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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)

**DEED OF SETTLEMENT IN RESPECT OF
DISPOSAL OF 50% INTEREST IN EACH OF TWO SUBSIDIARIES
AND
PROVISION OF LOAN BY A SUBSIDIARY**

On 10th October, 2014, Full Choice, ACE Result, Kata and the Guarantor entered into the Deed of Settlement, pursuant to which, subject to the fulfilment of the conditions precedent, the parties have agreed and confirmed, among other things, that the AH Amount shall be transferred and assigned by ACE Result to Full Choice as settlement of part of the consideration and interest payable by Kata under the FC Agreement, the date of completion of the FC Agreement will be advanced to a date within seven business days after fulfilment of the conditions precedent of the Deed of Settlement and the AH Agreement shall be terminated upon Completion.

The termination of the AH Agreement and the material variation of the terms of the FC Agreement are subject to disclosure requirement under Rule 14.36 of the Listing Rules and the Board considers that it would be appropriate to convene the FC EGM for the Shareholders to consider and, if thought fit, approve the resolution(s) in respect of the Deed of Settlement and the transactions contemplated thereunder.

On 10th October, 2014, the Lender, an indirect wholly-owned subsidiary of the Company, as lender entered into the Kata Loan Agreement with Kata as borrower and the Guarantor as guarantor to Kata, pursuant to which the Lender agreed to, among other things, make available to Kata the Kata Loan for the purpose of funding Kata's general working capital and/or investment.

The transactions under the Kata Loan Agreement, on a stand-alone basis, constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules on the basis that the relevant Percentage Ratio for the Company exceeds 5% but is less than 25%. However, as Kata may or may not apply the proceeds of the Kata Loan to repay the outstanding balance under the FC Agreement, the Board considers that it would also be appropriate for the Shareholders to consider and, if thought fit, approve the Kata Loan Agreement and the transactions contemplated thereunder (including the Finance Documents) at the FC EGM.

To the best knowledge of the Directors, as no Shareholder has any material interest in the AH Disposal, the FC Disposal, the Deed of Settlement and the Kata Loan Agreement, no Shareholder is required to abstain from voting at the FC EGM in respect of the Deed of Settlement and the transactions contemplated thereunder, and the Kata Loan Agreement and the transactions contemplated thereunder (including the Finance Documents).

A circular containing, among other things, further details of the Deed of Settlement and the Kata Loan Agreement and the notice of FC EGM, will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 14th November, 2014 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

INTRODUCTION

Reference is made to (i) the FC Announcement in respect of the disposal of 50% interest in and 50% of shareholder's loan owed by the Target Company, which constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules; and (ii) the AH Announcement and the AH Circular in respect of the disposal of 50% interest in and 50% of shareholder's loan owed by All Happy, which constituted a major transaction of the Company under Chapter 14 of the Listing Rules. Capitalised terms used herein shall have the same meanings as those defined in the FC Announcement, the AH Announcement or the AH Circular as appropriate, unless otherwise stated.

The AH Agreement and the transaction contemplated thereunder have been approved by the Shareholders at the EGM held on 4th July, 2013.

In view of the financial condition of Kata and the recent property market in the PRC, the Deed of Settlement was entered into on 10th October, 2014.

DEED OF SETTLEMENT

On 10th October, 2014, the Deed of Settlement was entered into between Full Choice, a subsidiary of the Company and the vendor in the FC Agreement, ACE Result, a subsidiary of the Company and the vendor in the AH Agreement, Kata, being the purchaser in the FC Agreement and the AH Agreement, and Mr. Ou Qijin, being the Guarantor to Kata in the FC Agreement and the AH Agreement.

As at the date of this announcement, based on the information and confirmation provided by the Guarantor and to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save for the entering into of the FC Agreement and AH Agreement, both of which have not been completed, and the Deed of Settlement and the Kata Loan Agreement, Kata and its ultimate beneficial owner being the Guarantor, who is a natural person, are independent third parties of the Company and its connected persons.

Major terms of the Deed of Settlement

Pursuant to the Deed of Settlement, subject to fulfilment of conditions precedent as set out below, the parties have agreed, among other things, that:

- (i) the AH Amount, being a sum of RMB490,493,548.39 (equivalent to approximately HK\$620,878,000) comprising a sum of RMB479,993,548.39 (equivalent to approximately HK\$607,587,000) paid by Kata to ACE Result under the AH Agreement and a loan advanced by Kata to Shanghai Sheshan in the amount of RMB10,500,000 (equivalent to approximately HK\$13,291,000), shall be transferred and assigned to Full Choice as settlement of part of the consideration and interest payable under the FC Agreement and such amount shall be deemed to be paid as part of the consideration under the FC Agreement on the date on which such amount was paid by Kata under the AH Agreement;
- (ii) as a result of the transfer of the AH Amount to Full Choice upon Completion, the aggregate sum paid by Kata to Full Choice under the FC Agreement as at Completion will be RMB791,239,784.95 (equivalent to approximately HK\$1,001,569,000), comprising RMB731,402,381.69 (equivalent to approximately HK\$925,826,000) as part payment of consideration and RMB59,837,403.26 (equivalent to approximately HK\$75,743,000) as part payment of interest. For information purposes, an aggregate sum of RMB300,746,236.56 (equivalent to approximately HK\$380,691,000) has been received by Full Choice from Kata under the FC Agreement as at the date of this announcement;

- (iii) as at the date of the Deed of Settlement, an aggregate sum of RMB340,090,960.40 (equivalent to approximately HK\$430,495,000), comprising the remaining part of the Fifth Payment in the amount of RMB68,597,618.31 (equivalent to approximately HK\$86,832,000) and the Balance Payment in the amount of RMB250,000,000 (equivalent to approximately HK\$316,456,000) and interest in the amount of RMB21,493,342.09 (equivalent to approximately HK\$27,207,000), is outstanding and shall be paid by Kata to Full Choice on or before Completion;
- (iv) interest shall remain be payable on all outstanding amount under the FC Agreement at the rate of 1% per month and shall be paid to Full Choice on or before Completion;
- (v) upon Completion, the relevant provisions relating to default of payment and the compensation payable by Kata to Full Choice and ACE Result under the FC Agreement and AH Agreement respectively shall no longer be applicable; and
- (vi) on Completion, the AH Agreement shall be terminated and the parties thereto shall be released from their respective obligations.

It is agreed in the Deed of Settlement that the transactions contemplated under the Deed of Settlement (including but not limited to completion of the FC Disposal and the termination of the AH Agreement) shall be completed within seven business days after the conditions precedent as set out in the Deed of Settlement have been fulfilled, failing which, the Deed of Settlement shall be void and have no further effect, upon which the FC Agreement and the AH Agreement shall remain in full force and effect.

In addition, Full Choice has agreed to advance shareholder's loan of not more than RMB200,000,000 (equivalent to approximately HK\$253,165,000) to the Target Group at the floating rate of 140% of the Benchmark Loan Rate published by the People's Bank of China according to the needs of the development projects of the Target Group and which shall be repayable within three years after the signing of the Deed of Settlement.

Conditions Precedent

The Deed of Settlement shall be effective upon fulfilment of the following conditions precedent:

1. the Shareholders passing at the FC EGM the relevant resolution(s) approving the Deed of Settlement and the transactions contemplated thereunder; and
2. all necessary consents and approvals in relation to the Deed of Settlement having been obtained by Full Choice and ACE Result.

If any of the above conditions has not been fulfilled on or before 31st January, 2015, the Deed of Settlement shall be void and have no further effect, upon which the FC Agreement and the AH Agreement shall remain in full force and effect.

Save and except the aforesaid amendments, all other provisions of the FC Agreement remain in full force and effect and the legal title of the Sale Share (as defined in the FC Announcement) and the Loan (as defined in the FC Announcement) will be transferred to Kata only at Completion with the consideration and interest payable pursuant to the FC Agreement (as amended and supplemented by the Deed of Settlement) fully settled.

Completion of the FC Agreement

Pursuant to the Deed of Settlement, Completion of the FC Agreement shall take place within seven business days after fulfillment of the conditions precedent as set out in the Deed of Settlement, and all outstanding amount under the FC Agreement shall be paid or settled on or before Completion.

REASONS FOR ENTERING INTO OF THE DEED OF SETTLEMENT

In view of the financial condition of Kata and taking into account the recent property market in the PRC, the Board is of the opinion that the entering into of the Deed of Settlement is more beneficial to the Company than terminating the AH Agreement and the FC Agreement at the same time.

The Directors believe that the terms of the Deed of Settlement are fair and reasonable and in the interests of the Company and its Shareholders taken as a whole.

THE KATA LOAN AGREEMENT

On 10th October, 2014, the Lender, an indirect wholly-owned subsidiary of the Company, as lender, entered into the Kata Loan Agreement with Kata as borrower and the Guarantor as guarantor to Kata, pursuant to which the Lender agreed to, among other things, make available to Kata the Kata Loan for the purpose of funding Kata's general working capital and/or investment.

Principal terms of the Kata Loan Agreement

The principal terms of the Kata Loan Agreement are as follows:

Loan amount:	HK\$450,000,000 (or an amount equivalent to HK\$450,000,000 in such alternative currency as acceptable to and agreed by the Lender)
Repayment date:	31st December, 2018 or such other date as agreed in writing between the Lender and Kata; Kata shall also be entitled to make early repayment by giving at least seven business days' prior written notice to the Lender
Purpose:	the Kata Loan shall be applied and used by Kata for its general working capital and/or investment
Interest rate:	12% per annum, payable on maturity
Securities for the Kata Loan:	the Debenture (Kata), the Share Mortgage (Target Company) and the Share Mortgage (Kata)

The drawdown of the Kata Loan is conditional upon, among other things, (i) the receipt by the Lender of an irrevocable drawdown notice from Kata at least three business days before the proposed drawdown date; (ii) if applicable, the Shareholders passing the relevant resolution(s) approving the Kata Loan Agreement and the transactions contemplated thereunder (including the Finance Documents); and (iii) the Company not having received any objection from the regulators in Hong Kong and the PRC including but not limited to the Stock Exchange and/or the Securities and Futures Commission of Hong Kong to proceed with the transactions contemplated under the Kata Loan Agreement and the Finance Documents. Kata shall also deliver all the Security Documents to the Lender pursuant to the terms of the Kata Loan Agreement.

Guarantee

The Guarantor has agreed to guarantee the full and proper performance of the obligations of Kata and himself under the Finance Documents.

Debenture (Kata)

Pursuant to the Debenture (Kata), Kata as the chargor shall charge by way of first fixed and floating charge to the Lender as the chargee over all its undertaking, property and assets of whatsoever nature, and wheresoever, both present and future as security for the due payment obligations by Kata and the Guarantor under the Finance Documents. The Debenture (Kata) shall become immediately enforceable upon the occurrence of an event of default as set out in the Debenture (Kata).

Share Mortgage (Target Company)

Pursuant to the Share Mortgage (Target Company), Kata as the mortgagor shall mortgage, charge and assign by way of first fixed mortgage to the Lender as the mortgagee all the rights, title and interest, present and future, of Kata, in and to the shares of the Target Company issued to or owned by Kata as a continuing security for the due and punctual payment obligations and other performance of all the obligations of Kata under the Kata Loan Agreement. If there occurs an event of default as set out in the Share Mortgage (Target Company), the Lender shall have the rights to, among other things, sell or dispose of or deliver the subject shares of the Target Company pursuant to the terms of the Share Mortgage (Target Company).

Share Mortgage (Kata)

Pursuant to the Share Mortgage (Kata), the Guarantor as the mortgagor shall mortgage, charge and assign by way of first fixed mortgage to the Lender as the mortgagee all the rights, title and interest, present and future, of the Guarantor, in and to the shares of Kata issued to or owned by the Guarantor as a continuing security for the due and punctual payment obligations and other performance of all the obligations of Kata under the Kata Loan Agreement. If there occurs an event of default as set out in the Share Mortgage (Kata), the Lender shall have the rights to, among other things, sell or dispose of or deliver the subject shares of Kata pursuant to the terms of the Share Mortgage (Kata).

REASONS FOR ENTERING INTO OF THE KATA LOAN AGREEMENT

As advised and confirmed by the Lender, the terms of the Kata Loan Agreement were arrived at after arm's length negotiations among the Lender, Kata and the Guarantor. The Kata Loan Agreement was entered into by the Lender having regard to (i) the costs of borrowing in providing the Kata Loan to Kata; (ii) the interest income to be generated by the Kata Loan Agreement; (iii) the underlying securities; and (iv) the market interest rates.

The Directors believe that the terms of the Kata Loan Agreement are fair and reasonable and in the interests of the Company and its Shareholders taken as a whole.

INFORMATION RELATING TO THE PARTIES

(1) The Company

The Company is a company incorporated in Hong Kong with limited liability with its shares listed on the Main Board of the Stock Exchange.

The principal business activity of the Company is investment holding. The Group is engaged principally in the development of high-end apartments, villas, office buildings and commercial properties, property investment and property management in the PRC.

(2) Full Choice

Full Choice is a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company.

The principal business activity of Full Choice is investment holding.

(3) ACE Result

ACE Result is a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company.

The principal business activity of ACE Result is investment holding.

(4) Kata

Kata is a company incorporated in the British Virgin Islands with limited liability and its entire issued share capital is beneficially owned by the Guarantor.

The principal business activity of Kata is investment holding.

(5) The Guarantor

Mr. Ou Qijin, an individual who is the ultimate beneficial owner of Kata.

(6) The Lender

The Lender is a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company.

The principal business activity of the Lender is investment holding.

LISTING RULES IMPLICATIONS

The termination of the AH Agreement and the material variation of the terms of the FC Agreement are subject to the disclosure requirement under Rule 14.36 of the Listing Rules and the Board considers that it would be appropriate to convene the FC EGM for the Shareholders to consider and, if thought fit, approve the resolution(s) in respect of the Deed of Settlement and the transactions contemplated thereunder.

The transactions under the Kata Loan Agreement, on a stand-alone basis, constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules on the basis that the relevant Percentage Ratio for the Company exceeds 5% but is less than 25%. However, as Kata may or may not apply the proceeds of the Kata Loan to repay the outstanding balance under the FC Agreement, the Board considers that it would also be appropriate for the Shareholders to consider and, if thought fit, approve the Kata Loan Agreement and the transactions contemplated thereunder (including the Finance Documents) at the FC EGM.

To the best knowledge of the Directors, as no Shareholder has any material interest in the AH Disposal, the FC Disposal, the Deed of Settlement and the Kata Loan Agreement, no Shareholder is required to abstain from voting at the FC EGM in respect of the Deed of Settlement and the transactions contemplated thereunder, and the Kata Loan Agreement and the transactions contemplated thereunder (including the Finance Documents).

A circular containing, among other things, further details of the Deed of Settlement and the Kata Loan Agreement and the notice of FC EGM, will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 14th November, 2014 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

DEFINITIONS

“ACE Result”	ACE Result Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company;
“AH Amount”	a sum of RMB490,493,548.39 (equivalent to approximately HK\$620,878,000) comprising a sum of RMB479,993,548.39 (equivalent to approximately HK\$607,587,000) paid by Kata to ACE Result under the AH Agreement and a loan in the sum of RMB10,500,000 (equivalent to approximately HK\$13,291,000) advanced by Kata to Shanghai Sheshan;
“AH Announcement”	the announcement of the Company dated 9th May, 2013 in respect of the disposal of 50% interest in and 50% of shareholder’s loan owed by All Happy;
“AH Circular”	the circular of the Company dated 18th June, 2013 in respect of the disposal of 50% interest in and 50% of shareholder’s loan owed by All Happy;
“Completion”	completion of the FC Agreement in accordance with the terms of the Deed of Settlement and the FC Agreement;

“Debenture (Kata)”	the debenture to be created by Kata as chargor in favour of the Lender as chargee charging by way of first fixed and floating charge over all Kata’s undertaking, property and assets to be delivered by Kata to the Lender before drawdown of the Kata Loan;
“Deed of Settlement”	the deed of settlement dated 10th October, 2014 entered into between Full Choice, ACE Result, Kata and the Guarantor, the major terms of which are set out in this announcement;
“FC Announcement”	the announcement of the Company dated 21st March, 2013 in respect of the disposal of 50% interest in and 50% of shareholder’s loan owed by the Target Company;
“FC EGM”	an extraordinary general meeting to be convened by the Company for the Shareholders to consider and, if thought fit, approve the resolution(s) in respect of the Deed of Settlement and the Kata Loan Agreement;
“Finance Documents”	the Kata Loan Agreement, the Debenture (Kata), the Share Mortgage (Target Company), the Share Mortgage (Kata), drawdown notice and any assurance documents referred to in the Kata Loan Agreement;
“Full Choice”	Full Choice Resources Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company;
“Lender”	Ace Mission Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company;
“Kata”	Kata Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is beneficially owned by the Guarantor;
“Kata Loan”	the loan of HK\$450,000,000 made available by the Lender to Kata on the terms and subject to the conditions set out in the Kata Loan Agreement;
“Kata Loan Agreement”	the loan agreement dated 10th October, 2014 entered into among the Lender, Kata and the Guarantor;
“Security Documents”	the Debenture (Kata), the Share Mortgage (Target Company) and the Share Mortgage (Kata);
“Share Mortgage (Kata)”	the share mortgage charging over all the shares of Kata owned by the Guarantor to be entered into between the Guarantor as the mortgagor and the Lender as the mortgagee to be delivered by Kata to the Lender before drawdown of the Kata Loan;

“Share Mortgage (Target Company)”	the share mortgage charging over all the shares of the Target Company owned by Kata to be entered into between Kata as the mortgagor and the Lender as the mortgagee to be delivered by Kata to the Lender within ten business days after drawdown of the Kata Loan;
“Target Company”	Foo Chow Holdings Limited, a company incorporated in the British Virgin Islands with limited liability; and
“Target Group”	the Target Company and its subsidiaries.

On behalf of the Board
Tian An China Investments Company Limited
Tao Tsan Sang
Executive Director

Hong Kong, 10th October, 2014

For the purpose of this announcement, translations of Renminbi into Hong Kong dollars or vice versa have been calculated by using an exchange rate of HK\$1.00 equal to RMB0.79. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

As at the date of this announcement, the Board comprises Mr. Song Zengbin (Deputy Chairman), Mr. Patrick Lee Seng Wei (Managing Director), Mr. Ma Sun (Deputy Managing Director), Mr. Edwin Lo King Yau and Mr. Tao Tsan Sang being the Executive Directors; Mr. Lee Seng Hui (Chairman), Dr. Moses Cheng Mo Chi and Mr. Lee Shu Yin 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.