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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)**

## **DISCLOSEABLE TRANSACTION**

### **ACQUISITION OF INTERESTS IN TARGET COMPANY I AND TARGET COMPANY II**

On 22nd October, 2009, the Vendor, the Purchaser, an indirect wholly-owned subsidiary of the Company, the Vendor Guarantor and the Company as the Purchaser Guarantor entered into the QP Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Quotas, free from any encumbrance subject to the terms and conditions as set out in the QP Agreement, at the total consideration of RMB755,106,479.65 (equivalent to HK\$858,075,545.06), which is equal to the sum of (i) RMB509,821,500 (equivalent to HK\$579,342,613.64) being the Purchase Price; and (ii) RMB245,284,979.65 (equivalent to HK\$278,732,931.42) being the Final Net Asset Amount, subject to adjustments (if any).

Target Company I and Target Company II are the legal and beneficial owners of the entire equity interests of WFOE I and WFOE II respectively. WFOE I and WFOE II in turn hold their respective property ownership certificates for 31 units and 26 units in Phase I of the CRED Forest Villas, with completed total gross floor area above ground of approximately 19,993 square metres, which are situated at 3388 Kun Yang Road, Minhang District, Shanghai, PRC.

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules, on the basis that the calculation of the relevant Percentage Ratio(s) exceeds 5% but is less than 25%.

## **THE QP AGREEMENT**

**Date:** 22nd October, 2009

**Parties:**

- (1) Vendor
- (2) Purchaser
- (3) Vendor Guarantor
- (4) the Company as the Purchaser Guarantor

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, as at the date of this announcement, each of the Vendor, the Vendor Guarantor and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

### **Interests to be acquired**

On 22nd October, 2009, the Vendor, the Purchaser, an indirect wholly-owned subsidiary of the Company, the Vendor Guarantor and the Company as the Purchaser Guarantor entered into the QP Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Quotas at the total consideration of RMB755,106,479.65 (equivalent to HK\$858,075,545.06), which is equal to the sum of (i) RMB509,821,500 (equivalent to HK\$579,342,613.64) being the Purchase Price; and (ii) RMB245,284,979.65 (equivalent to HK\$278,732,931.42) being the Final Net Asset Amount, subject to adjustments (if any). On Closing, the Vendor shall transfer the Quotas free from any encumbrance to the Purchaser.

Target Company I and Target Company II are the legal and beneficial owners of the entire equity interests of WFOE I and WFOE II respectively. Other than their respective investments in WFOE I and WFOE II, Target Company I and Target Company II have not engaged in any other business activity. The sole assets of Target Company I and Target Company II are WFOE I and WFOE II respectively, which in turn hold their respective property ownership certificates for 31 units and 26 units in Phase I of the CRED Forest Villas, with completed total gross floor area above ground of approximately 19,993 square metres, which are situated at 3388 Kun Yang Road, Minhang District, Shanghai, PRC. The aforesaid units in Phase I of the CRED Forest Villas are either leased out or vacant.

### **Consideration and payment terms**

The Consideration payable to the Vendor under the QP Agreement is RMB755,106,479.65 (equivalent to HK\$858,075,545.06), which is equal to the sum of (i) RMB509,821,500 (equivalent to HK\$579,342,613.64) being the Purchase Price; and (ii) RMB245,284,979.65 (equivalent to HK\$278,732,931.42) being the Final Net Asset Amount, subject to adjustments (if any), and is payable in the following manner:

- (1) a deposit in the amount of US\$2,000,000 (equivalent to HK\$15,600,000) was paid by the Purchaser to the Vendor on 14th September, 2009 before signing of the QP Agreement;
- (2) within five (5) Business Days upon signing of the QP Agreement, the Purchaser shall pay to the Vendor an amount of RMB50,982,150 (equivalent to HK\$57,934,261.36) (the “Down Payment”), which is equal to 10% of the Purchase Price; and
- (3) on the Second Payment Date, the Purchaser shall pay an amount (the “Second Payment”), which is equal to the sum of (i) the balance of the Purchase Price, being the Purchase Price less the Deposit (with interest actually accrued thereon from the date of payment to the date of the QP Agreement) and the Down Payment; and (ii) the Final Net Asset Amount after subtractions of the Un-received Tax Refunds and the Un-received Accounts Receivable into the escrow account, with the Second Payment to be released pursuant to the terms and conditions of the Escrow Agreement.

For any amount of the Un-received Tax Refunds and the Un-received Accounts Receivable subtracted from the Final Net Asset Amount, such amount shall be compensated by the Purchaser directly to the Vendor within five (5) Business Days of receipt by any of the Target Group of any such tax refunds and such accounts receivable.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser after taking into account the net asset value of WFOE I and WFOE II and the market value of the Properties.

The Group intends to fund the Acquisition by internal resources and bank borrowings.

### **Guarantee**

The Company, as the ultimate holding company of the Purchaser, agreed to provide a guarantee to the Vendor for the due and punctual performance and discharge of the Purchaser's obligations under the QP Agreement. The Vendor Guarantor agreed to provide a guarantee to the Purchaser for the payment obligations of the Vendor under the QP Agreement.

### **Conditions Precedent**

Closing is conditional upon, inter alia, fulfillment of the following on or before the Long Stop Date:

- (1) the execution of the Escrow Agreement by 30th October, 2009 which, as agreed between the Purchaser and the Vendor, shall provide for the release mechanism of the Second Payment from the escrow account in the following manner:
  - (a) the release of an amount equal to the US Dollars equivalent of RMB509,821,500 to such bank account(s) as designated by the Vendor upon (i) the submissions and acceptance of documents necessary to de-register the Property Mortgages with the Real Estate Exchange Centre in Minhang District, Shanghai; and (ii) the filing and acceptance by CAIPO of the documentation (the "Barbados Release Documentation") required for the release of the Quota Charge, the Debentures and the Equity Pledges (the "First Escrow Fund Release"); and
  - (b) the release of the remainder of the Second Payment to such bank account(s) as designated by the Vendor upon the presentation and acceptance of the Quota Transfer Instruments to CAIPO for adjudication;
- (2) the Quota Transfer Instruments being filed and accepted by CAIPO, which shall be procured by the Vendor within three (3) Business Days after the First Escrow Fund Release;
- (3) the Target Group having repaid in full the term loan facilities provided by a bank to each of WFOE I and WFOE II and all financial costs and expenses incurred by the Target Group before Closing, which the Vendor shall cause WFOE I and WFOE II to complete within three (3) Business Days after the First Escrow Fund Release;
- (4) the Property Mortgages having been de-registered by the Real Estate Exchange Centre in Minhang District, Shanghai, which the Vendor shall cause WFOE I and WFOE II to complete on or before the Long Stop Date;
- (5) the issuance by CAIPO of the Barbados Release Documentation as endorsed by CAIPO confirming the release of the Quota Charge, the Debentures and the Equity Pledges, which the Vendor shall complete on or before the Long Stop Date;
- (6) the issuance by CAIPO of the Quota Transfer Instruments endorsed as adjudicated by CAIPO, which the Vendor shall complete on or before the Long Stop Date;

- (7) all other encumbrances on the Target Group and its assets, pursuant to the QP Agreement, having been released and/or terminated, which the Vendor shall cause to be completed on or before the Long Stop Date;
- (8) no representation or warranties made by the Vendor being or becoming inaccurate or misleading in any material respect;
- (9) the payment of the Down Payment and the Second Payment by the Purchaser pursuant to the QP Agreement;
- (10) the release of the entire amount of the Second Payment from the escrow account pursuant to the terms of the Escrow Agreement; and
- (11) no representation or warranties made by the Purchaser being or becoming inaccurate or misleading in any material respect.

The Purchaser may, at its sole discretion, waive in writing any of the conditions (2), (3), (4), (5), (6), (7) and (8) above. The Vendor may, at its sole discretion, waive in writing any of the conditions (9), (10) and (11) above.

If any of the conditions precedent have not been fulfilled (or waived by the Vendor or the Purchaser) on or before the Long Stop Date, either the Vendor or the Purchaser may unilaterally terminate the QP Agreement by giving written notice(s) to the other parties, unless otherwise agreed by the Vendor, the Purchaser, the Vendor Guarantor and the Company.

### **Closing**

Closing will take place immediately upon the satisfaction or waiver (as the case may be) of the conditions precedent to the QP Agreement. Upon Closing, the Target Group will become indirect wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated in the financial statements of the Company.

### **Termination**

- (1) If the form of the Escrow Agreement has not been executed by 30th October, 2009, the Vendor, the Purchaser, the Vendor Guarantor or the Purchaser Guarantor may unilaterally terminate the QP Agreement by giving written notice to the other parties of the QP Agreement. Upon the termination of the QP Agreement due solely to the failure to execute the Escrow Agreement, neither the Vendor, the Purchaser, the Vendor Guarantor nor the Purchaser Guarantor shall be considered to be in breach of the QP Agreement or be liable for any loss or damage caused by any delay in the performance or non-observance of any of its obligations under the QP Agreement.
- (2) If the Second Payment has not been paid by the Purchaser to the Escrow Account by the Second Payment Date, the Vendor may unilaterally terminate the QP Agreement by giving written notice to the other parties of the QP Agreement.
- (3) If Closing has not occurred by the Long Stop Date, the Purchaser or the Vendor may unilaterally terminate the QP Agreement by giving written notice to the other parties, unless otherwise agreed by the parties of the QP Agreement.

- (4) If the Vendor, the Purchaser, the Vendor Guarantor or the Purchaser Guarantor who shall be deemed to have breached the QP Agreement fails to cure its breach within ten (10) days after receipt of written notice from any other party requesting it to do so, such other party shall have the right to terminate the QP Agreement by written notice to such party.

In the event that the Vendor, the Purchaser, the Vendor Guarantor or the Purchaser Guarantor fails to cure any breach of obligations within ten (10) days after receipt of written notice from any other party, the breaching party shall be required to pay such other party an amount which is the lower of (i) 20% per annum of the full Purchase Price for the period from (and including) the due date (but excluding) to the actual date of completion of performance, or (ii) the maximum annual rate permitted under the applicable laws of the full Purchase Price for the period from (and including) the due date (but excluding) to the actual date of completion of performance, plus any reasonable attorney's fees incurred in connection with the collection of such amount.

If the QP Agreement is terminated or the Vendor, the Purchaser, the Vendor Guarantor or the Purchaser Guarantor fails to fulfil any of its obligations under the QP Agreement at Closing, and such termination or failure is:

- (1) due to the breach of the Purchaser, the Vendor may elect, at its sole and exclusive remedy, to (i) keep the Deposit and any other payments made by the Purchaser to the Vendor; and (ii) receive any other payments made by the Purchaser to the escrow account under the QP Agreement, in each case together with the interest actually accrued from the date of payment as liquidated damages;
- (2) due to the breach of the Vendor, the Vendor shall (i) refund to the Purchaser the Deposit and any other payments made by the Purchaser to the Vendor under the QP Agreement, together with the interest actually accrued from the date of payment; and (ii) consent to the return from the escrow account under the QP Agreement to the Purchaser of any other payments made by the Purchaser to such escrow account, in each case together with the interest actually accrued from the date of payment, each within five (5) Business Days after receipt of written request from the Purchaser, and within five (5) Business Days after receipt of written request from the Purchaser of its election to receive liquidated damages as its sole and exclusive remedy, the Vendor shall further pay the Purchaser as liquidated damages an amount equivalent to the sum of the amounts that shall be refunded and returned to the Purchaser pursuant to (i) and (ii) above; or
- (3) not due to the breach or fault of the Vendor, the Purchaser, the Vendor Guarantor or the Purchaser Guarantor, the Vendor shall (i) refund to the Purchaser the Deposit together with the interest actually accrued from the date of payment, and any other payments made by the Purchaser under the QP Agreement to the Vendor; and (ii) consent to the return from the escrow account under the QP Agreement to the Purchaser of any other payments made by the Purchaser to such escrow account and provide written instructions to the escrow agent to effect such return pursuant to the terms of the Escrow Agreement, in each case together with the interest actually accrued from the date of payment, each within five (5) business days after receipt of written request from the Purchaser.

## **REASONS FOR AND BENEFIT OF THE ACQUISITION**

Based on the future growth prospects of the PRC economy, the Directors are of the view that property development in the PRC, particularly, major cities in the PRC such as Shanghai will continue to enjoy growth. The Directors also believe that demand for quality residential properties will remain strong. As such, the increase in land bank in such cities is strategically important to the future development of the Group.

The Directors are of the view that the Acquisition should provide capital appreciation potential while expanding the portfolio of the Group's properties in Shanghai, the PRC.

In view of the above and the valuation of the Properties prepared by an independent professional valuer, the Directors are of the view that the Acquisition and the terms of the QP Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **INFORMATION RELATING TO THE COMPANY, THE PURCHASER, THE VENDOR AND THE VENDOR GUARANTOR**

### **(1) The Company**

The Company is a company incorporated in Hong Kong with limited liability, the securities of which are 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, property management, hotel operation in the PRC.

### **(2) The Purchaser**

The Purchaser is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company.

The principal business activity of the Purchaser is investment holding.

### **(3) The Vendor**

The Vendor is a company incorporated in Cayman Islands with limited liability and a direct wholly-owned subsidiary of the Vendor Guarantor.

Based on the information provided by the Vendor, the principal business activity of the Vendor is investment holding.

### **(4) The Vendor Guarantor**

The Vendor Guarantor is an exempted limited partnership in Cayman Islands.

Based on the information provided by the Vendor, the principal business activity of the Vendor Guarantor is investment holding.

## SUMMARY OF FINANCIAL INFORMATION OF WFOE I AND WFOE II

A summary of the audited financial information of WFOE I and WFOE II for the two financial years ended 31st December, 2007 and 31st December, 2008, as provided by the Vendor, are as follows:

	<b>Year ended 31st December,</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	<b>649</b>	4,072
Net loss before tax	<b>(47,264)</b>	(62,940)
Net loss after tax	<b>(47,264)</b>	(62,940)

As informed by the Vendor, the audited net asset value of WFOE I and WFOE II as at 31st December, 2008 was approximately HK\$504,699,000.

According to the Vendor, the accounts summarised above have been prepared in accordance with PRCGAAP.

## LISTING RULES IMPLICATIONS OF THE ACQUISITION

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules, on the basis that the calculation of the relevant Percentage Ratio(s) exceeds 5% but is less than 25%.

## DEFINITIONS

“Acquisition”	the sale and purchase of the Quotas contemplated under the QP Agreement
“Board”	the board of Directors
“Business Day(s)”	a day other than a Saturday or Sunday or public holiday on which banks are ordinarily open in the PRC, Barbados and Hong Kong for business
“CAIPO”	the Corporate Affairs and Intellectual Property Office of Barbados
“Closing”	closing of the sale and purchase of the Quotas in accordance with the QP Agreement
“Company” or “Purchaser Guarantor”	Tian An China Investments Company Limited, a company incorporated in Hong Kong with limited liability, the securities of which are listed on the Main Board of the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration for the Acquisition, being RMB755,106,479.65 (equivalent to HK\$858,075,545.06), which is equal to the sum of the Purchase Price and the Final Net Asset Amount, subject to adjustments (if any)

“Debentures”	the debentures over the assets of Target Company I and Target Company II, each dated 1st February, 2007 in favour of a bank in connection with the term loan facilities provided by that bank to the Vendor
“Deposit”	the deposit in the amount of US\$2,000,000 (equivalent to HK\$15,600,000) paid by the Purchaser to the Vendor on 14th September, 2009 before signing of the QP Agreement
“Director(s)”	the director(s) of the Company
“Equity Pledges”	the pledges of the entire equity interests over each of WFOE I and WFOE II by the respective Target Company I and Target Company II, dated 1st February, 2007 in favour of a bank in connection with the term loan facilities provided by that bank to the Vendor
“Escrow Agreement”	the escrow agreement to be executed by the Purchaser, the Vendor, an escrow agent and/or a bank (and/or each of their respective affiliates) in relation to the Second Payment
“Final Net Asset Amount”	the aggregate amount as set out in the adjusted balance sheets of the Target Group as of 30th September, 2009 as agreed upon by the Vendor and the Purchaser, being RMB245,284,979.65 (equivalent to HK\$278,732,931.42), subject to adjustments (if any)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31st December, 2009, subject to the right of the Vendor, the Purchaser, the Vendor Guarantor or the Purchaser Guarantor to unilaterally extend for a maximum of ten (10) days from 31st December, 2009 on not less than one (1) Business Day’s prior written notice to the other parties prior to the scheduled Long Stop Date
“Percentage Ratio(s)”	the “percentage ratio(s)” as defined in rule 14.04(9) of the Listing Rule
“PRC”	the People’s Republic of China, which for the purpose of the QP Agreement, does not include Taiwan, Hong Kong and Macau
“PRCGAAP”	the PRC Generally Accepted Accounting Practice



“Properties”	57 units in Phase I of the CRED Forest Villas, which are situated at 3388 Kun Yang Road, Minhang District, Shanghai, PRC
“Property Mortgages”	the mortgages of the Properties in favour of a bank and/or Target Company I and Target Company II which were created pursuant to those certain property mortgage agreements dated 1st February, 2007 and registered with the Real Estate Exchange Centre in Minhang District, Shanghai
“Purchase Price”	the purchase price for the Quotas, being RMB509,821,500 (equivalent to HK\$579,342,613.64)
“Purchaser”	a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, being the purchaser under the QP Agreement
“QP Agreement”	the quota purchase agreement entered into between the Vendor, the Purchaser, the Vendor Guarantor and the Company as the Purchaser Guarantor on 22nd October, 2009, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Quotas
“Quota Charge”	the charge over the Quotas dated 1st February, 2007 and executed by the Vendor in favour of a bank in connection with the term loan facilities provided by that bank to the Vendor
“Quota Transfer Instruments”	two instruments in respect of the sale of the Quotas to be executed by the Vendor
“Quotas”	Target Company I Quotas and Target Company II Quotas
“RMB”	Renminbi, the lawful currency of the PRC
“Second Payment Date”	20th November, 2009, subject to the Purchaser’s right to extend for a maximum of ten (10) calendar days from 20th November, 2009 on not less than five (5) Business Days’ prior written notice to the Vendor prior to the scheduled Second Payment Date
“Shareholder(s)”	holder(s) of the ordinary share(s) of HK\$0.20 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company I”	an international society with restricted liability under the laws of Barbados and a wholly-owned subsidiary of the Vendor
“Target Company I Quotas”	the entire issued and outstanding quotas of Target Company I to be sold by the Vendor to the Purchaser pursuant to the QP Agreement

“Target Company II”	an international society with restricted liability under the laws of Barbados and a wholly-owned subsidiary of the Vendor
“Target Company II Quotas”	the entire issued and outstanding quotas of Target Company II to be sold by the Vendor to the Purchaser pursuant to the QP Agreement
“Target Group”	Target Company I and Target Company II and each of their wholly-owned subsidiaries, namely, WFOE I and WFOE II
“Un-received Accounts Receivable”	all accounts receivable of the Target Group from the sale of the Properties which was accrued or earned prior to 30th September, 2009, and is outstanding and not received as of the Second Payment Date
“Un-received Tax Refunds”	all refunds from business tax to WFOE I and WFOE II from any taxing authority of the PRC which were accrued or earned prior to 30th September, 2009, and are outstanding and not received as of the Second Payment Date
“US\$” or “US Dollar(s)”	US dollars, the lawful currency of the United States of America
“Vendor”	a company incorporated in Cayman Islands with limited liability and a direct wholly-owned subsidiary of the Vendor Guarantor, being the vendor under the QP Agreement
“Vendor Guarantor”	an exempted limited partnership in Cayman Islands
“WFOE I”	a wholly foreign owned enterprise registered under the laws of the PRC and a wholly-owned subsidiary of Target Company I
“WFOE II”	a wholly foreign owned enterprise registered under the laws of the PRC and a wholly-owned subsidiary of Target Company II
“%”	per cent.

On behalf of the Board  
**Tian An China Investments Company Limited**  
**Li Chi Kong**  
*Executive Director*

Hong Kong, 23rd October, 2009

*For the purpose of this announcement, translations of Renminbi into Hong Kong dollars and US Dollars into Hong Kong dollars or vice versa have been calculated by using exchange rates of HK\$1.00 equal to RMB0.88 and US\$1.00 equal to HK\$7.80 respectively. Such exchange rates have been used, where applicable, for the purpose of illustration only and do 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. Patrick Lee Seng Wei (Managing Director), Mr. Ng Qing Hai (Deputy Managing Director), Mr. Ma Sun (Deputy Managing Director), Mr. Edwin Lo King Yau, Mr. Li Chi Kong and Mr. Yasushi Ichikawa being the Executive Directors; Mr. Lee Seng Hui (Chairman), Mr. Song Zengbin (Deputy Chairman), Dr. Moses Cheng Mo Chi and Mr. Kazunori Okimoto being the Non-Executive Directors; and Mr. Francis J. Chang Chu Fai, Mr. Ngai Wah Sang, Mr. Xu Su Jing and Ms. Lisa Yang Lai Sum being the Independent Non-Executive Directors.*