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天安中國投資有限公司

TIAN AN CHINA INVESTMENTS COMPANY LIMITED

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 28)

## CONTINUING CONNECTED TRANSACTION

### RENEWAL OF THE SHARING OF ADMINISTRATIVE SERVICES AND MANAGEMENT SERVICES AGREEMENT

The Company entered into the Renewed Sharing of Administrative Services and Management Services Agreement with AGL on 31st January, 2008 pursuant to which the Company agreed to extend the term of the Sharing of Administrative Services and Management Services Agreement in relation to the Administrative Services and the Management Services provided by AGL to the Group and the reimbursement of costs payable to AGL.

In view of the fact that the Company is held as to approximately 35.54% by SHK, which is held as to approximately 58.55% by APL, which is in turn held as to approximately 73.82% by AGL, AGL is a connected person of the Company and accordingly, the entering into of the Renewed Sharing of Administrative Services and Management Services Agreement and the transaction regarding the sharing of the Management Services contemplated thereunder will constitute a continuing connected transaction for the Company under Rule 14A.14 of the Listing Rules. Pursuant to Rules 14A.31(8) and 14A.33(2) of the Listing Rules, the transaction regarding the sharing of the Administrative Services between the Company and AGL contemplated under the Renewed Sharing of Administrative Services and Management Services Agreement will be exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

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

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

## **BACKGROUND**

The Company had entered into the Sharing of Administrative Services and Management Services Agreement with AGL on 15th December, 2005 for a term of 3 years commencing from 1st January, 2005 pursuant to which, AGL would provide to the Group the Administrative Services and the Management Staff would provide the Group with the Management Services and the Group would reimburse the relevant costs to AGL.

The Sharing of Administrative Services and Management Services Agreement had expired on 31st December, 2007 and the parties thereto agreed to renew and extend the term of which for a period of 3 years commencing from 1st January, 2008 to 31st December, 2010.

## **RENEWED SHARING OF ADMINISTRATIVE SERVICES AND MANAGEMENT SERVICES AGREEMENT**

|                       |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-----------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Date                  | : | 31st January, 2008                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Parties               | : | The Company and AGL                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Effective period      | : | Three years commencing from 1st January, 2008                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Nature of transaction | : | The Company agreed to reimburse AGL the costs incurred in respect of the Administrative Services and the Management Services provided by AGL to the Group.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Terms                 | : | In respect of the Administrative Services provided to the Group, the Group agreed to reimburse the actual costs incurred by AGL which will be payable by the Group on a monthly basis. The fees charged were determined by reference to the actual use of the Administrative Services by the Group on a cost basis without margin which varies across different types of services. For instance, in respect of sharing of office space, the rent and utility charges paid by the Company to AGL was calculated by reference to the floor area occupied by the Company. For other office administrative expenses such as postage, delivery and international telephone calls, AGL kept a record of such uses and the Company was charged on its actual use. The Directors consider that such cost allocation of the Administrative Services between the Group and AGL is on a fair and equitable basis and that the fees charged by AGL are comparable to market rates for similar services provided by the Independent Third Parties. |

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

- Annual cap : In respect of the Management Services, HK\$11,700,000, HK\$12,880,000 and HK\$14,140,000 for each of the three financial years ending 31st December, 2010 respectively.
- Historical figures : Prior to the signing of the Renewed Sharing of Administrative Services and Management Services Agreement, the amount of fees paid and payable by the Group (excluding Shanghai Allied Cement Limited, the former subsidiary of the Company) to AGL for the Management Services provided by the Management Staff for each of the three financial years ended 31st December, 2007 were approximately HK\$3,200,000, HK\$3,400,000 and HK\$3,600,000 respectively. The historical service charges paid by the Group reflected the actual level of requirement for the Management Services that were provided by the Management staff.
- Basis of determining the annual cap : In determining the annual cap, besides taking into account the aforementioned service fees paid and payable by the Group for each of the three financial years ended 31st December, 2007, the Directors have also taken into consideration the existing scales of the Group's operations and, for the purpose of determining the annual cap only, the anticipated growth of the Group, the anticipated increase in the remuneration of those Management Staff personnel who are involved in providing the management, consultancy, strategic and business advice services to the Group, and having done so, for the three financial years ending 31st December, 2010, the aggregate annual amount payable by the Group in respect of the Management Services under the Renewed Sharing of Administrative Services and Management Services Agreement is expected not to exceed HK\$11,700,000, HK\$12,880,000 and HK\$14,140,000 respectively and accordingly, the above figures have been adopted as the annual cap for the transaction in respect of the Management Services under the Renewed Sharing of Administrative Services and Management Services Agreement in respect of the same period.

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

## **CONTINUING CONNECTED TRANSACTION**

In view of the fact that the Company is held as to approximately 35.54% by SHK, which is held as to approximately 58.55% by APL, which is in turn held as to approximately 73.82% by AGL, AGL is a connected person of the Company and accordingly, the entering into of the Renewed Sharing of Administrative Services and Management Services Agreement and the transaction regarding the sharing of the Management Services contemplated thereunder will constitute a continuing connected transaction for the Company under Rule 14A.14 of the Listing Rules. Pursuant to Rules 14A.31(8) and 14A.33(2) of the Listing Rules, the transaction regarding the sharing of the Administrative Services between the Company and AGL contemplated under the Renewed Sharing of Administrative Services and Management Services Agreement will be exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules and the details of such transaction have been set out in this announcement for the purpose of completeness of disclosure of the material terms of the Renewed Sharing of Administrative Services and Management Services Agreement.

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

## **GENERAL**

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

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

The Company will comply with the requirements under Rule 14A.36 of the Listing Rules if the aggregate value of the service fees paid for the Continuing Connected Transaction exceeds the relevant annual cap, during the three years ending 31st December, 2010, or when the Renewed Sharing of Administrative Services and Management Services Agreement is further renewed or where there are material changes to the terms of the said agreement. The Company will also comply with the requirements under Rules 14A.37 to 14A.41 of the Listing Rules.

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

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

|                                    |                                                                                                                                                                                                                                                                            |
|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Administrative Services”          | the secretarial services, provision of registered office address, office space, utilities, courier and delivery, telephone (including international telephone), internet, photocopying and other ancillary office services;                                                |
| “AGL”                              | Allied Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 373) and is a substantial shareholder of the Company through its interests in APL and SHK;        |
| “APL”                              | Allied Properties (H.K.) Limited, a company incorporated in Hong Kong with limited liability and the securities of which are listed on the Main Board of the Stock Exchange (Stock Code: 56) and is a substantial shareholder of the Company through its interests in SHK; |
| “Board”                            | the board of directors of the Company;                                                                                                                                                                                                                                     |
| “Company”                          | Tian An China Investments Company Limited, a company incorporated in Hong Kong with limited liability and the securities of which are listed on the Main Board of the Stock Exchange (Stock Code: 28);                                                                     |
| “connected person(s)”              | has the meaning ascribed thereto under the Listing Rules;                                                                                                                                                                                                                  |
| “Continuing Connected Transaction” | the transaction regarding the sharing of the Management Services under the Renewed Sharing of Administrative Services and Management Services Agreement;                                                                                                                   |
| “Director(s)”                      | the director(s) of the Company;                                                                                                                                                                                                                                            |
| “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;                                                                                                                                                                                                                                  |
| “Independent Third Party(ies)”                                                 | party(ies) independent of and not connected with the Directors, chief executives or substantial shareholders of the Company or its subsidiaries, or their respective associate(s) (as defined in the Listing Rules) or not otherwise a connected person of the Company within the meaning of the Listing Rules; |
| “Listing Rules”                                                                | the Rules Governing the Listing of Securities on the Stock Exchange;                                                                                                                                                                                                                                            |
| “Management Services”                                                          | the management, consultancy, strategic and business advice services provided by the Management Staff to the Group;                                                                                                                                                                                              |
| “Management Staff”                                                             | the senior management and the selective staff of AGL;                                                                                                                                                                                                                                                           |
| “Renewed Sharing of Administrative Services and Management Services Agreement” | the agreement dated 31st January, 2008 between the Company and AGL in respect of the renewal of the Sharing of Administrative Services and Management Services Agreement;                                                                                                                                       |
| “Shareholder(s)”                                                               | the shareholder(s) of the Company;                                                                                                                                                                                                                                                                              |
| “Sharing of Administrative Services and Management Services Agreement”         | the agreement dated 15th December, 2005 between the Company and AGL in respect of the sharing of Administrative Services and Management Services between AGL and the Company;                                                                                                                                   |
| “SHK”                                                                          | Sun Hung Kai & Co. Limited, a company incorporated in Hong Kong with limited liability and the securities of which are listed on the Main Board of the Stock Exchange (Stock Code: 86) and is a substantial shareholder of the Company;                                                                         |
| “Stock Exchange”                                                               | The Stock Exchange of Hong Kong Limited;                                                                                                                                                                                                                                                                        |
| “substantial shareholder”                                                      | has the meaning ascribed thereto under the Listing Rules; and                                                                                                                                                                                                                                                   |
| “%”                                                                            | per cent.                                                                                                                                                                                                                                                                                                       |

On behalf of the Board  
**Tian An China Investments Company Limited**  
**Patrick Lee Seng Wei**  
*Managing Director*

Hong Kong, 1st February, 2008

*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, Mr. Edwin Lo King Yau, Mr. Li Chi Kong and Mr. Yasushi Ichikawa being the Executive Directors, Mr. Lee Seng Hui (Chairman), Mr. Moses Cheng Mo Chi and Mr. Yuki Oshima 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.*