

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



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)

## **DISCLOSEABLE TRANSACTIONS AND CONNECTED TRANSACTIONS**

### **(1) Disposal of an Indirect Wholly-owned Subsidiary**

### **(2) Resumption of Trading**

On 3rd December, 2007, Tian An China Hotel as the vendor (a direct wholly-owned subsidiary of the Company) entered into a conditional Agreement with Lead Step as the purchaser, the Company as the vendor's guarantor, and Fong Ting as the purchaser's guarantor, pursuant to which, Tian An China Hotel agreed to sell and Lead Step agreed to purchase the Sale Shares (being 2,121,212 shares of US\$1.00 each, representing approximately 15.15% of the issued share capital of Asia Coast).

Pursuant to the Agreement: (i) Tian An China Hotel has agreed to grant the Call Option to Lead Step for the sale and purchase of the Option Shares (being 11,878,788 shares of US\$1.00 each, representing approximately 84.85% of the issued share capital of Asia Coast) at the Option Price; and (ii) Lead Step has agreed that if: (a) Lead Step fails to pay the Additional Fee before the expiration of the Additional Fee Payment Period or the Extended Additional Fee Payment Period, as the case may be; or (b) Lead Step pays the Additional Fee but fails to exercise the Call Option before the expiry of the Call Option Period or the Extended Call Option Period, as the case may be; or (c) Lead Step pays the Additional Fee and exercises the Call Option but fails to pay the Balance; Tian An China Hotel may, at its sole discretion, either exercise the Put Option or to rescind the Agreement whereupon Tian An China Hotel shall refund the Additional Fee, if paid, without any interest and exercise the Sale Shares Call Option and its rights under the Security Documents requiring Lead Step unconditionally and irrevocably, to resell and transfer the Sale Shares back to Tian An China Hotel at the Sale Shares Call Option Price.

Lead Step has also agreed to grant the Sale Shares Call Option to Tian An China Hotel and has agreed to charge the Sale Shares in favour of Tian An China Hotel as security for the exercise of the Sale Shares Call Option.

The transactions contemplated in the Agreement constitute a connected transaction for the Company, on the basis that Fong Ting is a beneficial owner of the entire share capital of Lead Step and a director of CBI and the PRC Co., and both being the indirect subsidiaries of the Company. Hence Fong Ting is a connected person of the Company.

As each of the assets ratio and consideration ratio in respect of the sale and purchase of the Sale Shares and the Option Shares are more than 2.5%, and the total consideration is more than HK\$10,000,000, pursuant to Rule 14A.32 of the Listing Rules, the sale and purchase of the Sale Shares and the Option Shares under the Agreement is subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

The transactions also constitute a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules, on the basis that the calculation of the consideration ratio is within the range of 5% and 25%.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 4th December, 2007 pending the release of this announcement. The Company has applied for a resumption of trading in the Shares with effect from 9:30 a.m. on 11th December, 2007.

## **THE AGREEMENT**

### **1. Date**

3rd December, 2007

### **2. Parties to the Agreement**

- (a) the vendor : Tian An China Hotel
- (b) the vendor's guarantor : the Company
- (c) the purchaser : Lead Step
- (d) the purchaser's guarantor : Fong Ting

### **3. The Sale Shares**

#### **(a) *The Sale Shares***

The Sale Shares (being 2,121,212 shares) of US\$1.00 each, representing approximately 15.15% of the issued share capital of Asia Coast.

#### **(b) *Consideration***

The total consideration payable by Lead Step to Tian An China Hotel is HK\$100,000,000 which has been paid on the day after the date of the Agreement. The consideration was arrived at after arm's length negotiations amongst Tian An China Hotel and Lead Step and by reference to the market value of the underlying assets of the Sale Shares.

#### **(c) *Conditions***

The sale and purchase of the Sale Shares is conditional upon the approval of the independent Shareholders in the general meeting of the Company.

#### **4. The Call Option**

##### **(a) *The Call Option***

Under the Agreement, Tian An China Hotel has agreed to grant a Call Option to Lead Step. Lead Step may exercise the Call Option within the Call Option Period or the Extended Call Option Period, as the case may be.

##### **(b) *The Option Price***

The Option Price of HK\$560,000,000 (subject to adjustment), shall be satisfied by the payment of an Additional Fee of HK\$230,000,000 (subject to adjustment) and the Balance of HK\$330,000,000 (subject to adjustment). The Option Price was arrived at after arm's length negotiations amongst Tian An China Hotel and Lead Step and by reference to the market value of the underlying assets of the Option Shares.

##### **(i) *The Additional Fee***

Lead Step may pay the Additional Fee in the Additional Fee Payment Period or the Extended Additional Fee Payment Period, as the case may be. If Lead Step pays the Additional Fee within the Additional Fee Payment Period, Lead Step shall only pay the Additional Fee less an amount equal to an interest of 8% per annum on the Additional Fee by reference to the period from the actual date of payment to the last date of the Additional Fee Payment Period.

If Lead Step extends the time for the payment of the Additional Fee from the expiry of the Additional Fee Payment Period to any time in the Extended Additional Fee Payment Period, Lead Step shall pay the Additional Fee together with an amount equal to an interest of 8% per annum on the Additional Fee from the date following the expiration of the Additional Fee Payment Period to the actual date of payment.

##### **(ii) *The Balance***

If Lead Step exercises the Call Option during the Call Option Period and pays the Balance within the Call Option Period, Lead Step shall pay only the Balance less an amount equal to an interest of 8% per annum on the Balance by reference to the period from the actual date of payment to the last date of the Call Option Period.

If Lead Step extends the time of the Call Option Period and exercises the Call Option during the Extended Call Option Period and pays the Balance thereof, Lead Step shall pay the Balance together with an amount equal to an interest of 8% per annum on the Balance from the expiration of the Call Option Period to the actual date of payment.

The interest rate of 8% per annum was determined with reference to the existing prime rates of Hong Kong, and the rate has been agreed between the Parties as fair and reasonable.

*(iii) Further Adjustment*

While Asia Coast is holding 99.86% of the issued share capital of CBI, the Option Price was calculated on the assumption that Asia Coast was holding 100% of the issued share capital of CBI. The outstanding 0.14% of the issued share capital of CBI is currently held by Che Yee Fun, Helen and Chan Chin Hung, Anders. To the best knowledge, belief and information of the Directors, Che Yee Fun, Helen and Chan Chin Hung, Anders are independent third parties of the Company other than being the shareholders of CBI.

If Tian An China Hotel fails to acquire the 0.14% of the issued share capital of CBI prior to completion of the Call Option, the Option Price shall be reduced proportionally based on the total sum of the consideration of the Sale Shares and the Option Shares, which amount equals to HK\$924,000.

***(c) Conditions and Completion***

Completion for the sale and purchase of the Option Shares under the Call Option is conditional upon (i) the approval of the independent Shareholders in general meeting of the Company; and (ii) the completion of the sale and purchase of the Sale Shares.

The Company shall issue an announcement as and when appropriate pursuant to Rules 14A.69(2) and (3), 14.74(2) and 14.77 of the Listing Rules.

**5. The Put Option**

Under the Agreement, Lead Step has agreed to grant a Put Option to Tian An China Hotel for the sale of the Option Shares at the Option Price to Lead Step.

Under the Agreement, if:

- (a) Lead Step fails to pay the Additional Fee before the expiration of the Additional Fee Payment Period or the Extended Additional Fee Payment Period, as the case may be;
- (b) Lead Step paid the Additional Fee but fails to exercise the Call Option before the expiry of the Call Option Period or the Extended Call Option Period, as the case may be; or
- (c) Lead Step paid the Additional Fee and exercised the Call Option but fails to pay the Balance;

Tian An China Hotel may, at its sole discretion, either exercise the Put Option or to rescind the Agreement whereupon Tian An China Hotel shall refund the Additional Fee, if paid, without any interest and exercise the Sale Shares Call Option and its rights under the Security Documents requiring Lead Step unconditionally and irrevocably, to resell and transfer the Sale Shares back to Tian An China Hotel at the Sale Shares Call Option Price.

**6. The Sale Shares Call Option**

Under the Agreement, Lead Step has agreed to grant the Sale Shares Call Option to Tian An China Hotel at the Sale Shares Call Option Price, and has agreed to charge the Sale Shares in favour of Tian An China Hotel as security for the exercise of the Sale Shares Call Option.

The Security Documents comprise a share charge to be executed between Lead Step as the mortgagor and Tian An China Hotel as the mortgagee in relation to the charging of the Sale Shares in form and substance satisfactory to Tian An China Hotel. The share charge has not been prepared and will be executed on completion for the sale and purchase of the Sale Shares.

## **7. Consideration for the sale and purchase of the entire issued share capital of Asia Coast**

Upon the exercise of Call Option or the Put Option by the Parties, as the case may be, the total consideration for the sale and purchase of the entire issued share capital of Asia Coast is HK\$660,000,000, subject to adjustment.

On the assumption that:

- (a) Lead Step pays the Additional Fee on the last date of the Extended Additional Fee Payment Period;
- (b) Lead Step pays the Balance on the last date of the Extended Call Option Period; and
- (c) Tian An China Hotel sells 100% of the issued share capital of CBI, and hence the Option Price is unadjusted;

the highest possible consideration payable by Lead Step to Tian An China Hotel is HK\$671,200,000.

The only underlying assets of the Sale Shares and the Option Shares are the Zhaoqing Resort & Golf Club in Gaoyao City, Zhaoqing, Guangdong Province, PRC, and its only associated property which comprises three contiguous plots of land with a total site area of approximately 3,400,000 square metres (“Land”) and is planned to be developed into golf courses, a club house, a golf lodge and ancillary club facilities together with villas and residential apartments. An 18-hole golf course in Phase 1 development is currently in operation and the remaining site of the development is vacant.

The market value of the Land is determined with reference to a valuation carried out by Norton Appraisals Limited, an independent professional valuer with 15 years of experience in the valuation of land in the PRC, on 30th November, 2007.

The valuation was based on the market value of the underlying assets. The report defined “Market Value” as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion. The market value of the underlying assets is valued at HK\$602,500,000. The consideration is equal to the market value of the underlying assets plus a premium.

## **8. Conditions and Completion of the Agreement**

The completion of the Agreement is conditional upon the approval of the independent Shareholders in the general meeting of the Company within 3 months from the Effective Date.

On completion of the Agreement, Asia Coast, CBI, the PRC Co. and their subsidiaries will cease to be subsidiaries of the Company.

In the period of 12 months before the date of the Agreement, Asia Coast acquired 46.88% of the issued share capital of CBI at the cost of approximately HK\$15.8 million. The total original cost of acquiring 99.86% of the issued share capital of CBI was approximately HK\$147 million.

## SUMMARY OF FINANCIAL RESULTS OF ASIA COAST

A summary of the unaudited consolidated results of Asia Coast for the ten months ended 31st October, 2007 and for the two accounting period ended 31st December, 2005 and 31st December, 2006 are as follows:

	<b>Year ended 31st December, 2005 <i>HK\$'000</i></b>	<b>Year ended 31st December, 2006 <i>HK\$'000</i></b>	<b>10 months ended 31st October, 2007 <i>HK\$'000</i></b>
Revenue	18,332	21,274	19,569
Loss before tax	(22,771)	(32,600)	(8,513)
Loss after tax	(22,486)	(32,308)	
Profit after tax			2,776

For the accounts in 2007, the profit after tax has arisen from a tax credit as a result of a change in tax policy in the PRC where the profits tax rate will be reduced from 33% to 25%, with effect from 1st January, 2008. The effects of the new tax policy on future tax rate have caused the prior expectation of future tax rate to decrease significantly. Asia Coast, acting on this expectation, has recalculated the deferred tax liability accounts which resulted in a reduction of deferred tax liability accordingly. The difference between loss before tax and profit after tax is HK\$11,289,000. The adjustment is in accordance with HKGAAP.

The unaudited consolidated net asset value of Asia Coast as at 31st October, 2007 was approximately HK\$187 million.

The accounts as summarised above have been prepared in accordance with the HKGAAP.

## INFORMATION ON THE COMPANY, ASIA COAST, CBI, THE PRC Co., LEAD STEP AND FONG TING

### The Company

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

The principal business 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, property management and hotel operation in China.

### Asia Coast

Asia Coast is a company incorporated in the British Virgin Islands with limited liability. It is an indirect wholly-owned subsidiary of the Company.



The principal business activity of Asia Coast is investment holding. The direct subsidiary of Asia Coast is CBI. The indirect subsidiaries of Asia Coast are the PRC Co. and Regal Zone. Regal Zone is an agent of the PRC Co. providing service (arranging the travelling and accommodation) to people who plan to visit the Zhaoqing Resort & Golf Club in Gaoyao City, Zhaoqing, Guangdong Province, PRC, and has no other business activities.

Other than its shareholding interests in CBI, the PRC Co., Regal Zone and CBI Lakeside, a company which has no business activities and does not own any assets, Asia Coast has no other assets.

## **CBI**

CBI is a company incorporated in Hong Kong with limited liability. As at the date of this announcement, Asia Coast holds approximately 99.86% of the issued share capital of CBI.

The principal business activity of CBI is investment holding. The direct subsidiaries of CBI are the PRC Co. and Regal Zone.

Other than its shareholding interests in the PRC Co., Regal Zone and CBI Lakeside, CBI has no other assets.

## **PRC Co.**

The PRC Co. is a sino foreign co-operative enterprise duly incorporated and validly existing under the laws of the PRC. As at the date of this announcement, CBI holds 88% interest in the PRC Co..

The principal business activity of the PRC Co. is the construction and development of the Land, the sale of properties to be developed on the Land, and the sale of related golf course membership, clubs, villas and related facilities of the Zhaoqing Resort & Golf Club.

The only underlying assets of the PRC Co. are the Zhaoqing Resort & Golf Club in Gaoyao City, Zhaoqing, Guangdong Province, PRC, and its only associated property which comprises three contiguous plots of land with a total site area of approximately 3,400,000 square metres and is planned to be developed into golf courses, a club house, a golf lodge and ancillary club facilities together with villas and residential apartments. An 18-hole golf course in Phase 1 development is currently in operation and the remaining site of the development is vacant.

Other than the Zhaoqing Resort & Golf Club and its associated property, the PRC Co. has no other assets. The Zhaoqing Resort & Golf Club commenced its operation in 1995, The loss of the Zhaoqing Resort & Golf Club for the year ended 31st December, 2006 was RMB2,179,000. As at the date of this announcement, CBI holds 88% interest in the PRC Co.. The remaining 12% interest in the PRC Co. is held by 肇慶市七星發展公司 (Zhaoqing City Seven Star Development Company<sup>1</sup>).

## **Lead Step**

Lead Step is a company incorporated in the British Virgin Islands with limited liability. Lead Step is wholly-beneficially owned by Fong Ting.

<sup>1</sup> The English translation is for reference only

## **Fong Ting**

Fong Ting is a director of CBI and the PRC Co..

## **LISTING RULES IMPLICATIONS OF THE AGREEMENT**

The transactions contemplated in the Agreement constitute a connected transaction for the Company, on the basis that Fong Ting is a beneficial owner of the entire share capital of Lead Step and a director of CBI and the PRC Co., and both being the indirect subsidiaries of the Company. Hence Fong Ting is a connected person of the Company.

As each of the assets ratio and consideration ratio in respect of the sale and purchase of the Sale Shares and the Option Shares are more than 2.5%, and the total consideration is more than HK\$10,000,000, pursuant to Rule 14A.32 of the Listing Rules, the sale and purchase of the Sale Shares and the Option Shares under the Agreement is subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

The transactions also constitute a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules, on the basis that the calculation of the consideration ratio is within the range of 5% and 25%.

The Company has formed an independent board committee comprising all the Independent Non-Executive Directors to advise the Shareholders as to whether the Agreement is fair and reasonable. An independent financial adviser will be appointed to advise the independent board committee and the independent Shareholders on the terms of the Agreement.

A circular, containing, among other things, details of the Agreement, the valuation report prepared by Norton Appraisals Limited in relation to the Land, the recommendation from the independent board committee in relation to the Agreement and the opinion from the independent financial adviser would be despatched to the Shareholders within 21 days after the publication of this announcement. A notice to hold an extraordinary general meeting of the Company for approving the Agreement will be despatched to the Shareholders together with the circular as soon as possible.

## **REASONS FOR THE BENEFITS OF THE SALE AND PURCHASE OF THE SALE SHARES AND THE OPTION SHARES**

With reference to the prevailing market conditions, the Directors consider that the present time as a mature time for the disposal of its interest in Asia Coast. Since the entire issued share capital of Asia Coast will be sold at a premium, the transactions will incur an estimated gain of approximately HK\$457 million, an estimated sum representing the consideration less the net asset value of Asia Coast less a loan of approximately 16 million owed by Asia Coast to be repaid or settled by Tian An China Hotel before the Completion Date. The sale proceeds will be applied for the internal working capital of the Company.

Having regard to the nature of and the benefits resulting from the disposal of the Sale Shares and the Option Shares, the Directors believe that the terms of the sale and purchase of the Sale Shares and the Option Shares are fair and reasonable and in the interests of the Shareholders taken as a whole.



## RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 4th December, 2007 pending the release of this announcement. The Company has applied for a resumption of trading in the Shares with effect from 9:30 a.m. on 11th December, 2007.

## GENERAL INFORMATION

As at the date of this announcement, the Directors are:

### *Executive Directors:*

Mr. Patrick Lee Seng Wei (Managing Director), Mr. Ng Qing Hai (Deputy Managing Director), Mr. Ma Sun, Mr. Edwin Lo King Yau, Mr. Li Chi Kong and Mr. Yasushi Ichikawa

### *Non-Executive Directors:*

Mr. Lee Seng Hui (Chairman), Mr. Moses Cheng Mo Chi and Mr. Yuki Oshima

### *Independent Non-Executive Directors:*

Mr. Francis J. Chang Chu Fai, Mr. Ngai Wah Sang, Mr. Xu Su Jing and Ms. Lisa Yang Lai Sum

## DEFINITIONS

“Additional Fee”	the sum of HK\$230,000,000 subject to adjustment as contained in the Agreement;
“Additional Fee Payment Period”	the period of two (2) months following the Effective Date;
“Agreement”	the sale and purchase agreement dated 3rd December, 2007 entered into between Tian An China Hotel as the vendor, the Company as the vendor’s guarantor, Lead Step as the purchaser and Fong Ting as the purchaser’s guarantor in relation to the Sale Shares and the Option Shares;
“Asia Coast”	Asia Coast Investments Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company;
“Balance”	subject to adjustments contained under the Agreement, the Option Price less the Additional Fee;
“Board”	the board of Directors;
“Call Option”	the option to require Tian An China Hotel to sell to Lead Step the Option Shares at the Option Price granted by Tian An China Hotel to Lead Step;
“Call Option Period”	the period commencing from the Completion Date and ending on the last day of the ninth (9th) month following the Effective Date;

“CBI”	CBI Investment Limited, a company incorporated under the laws of Hong Kong with limited liability;
“CBI Lakeside”	CBI Lakeside Development Limited, a company incorporated in Hong Kong on 18th February, 1993 with limited liability;
“Company”	Tian An China Investments Company Limited, a company incorporated under the laws of Hong Kong with limited liability, the securities of which are listed on the Stock Exchange;
“Completion”	completion of the sale and purchase of Sale Shares;
“Completion Date”	the date on which Completion takes place, which shall take place within 5 business days following the fulfilment of the conditions as contained in the Agreement;
“connected person”	having the meaning ascribed to it under the Listing Rules;
“Directors”	directors of the Company;
“Effective Date”	the date of signing of the Agreement;
“Extended Additional Fee Payment Period”	the period of three (3) months following the expiration of the Additional Fee Payment Period;
“Extended Call Option Period”	the period commencing from the expiry of the Call Option Period and ending on the last date of the three (3) months following the expiry of the Call Option Period;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKGAAAP”	the Hong Kong Generally Accepted Accounting Practice;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Lead Step”	Lead Step Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability;
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Option Price”	the sum of HK\$560,000,000, subject to adjustment as contained in the Agreement;
“Option Shares”	11,878,788 fully paid shares of US\$1.00 each, representing approximately 84.85% of the issued share capital of Asia Coast;
“Party”	any party to the Agreement;

“PRC”	People’s Republic of China, not including Taiwan, Hong Kong and Macau;
“PRC Co.”	Zhao Qing Golf and Development Co., Ltd, a sino foreign co-operative enterprise incorporated under the laws of the PRC;
“Put Option”	the option to require Lead Step to purchase from Tian An China Hotel the Option Shares at the Option Price granted by Tian An China Hotel to Lead Step;
“Put Option Period”	the period of 7 days following the expiration of the earlier of either the expiry of (i) the Call Option Period; or (ii) the Extended Call Option Period, as the case may be Provided That if Lead Step fails to pay the Additional Fee during the Additional Fee Payment Period or the Extended Additional Fee Payment Period, the period of 7 days following the expiration of the Additional Fee Payment Period or the Extended Additional Fee Payment Period, as the case may be;
“Regal Zone”	Regal Zone Limited, a company incorporated in Hong Kong on 11th December, 2000 with limited liability;
“Sale Shares”	2,121,212 shares of US\$1.00 each, representing approximately 15.15% of the issued share capital of Asia Coast;
“Sale Shares Call Option”	the option to require Lead Step to sell back the Sale Shares to Tian An China Hotel during the Sale Shares Call Option Period after Completion at the Sale Shares Call Option Price granted by Lead Step to Tian An China Hotel;
“Sale Shares Call Option Period”	the period commencing from Completion and ending on 7 days following the expiration of the Call Option Period or the Extended Call Option Period, as the case may be;
“Sale Shares Call Option Price”	Ten Hong Kong Dollars (HK\$10.00);
“Security Documents”	the share charge to be executed between Lead Step as the mortgagor and Tian An China Hotel as the mortgagee in relation to the charged Sale Shares;
“Shareholders”	holder of Shares;
“Shares”	shares of HK\$0.20 each in the issued share capital of the Company and “Share” means any of such Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Tian An China Hotel”

Tian An China Hotel And Property Investments Company Limited,  
a company incorporated under the laws of Hong Kong with limited  
liability; and

“%”

per cent.

By Order of the Board  
**Tian An China Investments Company Limited**  
**Edwin Lo King Yau**  
*Executive Director*

Hong Kong, 10th December, 2007