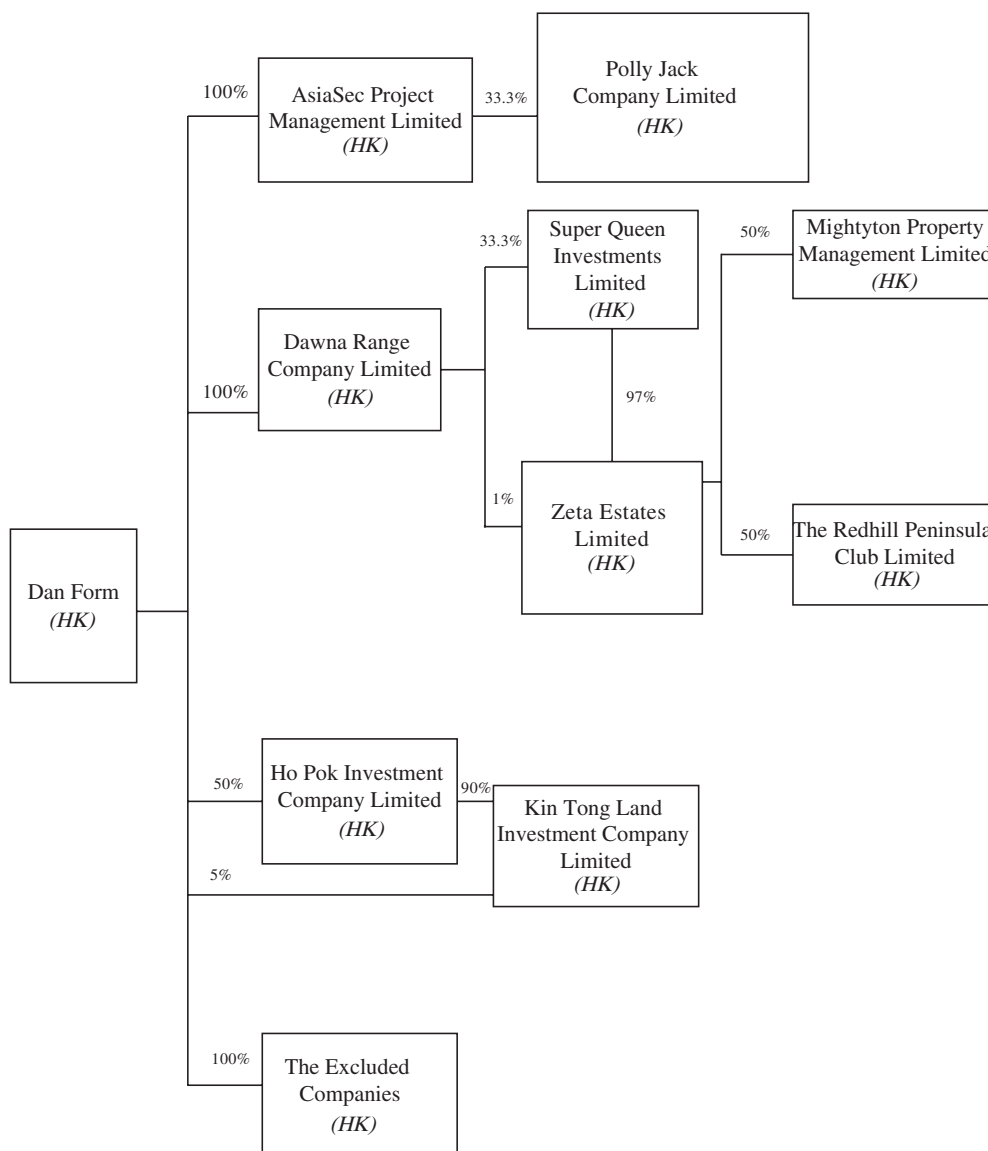
Completion

Completion shall take place on a date to be agreed between TACI or its wholly-owned subsidiary and ASL to be stipulated in the Sale and Purchase Agreement. As at the date of this joint announcement, Dan Form is held under a non wholly-owned subsidiary of TACI, i.e. ASL. Upon Completion, Dan Form shall become a wholly-owned subsidiary of TACI and the financial results of Dan Form will remain to be consolidated into the consolidated financial statements of the TACI Group, resulting in a decrease in TACI’s non-controlling interests. Furthermore, as TACI’s interests in the Proposed DF Group, being the interests in associates, currently held through a non wholly-owned subsidiary, i.e. ASL, will be held by TACI or its wholly-owned subsidiary upon Completion and such interests would remain to be accounted for using equity method, TACI Group’s effective interests in associates would increase as a result of Completion.

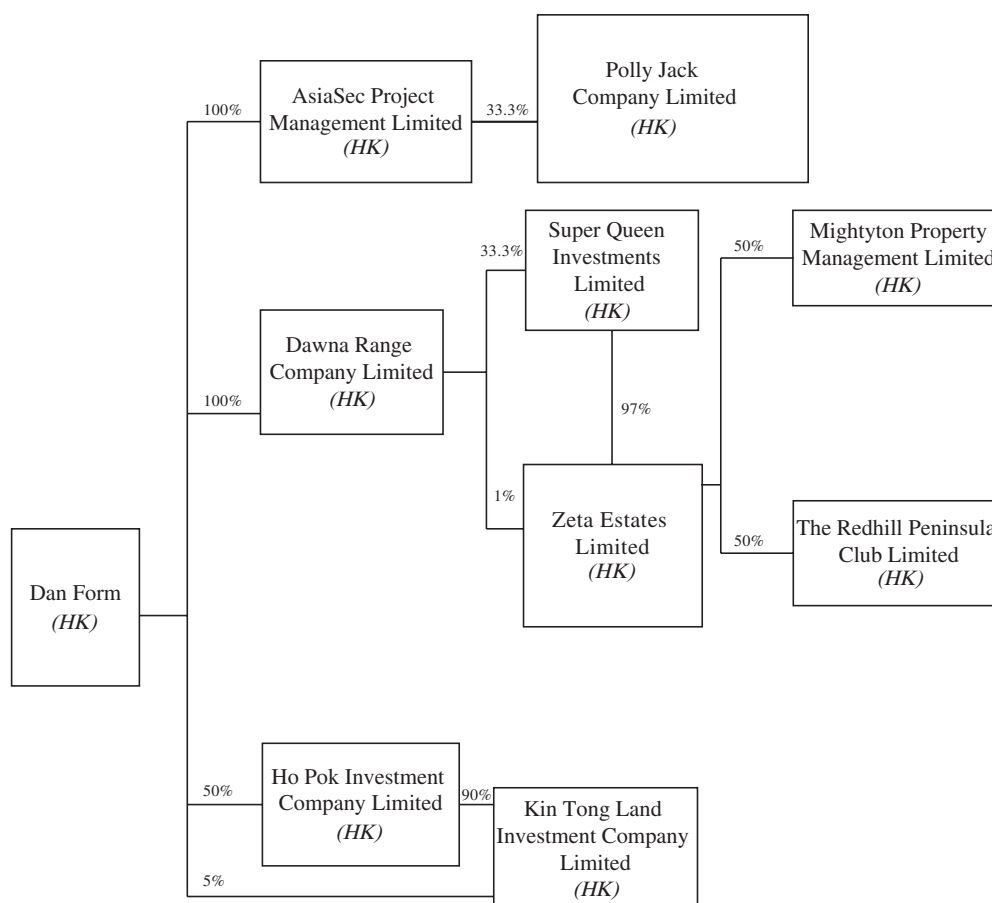
THE REORGANISATION

As one of the Conditions to the Proposal, ASL shall undergo the Reorganisation to the effect that (i) the Excluded Companies which are currently held by Dan Form be excluded from the Proposed DF Group; and (ii) the companies to be acquired by TACI or its wholly-owned subsidiary under the Proposed Acquisition shall comprise only the Proposed DF Group. The group structure of (i) Dan Form including the Excluded Companies as at the date of this joint announcement before the Reorganisation; and (ii) the Proposed DF Group after the Reorganisation and immediately before the Completion are as follows:

Group structure of Dan Form including the Excluded Companies as at the date of this joint announcement before the Reorganisation



Group structure of the Proposed DF Group after the Reorganisation and immediately before the Completion



INFORMATION RELATING TO THE PROPOSED DF GROUP AND THE PROPERTIES UPON THE COMPLETION OF THE REORGANISATION

The Proposed DF Group

Dan Form is incorporated in Hong Kong with limited liability and is an investment holding company. The Proposed DF Group is engaged in property holding and investment. The primary assets of the Proposed DF Group are mainly the Properties interested by ASL through its interests in associates.

The following is the unaudited consolidated financial information of the Proposed DF Group (on the assumption that the Reorganisation had taken place on 1st January, 2019 and 1st January, 2020, respectively and the financial results of the Excluded Companies had been excluded) for the years ended 31st December, 2019 and 31st December, 2020, respectively, which has been prepared in accordance with HKFRS:

	For the year ended 31st December, 2019	For the year ended 31st December, 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	26	26
Net profit/(loss) before taxation	7,513	(70,465)
Net profit/(loss) after taxation	7,440	(70,631)

According to the unaudited consolidated financial information of the Proposed DF Group and on the assumption that the Reorganisation had taken place on 1st January, 2019 and 1st January, 2020, respectively and the financial results of the Excluded Companies had been excluded, as at 30th April, 2021, the Proposed DF Group had a net asset value of approximately HK\$2,560,647,000.

The Properties

The Properties comprise a total of five properties, namely a portion of each of (i) Harbour Industrial Centre located in Ap Lei Chau; (ii) Oceanic Industrial Centre located in Ap Lei Chau; (iii) Phases 1 to 4 of The Redhill Peninsula located in Tai Tam; (iv) Queen's Centre located in Wanchai; and (v) Wah Shun Industrial Building located in Yau Tong, and car-parking spaces. The total gross floor area of these five Properties interested by ASL via its interests in its associates is approximately 1,359,000 sq. ft., and the total gross floor area attributable to the Proposed DF Group is approximately 480,000 sq. ft..

INFORMATION ON TACI AND ASL

TACI

TACI is incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange.

The principal business activity of TACI is investment holding. The TACI Group is engaged principally in the development of apartments, villas, office buildings and commercial properties, property investment and property management on the mainland in the PRC, as well as property investment and property management in Hong Kong.

ASL

ASL is incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange, and is a non wholly-owned subsidiary of TACI.

The principal business activity of ASL is investment holding, while that of its subsidiaries are property investment, property leasing and estate management in Hong Kong.

REASONS FOR AND BENEFITS OF THE PROPOSAL

TACI acquired the controlling stake in ASL in 2016 through a general offer (“**Offer**”). ASL is interested in the ASL Properties which are wholly-owned or minority-owned through its interests in associates. After completion of the Offer, TACI conducted a review of the financial position and operations of ASL and formulated its long-term investment strategy for ASL. TACI has communicated to the ASL Board that the value of ASL should be unlocked for the benefits of the ASL Shareholders, the ASL Properties shall be a long-term investment and shall only be disposed of when their intrinsic value is reflected.

In response to the investment strategy of TACI, since 2017 and up to the date of this joint announcement, ASL distributed a total dividend of HK\$0.875 per ASL Share to the ASL Shareholders, representing a return of approximately 31.8% based on the offer price of HK\$2.75 of the Offer. However, after thorough consideration of the financial position and operations of ASL for the year ended 31st December, 2020, the ASL Board considered that the existing cash resources of ASL shall be preserved for the operations of ASL and did not declare and distribute any dividend in 2020.

Given TACI considered the ASL Properties a long-term investment and has no intention to dispose of its interest in the ASL Properties including the Proposed DF Group, it is not feasible for ASL to dispose of the ASL Properties to unlock its value and distribute dividend to ASL Shareholders.

The Proposed DF Group holds non-controlling interest in the Properties through its interests in associates. ASL made its investment in the Properties since the completion of the construction of the Properties between 1979 and 1992. As at 31st December, 2020, ASL's interest in the Proposed DF Group amounted to approximately 58.8% of the net assets of ASL. As ASL does not have a controlling stake in the associates of the Proposed DF Group and the major decisions of the disposal of the Properties require majority approval of the members of the relevant associates, there have not been any major disposal of the Properties since the completion of the Offer. The TACI Board believes that the disposal of the Properties in a large scale will not be forthcoming in the foreseeable future. Therefore, it is uncertain when the investment in the Properties will be realised and a significant portion of ASL's investment has been and will continue to be locked up.

Moreover, the ASL Shares are undervalued with reference to (i) the closing price and average closing price of the ASL Shares of HK\$1.26 and HK\$1.22 on the date of this joint announcement and for the last 60 trading days up to and including the date of this joint announcement, respectively; and (ii) the net asset value of ASL of HK\$3.50 per ASL Share based on 1,240,668,945 issued ASL Shares and the net assets of ASL of approximately HK\$4,346.0 million as at 31st December, 2020.

Having considered that the price of the ASL Shares have been continuously traded at a significant discount with reference to the net asset value of ASL as abovementioned, the TACI Board wishes to provide an opportunity to unlock the potential value of ASL's interest in the Properties held through Dan Form by way of an internal group restructuring, by offering to acquire such property interests through acquiring the Proposed DF Group, and together with the distribution of the Special Dividend, the TACI Board is of the view that the Proposal is not only beneficial to ASL and its shareholders, but also its parent company, TACI and its shareholders as a whole.

The Special Dividend of HK\$0.95 per ASL Share represents (i) approximately 75% of the closing price of HK\$1.26 per ASL Share as quoted on the Stock Exchange on the date of this joint announcement; and (ii) approximately 78% of the closing price of HK\$1.22 per ASL Share as quoted on the Stock Exchange for the last 60 trading days up to and including the date of this joint announcement. Subject to the completion of the Proposed Acquisition having taken place, the Special Dividend provides the ASL Shareholders (including TACI, being the controlling shareholder of ASL) to realise a substantial value from their shareholdings in ASL and receive an upfront return while continuing to be invested in ASL's remaining businesses.

As ASL's interest in the Proposed DF Group represented only approximately 10% of the net assets of TACI as at 31st December, 2020 and the holding power of TACI is stronger as compared to ASL, the Proposed Acquisition, being a group internal restructuring for TACI should it materialise, provides an opportunity to not only strengthen its property investment business in Hong Kong, but also to maximise the yield of the property interest held by the Proposed DF Group which will be held directly by TACI after Completion.

In addition, having considered (i) the discount of 57.8% imposed on the Consideration; and (ii) the overall benefit brought along by the Proposal, including (a) the unlock of the potential value of the property interests held by the Proposed DF Group, which is of benefit to ASL and its parent company, TACI; and (b) the receipt of the Special Dividend, the TACI Directors (excluding Messrs. Lee Seng Hui, Patrick Lee Seng Wei, Edwin Lo King Yau, Tao Tsan Sang and Ms. Lisa Yang Lai Sum who have abstained from voting on the relevant TACI Board resolutions) are of the opinion that the terms of the Offer Letter are fair and reasonable and the Proposal is in the interest of TACI and the TACI Shareholders as a whole.

LISTING RULES IMPLICATIONS

TACI

As the relevant Percentage Ratio(s) in respect of the Proposed Acquisition, should ASL enter into the Sale and Purchase Agreement, exceeds 5% but is less than 25%, the Proposed Acquisition constitutes a discloseable transaction for TACI and is subject to announcement but exempt from TACI Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Mr. Lee Seng Hui (being the chairman and a non-executive director of TACI) is one of the trustees of Lee and Lee Trust, being a discretionary trust which is a substantial shareholder of ASL, he is deemed to be interested in the Proposal and has abstained from voting on the relevant resolutions of TACI. Furthermore, as Messrs. Patrick Lee Seng Wei, Edwin Lo King Yau, Tao Tsan Sang and Ms. Lisa Yang Lai Sum are common directors of TACI and ASL, all of them have abstained from voting on the relevant board resolutions of TACI.

Apart from the above, none of the TACI Directors has any material interest in the Proposal and is required to abstain from voting on the board resolutions approving the Proposal and the transactions contemplated thereunder.

ASL

This joint announcement is made by ASL pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

As at the date of this joint announcement, the ASL Board is in the process of seeking professional advice from its advisers on the Proposal. Under a preliminary assessment, the Proposed Acquisition, should it be approved and entered into, may constitute a major disposal for ASL under Chapter 14 of the Listing Rules. Furthermore, as at the date of this joint announcement, as TACI is a substantial shareholder of ASL, it is a connected person of ASL under Chapter 14A of the Listing Rules and that the Proposed Acquisition, should it be approved and entered into, constitutes a connected transaction for ASL.

If the ASL Board forms a view that it is appropriate to put forward the Proposal to ASL Shareholders for consideration, it will comply with the applicable provisions of Chapters 14 and 14A of the Listing Rules. Further announcement(s) will be made in respect thereof as and when required by the Listing Rules.

TACI and ASL have not entered into the Sale and Purchase Agreement or any agreement, and the Proposal may or may not proceed, and the Special Dividend may or may not be declared. ASL Shareholders, TACI Shareholders and potential investors of each of ASL and TACI should exercise caution when dealing in the shares of ASL and TACI, respectively.

DEFINITIONS

“ASL”	Asiasec Properties Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 271) and being a non wholly-owned subsidiary of TACI
“ASL Board”	the board of the directors of ASL
“ASL Properties”	the properties interested by ASL as at the date of this joint announcement
“ASL Share(s)”	the ordinary share(s) of ASL
“ASL Shareholder(s)”	the shareholder(s) of ASL
“associates”	having the meaning ascribed to it under HKFRS
“Completion”	completion of the Proposed Acquisition
“Conditions”	the conditions precedent to the Proposed Acquisition
“connected person(s)”	having the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration payable by TACI to ASL for the Proposed Acquisition, being HK\$1,080,000,000
“Dan Form”	Dan Form (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, being a direct wholly-owned subsidiary of ASL
“EGM”	an extraordinary general meeting to be convened by ASL for the ASL Shareholders and/or the independent ASL Shareholders to consider and, if thought fit, approve the Proposal
“Excluded Companies”	certain wholly-owned subsidiaries of Dan Form as at the date of this joint announcement which shall be excluded from the Proposed DF Group upon completion of the Reorganisation
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Offer Letter”	the offer letter dated 23rd June, 2021 issued by TACI to ASL in relation to the Proposal
“Percentage Ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“PRC”	the People’s Republic of China, for the purpose of this joint announcement only, excludes Taiwan, Hong Kong and Macau Special Administrative Region of the People’s Republic of China
“Properties”	certain properties and car-parking spaces interested by ASL through its interests in associates (i.e. the Proposed DF Group) upon the completion of the Reorganisation and as at Completion
“Proposal”	the proposal made by TACI to ASL in relation to (i) the Proposed Acquisition; (ii) the Reorganisation; and (iii) the declaration of the Special Dividend by ASL by applying the proceeds from the Proposed Acquisition and distributable profit of ASL as at 31st December, 2020 as disclosed in the 2020 annual report of ASL
“Proposed Acquisition”	the proposed acquisition of the entire shareholding interests of the Proposed DF Group by TACI or its wholly-owned subsidiary and the assignment of the Shareholder’s Loan to TACI or its wholly-owned subsidiary
“Proposed DF Group”	Dan Form and certain companies in which Dan Form is interested, directly or indirectly excluding the Excluded Companies upon completion of the Reorganisation, details of which are set out under the paragraph headed “The Reorganisation - Group structure of the Proposed DF Group after the Reorganisation and immediately before the Completion” in this joint announcement
“Record Date”	the date to be fixed for determining the entitlements of the ASL Shareholders to the Special Dividend
“Reorganisation”	the reorganisation of ASL, as described in the paragraph headed “The Reorganisation” in this joint announcement
“Sale and Purchase Agreement”	a sale and purchase agreement to be entered into between ASL and TACI or its wholly-owned subsidiary to formalise the Proposed Acquisition upon fulfilment of the Conditions
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Shareholder’s Loan”	any shareholder’s loan due to ASL by Dan Form
“Special Dividend”	the special cash dividend of HK\$0.95 per ASL Share intended to be declared and paid by ASL to the ASL Shareholders upon Completion having taken place
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	having the meaning ascribed to it under the Listing Rules
“TACI”	Tian An China Investments Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 28) and being the controlling shareholder of ASL
“TACI Board”	the board of TACI Directors
“TACI Director(s)”	the director(s) of TACI
“TACI Group”	TACI and its subsidiaries
“TACI Shareholder(s)”	the shareholder(s) of TACI
“sq. ft.”	square feet
“%”	per cent.

On behalf of the TACI Board
Tian An China Investments Company Limited
Edwin Lo King Yau
Executive Director

On behalf of the ASL Board
Asiasec Properties Limited
Lee Shu Yin
Executive Director and Chief Executive

Hong Kong, 23rd June, 2021

As at the date of this joint announcement, the TACI Board comprises Mr. Song Zengbin (Deputy Chairman), Mr. Patrick Lee Seng Wei (Managing Director), Mr. Edwin Lo King Yau and Mr. Tao Tsan Sang being the Executive Directors; Mr. Lee Seng Hui (Chairman) and Dr. Moses Cheng Mo Chi being the Non-Executive Directors; and Mr. Francis J. Chang Chu Fai, Mr. Jin Hui Zhi, Mr. Ngai Wah Sang and Ms. Lisa Yang Lai Sum being the Independent Non-Executive Directors.

As at the date of this joint announcement, the ASL Board comprises Mr. Patrick Lee Seng Wei (Chairman), Mr. Lee Shu Yin (Chief Executive), Mr. Edwin Lo King Yau and Mr. Tao Tsan Sang being the Executive Directors; and Mr. Li Chak Hung, Mr. Choi Kin Man and Ms. Lisa Yang Lai Sum being the Independent Non-Executive Directors.