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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)

CONDITIONAL OFFER

by



SUN HUNG KAI INTERNATIONAL LIMITED

on behalf of the Company
to repurchase up to 1,100,000,000 Shares
for HK\$0.15 per Share
(as to HK\$0.03 in cash and HK\$0.12 in the form of loan note)
and Whitewash Waiver

DESPATCH OF THE CIRCULAR

The circular, encompassing the notice of the EGM, in relation to the Offer (the “Circular”), was despatched to Shareholders on Thursday, 10th July, 2003.

Shareholders should read the Circular, including in particular the letter from First Shanghai Capital Limited, being the independent financial adviser advising the Independent Board Committee which, in turn, advises the Independent Shareholders, carefully before taking any action in relation to the Offer. Any Shareholder who is in any doubt, should consult his professional advisers.

If the Conditions (being the passing by way of a poll of an ordinary resolution by the Independent Shareholders voting in person or by proxy at the EGM for the approval of the Offer, the issue of the Loan Notes and the Whitewash Waiver; the granting of the Whitewash Wavier by the Executive and all of the conditions attaching thereto having been fulfilled; and the approval by any other relevant regulatory authorities whose consent is required under any applicable laws or regulations in order for the Company validly to make the Offer) are fulfilled, the Offer will become unconditional on Wednesday, 6th August, 2003.

WARNING: As the Offer is subject to the Conditions being fulfilled it may or may not become unconditional. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

Reference is made to the announcement of the Company dated 2nd May, 2003 (the “Announcement”), 6th June, 2003, 27th June, 2003 and 8th July 2003. Unless the context requires otherwise, terms used herein shall have the same meanings as defined in the Announcement.

DESPATCH OF THE CIRCULAR

The Circular, together with the proxy form for the EGM (the “Proxy Form”) to be held on Wednesday, 6th August, 2003 was despatched to Shareholders on Thursday, 10th July, 2003. A Form of Acceptance was also despatched to each Qualifying Shareholder along with the Circular.

Any Shareholder may collect a copy of the Circular and (except an Excluded Shareholder) a Form of Acceptance from the Registrar (being Secretaries Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong) between 9:00 a.m. and 5:00 p.m. (Hong Kong time) from Monday to Friday from Thursday, 10th July, 2003 up to 4:00 p.m. on the last date for submission of acceptances in respect of the Offer (which is expected to be Wednesday, 20th August, 2003), both dates inclusive. Such Shareholders may also contact the Registrar through the general telephone line at 2980 1766.

The Circular contains, inter alia (i) the detailed terms and conditions of, and the procedures to accept, the Offer; (ii) a letter from the Board; (iii) a letter from SHKIL; (iv) a letter from Independent Board Committee to the Independent Shareholders; (v) a letter of advice from First Shanghai, the independent financial adviser to the Independent Board Committee; (vi) certain financial information of the Group, including a statement of the unaudited pro forma adjusted net tangible assets of the Group; (vii) valuation report, (viii) principal terms and conditions of the Loan Notes; (ix) a notice convening the EGM to be held on Wednesday, 6th August, 2003; and (x) other information given in compliance with the Takeovers Code and the Repurchase Code.

FINANCIAL INFORMATION OF THE GROUP

The following is the statement of unaudited pro forma adjusted net tangible assets of the Group based on the audited consolidated financial statements of the Group as at 31st December, 2002 and adjusted as follows:

	HK\$'000
Audited shareholders' funds of the Group as at 31st December, 2002 (per 2002 annual report of the Company)	4,219,098
Goodwill on acquisition of subsidiaries, less amortisation	(45,070)
Goodwill on acquisition of associates and jointly controlled entities, less amortisation	(1,938)
Net tangible assets as at 31st December, 2002	4,172,090
Net surplus arising from the revaluation of investment properties of the Group and its jointly controlled entities as at 30th April 2003 (Notes 1 and 2)	4,110
Unaudited pro forma adjusted net tangible assets of the Group before the Offer	4,176,200
Estimated cost of the Offer	(165,000)
Estimated expenses of the Offer	(4,630)
Unaudited pro forma adjusted net tangible assets of the Group after the Offer	4,006,570
Unaudited pro forma adjusted net tangible assets of the Group per Share (based on the number of Shares of 8,490,704,582 as at the Latest Practicable Date) before the Offer	HK\$0.49
Unaudited pro forma adjusted net tangible assets of the Group per Share (based on the number of Shares of 7,390,704,582 upon the completion of the Offer) after the Offer	HK\$0.54

Notes:

- This represents the surplus arising from the change in value of investment properties held by the Group and its jointly controlled entities as at 30th April, 2003 as valued by professional valuers. Details of the valuation report is set out in Appendix III to the Circular which was prepared specifically for the Circular.
- Latest practicable date prior to the printing of the Circular for ascertaining information for the adjustments contained in this statement.

STATEMENT OF INDEBTEDNESS

At the close of business on 31st May, 2003, being the latest practicable date prior to the printing of the Circular, the Group had total outstanding borrowings of approximately HK\$2,433 million comprising secured bank loans and overdrafts of approximately HK\$624 million, other secured loans of approximately HK\$55 million, unsecured bank loans and overdrafts of approximately HK\$1,168 million, unsecured loans from certain minority shareholders of approximately HK\$180 million, unsecured loans from jointly controlled entities of approximately HK\$19 million, an unsecured loan from an associate of approximately HK\$9 million, unsecured promissory notes of approximately HK\$304 million and other unsecured loans of approximately HK\$74 million. The Group's secured bank loans of approximately HK\$573 million were secured by pledges of properties held for development, properties under development, properties for sale, investment properties and bank balances of the Group with an aggregate carrying value of approximately HK\$90 million, HK\$1,610 million, HK\$74 million, HK\$62 million and HK\$78 million respectively. The Group's secured bank overdrafts of approximately HK\$51 million were secured on a charge on the Group's interest in an associate with a carrying value of approximately HK\$501 million and the Group's interest in a subsidiary with a carrying value of approximately HK\$152 million. The Group's other secured loans of approximately HK\$55 million were secured by property under development with a carrying value of approximately HK\$112 million. The Group also has a secured trade payable of approximately HK\$43 million which was secured by the pledge of property held for development with a carrying value of approximately HK\$109 million. The Group's investment properties with an aggregate carrying value of approximately HK\$57 million were pledged to banks for banking facilities granted to a jointly controlled entity. At the close of business on 31st May, 2003, the Group provided guarantees for banking facilities granted to jointly controlled entities, a vendor of land use rights to a property development subsidiary and third parties totalling approximately HK\$184 million, and property purchasers amounting to approximately HK\$437 million. The Group provided a guarantee for a performance bond given to a vendor of land use rights amounting to approximately HK\$19 million. Commercial bills discounted with recourse amounted to approximately HK\$35 million. The contingent PRC land appreciation tax of a subsidiary attributable to the Group amounted to approximately HK\$25 million and the share of contingent land appreciation tax of a jointly controlled entity amounted to approximately HK\$43 million.

Certain property purchasers have taken legal action against a subsidiary of the Group and are claiming for compensation totalling approximately HK\$1.4 million as a result of alleged late issue of title deeds of properties sold to them. A former construction contractor has obtained arbitration awards in its favour in prior years in respect of claims against a subsidiary of the Group, for unsettled construction costs of approximately HK\$8.1 million. The minority shareholder, which is also the former major shareholder, of this subsidiary has agreed to bear any liability arising from this claim.

Save as aforesaid and apart from intra-group liabilities, at the close business on 31st May, 2003, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire-purchase commitments, guarantees or other material contingent liabilities.

The above statement has been reviewed by the Company’s auditors.

Subsequent to 31st May, 2003, the Group obtained secured bank loans of approximately HK\$93 million and unsecured bank loans of approximately HK\$155 million. The new secured bank loans are drawn down from the unutilised secured facilities, which have already been granted as at 31st May, 2003. Also, the Group had a net increase in commercial bills discounted with recourse of approximately HK\$16 million. The Group repaid an unsecured promissory note of approximately HK\$22 million and unsecured bank loans of HK\$78 million. Save as aforesaid, the Directors are of the opinion that there are no significant changes in indebtedness of the Group after 31st May, 2003.

EXPECTED TIMETABLE

The expected timetable for the Offer is set out below. All references to time are to Hong Kong time.

2003

Offer period begins	Friday, 2nd May
Despatch of the Circular and the Form of Acceptance	Thursday, 10th July
Latest time to lodge form of proxy for the EGM ...	9:00 a.m. on Monday, 4th August
EGM	9:00 a.m. on Wednesday, 6th August
Announcement of the results of the EGM and whether the Offer has become unconditional	Thursday, 7th August
Latest Acceptance Time (i.e. close of the Offer) (Note)	4:00 p.m. on Wednesday, 20th August
Announcement of the result of the acceptance of the Offer through the Stock Exchange (Note)	7:00 p.m. on Wednesday, 20th August
Announcement of the result of the acceptance of the Offer in newspapers (Note)	Thursday, 21st August
Announcement of the details of the pro-rata entitlements in respect of the Excess Tenders under the Offer through the Stock Exchange (Note)	7:00 p.m. on Thursday, 21st August
Announcement of the details of the pro-rata entitlements in respect of the Excess Tenders under the Offer in newspapers (Note)	Friday, 22nd August
Latest date for the despatch of cheques and certificates of Loan Notes to the Accepting Shareholders and if applicable, for the return or replacement of the share certificates in respect of those Shares not repurchased by the Company (Note)	Friday, 29th August

Note: Assuming that the Offer is approved by the Independent Shareholders and becomes unconditional on 6th August, 2003.

ODD LOTS ARRANGEMENT

Currently the Shares are traded in board lots of 1,000 Shares each. Such board lot size will not change as a result of the implementation of the Offer.

In view of the number of the Shares in an Assured Entitlement and the manner of calculation in respect of the Excess Tenders as described in the Circular, an Accepting Shareholder may, as a result of the Offer, hold odd lots of the Shares.

For this purpose, SHKIS (address: Level 12, One Pacific Place, 88 Queensway, Hong Kong; contact person: Miss Connie Cheung Sau Lin; telephone: 2822 5075) has been appointed by the Company as the designated broker to match sales and purchases of odd lot holdings of Shares in the market for a period of six weeks from the completion of the Offer to enable odd lot Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots of 1,000 Shares. Odd lot Shareholders should note that the matching of odd lots is not guaranteed. Further details of the related arrangements will be announced after the Offer has become unconditional.

CONDITIONS OF THE OFFER

If the Conditions (being the passing by way of a poll of an ordinary resolution by the Independent Shareholders voting in person or by proxy at the EGM for the approval of the Offer, the issue of the Loan Notes, and the Whitewash Waiver; the granting of the Whitewash Wavier by the Executive and all of the conditions attaching thereto having been fulfilled; and the approval by any other relevant regulatory authorities whose consent is required under any applicable laws or regulations in order for the Company validly to make the Offer) are fulfilled, the Offer will become unconditional on Wednesday, 6th August, 2003.

As the Offer is subject to the Conditions being fulfilled, it may or may not become unconditional. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

GENERAL

Shareholders should read the Circular carefully before taking any action in relation to the Offer. If any Shareholder is in any doubt, he should consult his own professional advisers.

By Order of the Board of
Tian An China Investments Company Limited
David Hui Yip Wing
Managing Director

Hong Kong, 10th July, 2003

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.