
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or the action to be taken, you should consult your stockbroker or other licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tian An China Investments Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

PROPOSALS FOR CAPITAL REORGANIZATION INVOLVING A CONSOLIDATION OF SHARES AND REDUCTION OF CAPITAL AND GENERAL MANDATES TO ISSUE AND REPURCHASE SECURITIES

A notice convening an extraordinary general meeting of Tian An China Investments Company Limited to be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 16 February 2004 at 9:00 a.m. is set out on pages 17 to 21 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Secretaries Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not prevent shareholders of the Company from attending and voting in person at the extraordinary general meeting or any adjourned meeting thereof if they so wish.

Subject to the granting of the listing of, and permission to deal in, the new ordinary shares of HK\$0.20 each resulting from the proposed capital reorganization on the Stock Exchange, such shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the Central Clearing and Settlement System (“CCASS”) with effect from the commencement date of dealings in those shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

20 January 2004

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DEFINITIONS

In this circular (other than in the notice of the EGM), the following expressions have the meanings correspondingly ascribed below unless the context otherwise requires:

“Board”	the board of Directors
“Capital Reduction”	the proposed reduction of the nominal value of every issued and unissued Consolidated Share from HK\$2.00 to HK\$0.20, being the nominal value of the New Shares, and the cancellation of the paid up capital to the extent of HK\$1.80 on each of the Consolidated Share in issue
“Capital Reorganization”	the proposed reorganization of the capital of the Company by way of the Share Consolidation and the Capital Reduction
“CCASS”	Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	Companies Ordinance, Chapter 32 of The Laws of Hong Kong
“Company”	Tian An China Investments Company Limited 天安中國投資有限公司, a company incorporated in Hong Kong with limited liability and whose securities are listed on the Stock Exchange
“Consolidated Share(s)”	ordinary share(s) of HK\$2.00 each in the capital of the Company resulting from the Share Consolidation
“Court”	the High Court of Hong Kong
“Director(s)”	director(s) of the Company
“Effective Date”	the date upon which the Capital Reorganization becomes effective, which is expected to be on 10 March 2004
“EGM”	the extraordinary general meeting of the Company to be held on 16 February 2004, for the purpose of approving the resolutions relating to the Capital Reorganization and the General Mandates, notice of which is set out on pages 17 to 21 of this circular, and any adjournment thereof

DEFINITIONS

“General Mandates”	the general and unconditional mandates proposed in the form of ordinary resolutions numbered 2 and 3 as set out in the notice convening the EGM to be granted to the Directors to repurchase and to allot and issue securities of the Company as a result of the Capital Reorganization
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	15 January 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	ordinary share(s) of HK\$0.20 each in the capital of the Company resulting from the Capital Reorganization
“Registrar”	Secretaries Limited, the share registrar of the Company
“Share(s)”	existing ordinary share(s) of HK\$0.20 each in the capital of the Company
“Share Consolidation”	the proposed consolidation of every ten issued and unissued Shares into one Consolidated Share
“Shareholder(s)”	registered holder(s) of the Shares or New Shares, as the case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Warrants”	the warrants of the Company conferring rights to subscribe for the Shares in cash at a subscription price of HK\$0.20 per Share (subject to adjustments) at any time on or before 3 December 2004

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

EXPECTED TIMETABLE

Set out below is an indicative timetable for the implementation of the Capital Reorganization and the associated trading arrangements. In particular, the date of the hearing of the petition for confirmation of the Capital Reduction and the effective date of the Capital Reorganization are subject to the availability of the Court. Shareholders will be informed of any material change to the timetable below by press notice.

2004

Latest time for lodging forms of proxy for the EGM 9:00 a.m. on Saturday, 14 February

Date of the EGM 9:00 a.m. on Monday, 16 February

Hearing of the petition for confirmation of the
Capital Reduction by the Court Tuesday, 9 March

Effective Date of Capital Reorganization (*Note*) Wednesday, 10 March

Dealings in the New Shares commence 9:30 a.m. on Wednesday, 10 March

Original counter for trading in the Shares
in board lots of 1,000 Shares each closes 9:30 a.m. on Wednesday, 10 March

Temporary counter for trading in the New Shares
in board lots of 100 New Shares each (in the form
of existing certificates for the Shares) opens 9:30 a.m. on Wednesday, 10 March

Free exchange of existing certificates for the Shares
for new certificates for the New Shares commences . . . 9:30 a.m. on Wednesday, 10 March

Original counter for trading in the New Shares
in board lots of 1,000 New Shares each (in the form
of certificates for the New Shares) reopens 9:30 a.m. on Wednesday, 24 March

Parallel trading in the New Shares
(in the forms of certificates for the Shares and
for the New Shares) commences 9:30 a.m. on Wednesday, 24 March

Commencement of designated broker to stand
in the market to provide matching services 9:30 a.m. on Wednesday, 24 March

Temporary counter for trading in the New Shares
in board lots of 100 New Shares each (in the form
of existing certificates for the Shares) closes 4:00 p.m. on Monday, 19 April

EXPECTED TIMETABLE

2004

Parallel trading in the New Shares ends 4:00 p.m. on Monday, 19 April

Designated broker ceases to stand in the market

to provide matching services 4:00 p.m. on Monday, 19 April

Free exchange of existing certificates for the Shares

for new certificates for the New Shares ends 4:00 p.m. on Thursday, 22 April

Note: The Capital Reduction, and hence the Capital Reorganization, will become effective when an office copy of the order of the Court confirming the Capital Reduction and the minute containing the particulars required under the Companies Ordinance are delivered to and registered with the Registrar of Companies in Hong Kong.

LETTER FROM THE BOARD



天安中國投資有限公司

TIAN AN CHINA INVESTMENTS COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

Executive Directors:

Ng Qing Hai (*Managing Director*)

David Hui Yip Wing

Patrick Lee Seng Wei

Edwin Lo King Yau

Ma Sun

Registered Office:

27th Floor, China Online Centre

333 Lockhart Road

Wanchai

Hong Kong

Independent Non-Executive Directors:

Moses Cheng Mo Chi

Lisa Yang Lai Sum

20 January 2004

*To the Shareholders and, for information only,
holders of the Warrants*

Dear Sir or Madam,

**PROPOSALS FOR CAPITAL REORGANIZATION
INVOLVING A CONSOLIDATION OF SHARES
AND REDUCTION OF CAPITAL
AND
GENERAL MANDATES TO ISSUE
AND REPURCHASE SECURITIES**

INTRODUCTION

Pursuant to the announcement of the Company made on 5 December 2003, the Board proposes in this circular the Capital Reorganization, which is to be implemented by way of the Share Consolidation and the Capital Reduction.

This circular also contains information on the proposed grant of the General Mandates to the Directors.

LETTER FROM THE BOARD

PROPOSED CAPITAL REORGANIZATION

Share Consolidation

As the first stage of the Capital Reorganization, the Share Consolidation will be effected by consolidating every ten issued and unissued Shares of HK\$0.20 each into one Consolidated Share of HK\$2.00 immediately before the Capital Reduction takes effect. An ordinary resolution, which is numbered 1 as set out in the notice convening the EGM, will be proposed at the EGM for the purpose of implementing the Share Consolidation.

As at the Latest Practicable Date, the authorized capital of the Company is HK\$4,000,000,000 divided into 20,000,000,000 Shares. Upon the Share Consolidation becoming effective, the authorized capital of the Company will be HK\$4,000,000,000 comprising 2,000,000,000 Consolidated Shares. As at the Latest Practicable Date, there were 7,837,349,153 Shares in issue. On the basis of the same number of issued Shares, there will be 783,734,915 Consolidated Shares in issue on the implementation of the Share Consolidation.

Capital Reduction

For the purpose of completing the Capital Reorganization, the Capital Reduction, which will take place immediately after the Share Consolidation becoming effective, will involve a reduction of the nominal value of every issued and unissued Consolidated Share of HK\$2.00 to HK\$0.20, being the nominal value of a New Share, and the cancellation of the paid up capital to the extent of HK\$1.80 on each of the issued Consolidated Share. A special resolution for this purpose will be proposed at the EGM.

Again, based on 7,837,349,153 Shares in issue as at the Latest Practicable Date, there will be 783,734,915 New Shares in issue as at the Effective Date and a credit of HK\$1,410,722,847 will arise in the books of account of the Company as a result of the Capital Reduction. The credit so arising will be transferred to a special capital reserve account of the Company created for this purpose, subject to such conditions as the Court may impose.

The New Shares resulting from the Capital Reorganization will rank *pari passu* in all respects with each other and neither the Share Consolidation nor the Capital Reduction will result in any change in the relative rights of the Shareholders or to their proportionate interests in the Company to any material extent notwithstanding the elimination of fractional entitlements to the New Shares, if any, as mentioned below.

LETTER FROM THE BOARD

Subject to the fulfilment of all of the conditions of the Capital Reorganization, dealings in the New Shares are expected to commence on Wednesday, 10 March 2004. The New Shares will continue to be traded in board lot size of 1,000. Based on the closing price of HK\$0.242 per Share at the Latest Practicable Date, the value of each board lot of the Shares was HK\$242. Assuming the Capital Reorganization has become effective and based on both the number of the Shares in issue and their closing price at the Latest Practicable Date, the value of each board lot of the New Shares would be HK\$2,420.

Reasons for Share Consolidation

In view of the relatively low market value of a board lot of the Shares, the Board believes that the Capital Reorganization, involving the Share Consolidation, will reduce the number of the board lots traded in the market which, in turn, will reduce the handling costs for both the Company and the Shareholders when dealing in the New Shares, such costs include charges on stock withdrawal and fees for the issue of share certificates.

Reasons for Capital Reduction

Since November 2001, the Shares have predominantly been trading below their par value, ranging between HK\$0.092 and HK\$0.197 per Share although as at the Latest Practicable Date, the closing price of the Shares was HK\$0.242 per Share. Since the Company is not permitted by law to issue the Shares below their par value without strict compliance with certain statutory procedures which are both costly and time consuming, the existing situation prevents the Company from issuing the Shares at a price acceptable to subscribers. The Capital Reduction affords the Company a greater flexibility in pricing when issuing the New Shares, thus facilitating the raising of funds by the Company when necessary. Presently the Company has no intention to issue any New Shares or to raise any working capital after the Effective Date.

Fractional entitlement

As a result of the Share Consolidation, some of the Shareholders holding odd lots of the Shares may be entitled to a fraction of a Consolidated Share and, upon the Capital Reorganization becoming effective, a fraction of a New Share in respect of their holdings. As empowered by article 63(A)(i) of the articles of association of the Company, it is proposed in the special resolution for the Capital Reduction to aggregate all fractional entitlements of a New Share and to sell the same for the benefit of the Company.

Effect of the Capital Reorganization

Implementation of the Capital Reorganization will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders to any material extent save for the payment of legal and administration expenses in relation to the Capital Reorganization which is estimated to be approximately HK\$1,100,000. The Directors believe that the Capital Reorganization will not have any material adverse effect on the financial position of the Group as a whole.

LETTER FROM THE BOARD

On the basis of 7,837,349,153 Shares in issue as at the Latest Practicable Date, the capital structure of the Company, both before and after the Effective Date, is summarized below:

	Prior to the Capital Reorganization	After the Share Consolidation but prior to the Capital Reduction	On the Effective Date
Nominal value of ordinary shares	HK\$0.20	HK\$2.00	HK\$0.20
Authorized capital	HK\$4,000,000,000	HK\$4,000,000,000	HK\$400,000,000
Number of ordinary shares in authorized capital	20,000,000,000	2,000,000,000	2,000,000,000
Number of ordinary shares in issue	7,837,349,153	783,734,915	783,734,915
Issued and fully paid up capital	HK\$1,567,469,830.60	HK\$1,567,469,830	HK\$156,746,983

As at the Latest Practicable Date, a total of 1,698,123,391 Warrants are outstanding. Assuming that all of the Warrants are exercised in full prior to the Effective Date, an additional 1,698,123,391 Shares will be in issue resulting in an additional credit of approximately HK\$305,662,210 arising from the Capital Reduction. Such credit, if so arisen, will also be transferred to the special capital reserve account of the Company as mentioned above.

Subject to the Capital Reorganization being effective, the subscription price of the Warrants will be adjusted in accordance with the terms and conditions under the instrument creating the Warrants whereby the subscription price of the Warrants will be increased by ten times from HK\$0.20 to HK\$2.00 per New Share. The Capital Reorganization will not have any other effect on the terms governing the Warrants and the adjustment to the subscription price of the Warrants has been certified by the Company's auditors in accordance with the instrument creating the Warrants.

Conditions of the Capital Reorganization

The Capital Reorganization is conditional upon:

- (i) the passing of an ordinary resolution to approve the Share Consolidation at the EGM;
- (ii) the passing of a special resolution to approve the Capital Reduction at the EGM;
- (iii) the confirmation of the Capital Reduction by the Court and the registration by the Registrar of Companies in Hong Kong of an office copy of the Court order and the minute containing the particulars required by Section 61 of the Companies Ordinance; and
- (iv) the Stock Exchange granting approval of the listing of, and permission to deal in, such New Shares as will be in issue upon the Capital Reorganization becoming effective.

The Capital Reorganization will become effective when all of the above conditions have been fulfilled, which is expected to be on 10 March 2004.

LETTER FROM THE BOARD

Odd lots arrangement and matching services

Owing to the Share Consolidation, some of the Shareholders holding full board lots of the Shares before the Capital Reorganization may result in holding odd lots of the New Shares on the Effective Date. In order to facilitate the trading of odd lots of the New Shares as a result of the Capital Reorganization, the Company has appointed Sun Hung Kai Investment Services Limited of Level 12, One Pacific Place, 88 Queensway, Hong Kong as the agent to match, on a “best effort” basis, the sale and purchase of odd lots of the New Shares. Based on 10 March 2004 as the Effective Date, the matching services will take place during the period from 24 March 2004 up to and including 19 April 2004. Such arrangement is made in order to facilitate those Shareholders who wish to dispose of or top up their odd lots of the New Shares. The Shareholders who wish to take advantage of this facility should contact Miss Connie Cheung of Sun Hung Kai Investment Services Limited (Tel. (852) 2822 5075) during the period. The Shareholders should note that the matching of the sale and purchase of odd lots of the New Shares is not guaranteed.

The Shareholders are recommended to consult their licensed securities dealers, bank managers, solicitors, professional accountants or other professional advisers if they are in any doubt about the facility described above.

Free exchange of certificates for the New Shares and parallel trading arrangement

On the Capital Reorganization becoming effective, all certificates for any number of the Shares, which is yellow in colour, will be deemed to be certificates for the New Shares to the extent as effective documents of title on the basis of every ten Shares for one New Share. Dealings in the New Shares will commence on the Effective Date, which is expected to be 10 March 2004. Parallel trading arrangement for the New Shares in the form of new certificates, which will be pink in colour, and in the form of existing certificates for the Shares will be established with the Stock Exchange. On the basis of the Effective Date falling on 10 March 2004, parallel trading will commence on 24 March 2004 and continue until 19 April 2004, both days inclusive, in the following manner:

- (i) with effect from 9:30 a.m. on Wednesday, 10 March 2004, a temporary counter for trading in the New Shares, represented by existing yellow colour certificates in board lots of 100 New Shares each, will be established. All existing certificates for the Shares will be valid for settlement and delivery for trading transacted at this counter on the basis of every ten Shares represent one New Share. The original counter for trading in the Shares in board lots of 1,000 each will be temporarily closed with effect from 9:30 a.m. on the same day; and
- (ii) with effect from 9:30 a.m. on Wednesday, 24 March 2004, the original counter will be re-opened and will become a counter for trading in the New Shares solely in board lots of 1,000 New Shares each. Only pink coloured certificates for the New Shares can be traded at this counter.

LETTER FROM THE BOARD

The temporary counter for trading in the New Shares in board lots of 100 New Shares each as represented by existing certificates for the Shares will be removed after 4:00 p.m. on Monday, 19 April 2004. Thereafter, trading will only be in the form of pink coloured certificates for the New Shares in board lots of 1,000 each. The existing certificates for the Shares will then cease to be marketable and not be acceptable for delivery and settlement purposes, but will remain effective as documents of title on the basis of every ten Shares for one New Share.

On the assumption that the Effective Date falls on 10 March 2004, the Shareholders may from 10 March 2004 to 22 April 2004, both days inclusive, send their existing certificates for the Shares to the Registrar at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong in exchange, at the expense of the Company, for new certificates for the New Shares. During this period, it is expected that the new certificates will be available for collection within ten business days (other than Saturdays) after the submission of the existing certificates to the Registrar. Thereafter, certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each certificate for the Shares cancelled or for each certificate issued for the New Shares, whichever number of certificates cancelled or issued is higher. Nevertheless, existing certificates for the Shares will continue to be good evidence of legal title and may be exchanged for certificates for the New Shares at any time.

Listing, dealings and trading arrangement for the New Shares

Application has been made to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the New Shares in issue on the Capital Reorganization becoming effective.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

PROPOSED GENERAL MANDATES

At the annual general meeting of the Company held on 15 May 2003, ordinary resolutions were passed for the granting of general mandates to the Directors (i) to repurchase securities of the Company up to a maximum of 10% of the aggregate nominal amount of the relevant class of securities in issue on that day; and (ii) to allot, issue or otherwise deal with any additional Shares or securities convertible into the Shares or options, warrants or similar

LETTER FROM THE BOARD

rights to subscribe for the Shares, and to make or grant offers, agreements or options which would or might require the exercise of such powers, up to a maximum of 20% of the aggregate nominal amount of the issued capital of the Company as at 15 May 2003. Under the provisions of the Listing Rules and the terms of these general mandates, the mandates shall lapse if, inter alia, they are revoked by ordinary resolution of the Shareholders in general meeting.

As a result of the Capital Reorganization, the aggregate nominal amount of the issued capital of the Company will differ from that on 15 May 2003. Thus the existing mandates to the Directors to issue and repurchase the Shares will not be applicable on and after the Effective Date. Taking the opportunity afforded by the EGM, it is proposed in the form of the ordinary resolutions numbered 2 and 3 as set out in the notice convening the EGM to revoke the existing general mandates and to grant to the Directors the General Mandates with authority (i) to repurchase securities representing up to a maximum of 10% of the aggregate nominal amount of the relevant class of securities of the Company in issue at the Effective Date; and (ii) to allot, issue or otherwise deal with securities of the Company not exceeding 20% of the aggregate nominal amount of the capital of the Company in issue also at the Effective Date. A further ordinary resolution, which is numbered 4 as set out in the notice convening the EGM, will be proposed to extend the mandate to allot and issue securities of the Company by adding to it the number of securities of the Company repurchased under the repurchase mandate after the granting of the General Mandates.

The Directors believe that it is in the interests of the Company and the Shareholders as a whole to grant the General Mandates at the EGM. An explanatory statement with all the information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the resolution concerning the repurchase mandate of the General Mandates is set out in the appendix to this circular.

ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

During the year ended 31 December 2003, the Group adopted Statement of Standard Accounting Practice (“SSAP”) 12 (Revised) “Income Taxes” issued by the Hong Kong Society of Accountants. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy was applied to the Group retrospectively. The adoption of SSAP 12 (Revised) may result in additional provision for deferred taxation, which might require adjustment to the opening balance of reserves as at 1 January 2003 and the amount of such adjustment, if any, will be disclosed in due course.

LETTER FROM THE BOARD

EXTRAORDINARY GENERAL MEETING

Set out in this circular is a notice convening the EGM, which will be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 16 February 2004 at 9:00 a.m., for the purpose of considering and, if thought fit, passing resolutions to approve the Capital Reorganization and the grant of the General Mandates.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it as soon as possible to the Registrar at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not prevent a Shareholder from attending and voting in person at the EGM or any adjourned meeting thereof if he so wishes. In the event of a Shareholder having returned the form of proxy to the Registrar attends the EGM, his form of proxy will be deemed to have been revoked.

RECOMMENDATION

The Board considers that the Capital Reorganization and the grant of the General Mandates are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of all the resolutions to be proposed at the EGM for the purpose of approving the Capital Reorganization and the grant of the General Mandates.

GENERAL

Your attention is drawn to the appendix to this circular.

The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the case of any inconsistency.

Yours faithfully,
On behalf of the Board
Tian An China Investments Company Limited
Ng Qing Hai
Managing Director

This appendix serves as the explanatory statement required by the Listing Rules to be sent to shareholders in connection with the repurchase by companies with a primary listing on the Stock Exchange of their own securities. The intention of this explanatory statement is to provide the Shareholders with all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the proposed mandate to be granted to the Directors to repurchase securities of the Company.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued capital of the Company was HK\$1,567,469,830.60, consisting of 7,837,349,153 fully paid Shares, with 1,698,123,391 Warrants outstanding. Based on such number of the Shares in issue (which will be converted into 783,734,915 New Shares after the Capital Reorganization becoming effective) and the number of the outstanding Warrants and assuming that the Company will not allot and issue any Shares between the Latest Practicable Date and the Effective Date whether pursuant to the exercise of the Warrants or otherwise, the Company will be permitted under the proposed repurchase mandate to repurchase a maximum of 78,373,491 New Shares and 169,812,339 Warrants carrying the right to subscribe for up to 169,812,339 New Shares during the period in which the repurchase mandate remains in force.

2. REASON FOR THE REPURCHASE

The Board believes that it is in the best interests of the Company and the Shareholders as a whole for the Directors to have a general authority from the Shareholders to enable the Company to repurchase its securities in the market. Any repurchase of securities of the Company may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value or earnings per New Share or both and will only be made when the Board believes that a repurchase will benefit the Company and the Shareholders.

3. FUNDING OF REPURCHASE

Any repurchase of securities of the Company would be funded entirely from the cash flow or working capital facilities available to the Company, and will, in any event be made out of funds legally available for the purpose in accordance with the memorandum and articles of association of the Company and the applicable laws of Hong Kong and the Listing Rules.

The Directors would not propose to exercise the proposed repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing position which, in the opinion of the Directors, are from time to time appropriate for the Company.

4. INTENTION OF DEALINGS

None of the Directors, to the best of their knowledge and having made all reasonable enquiries, and their associates (as defined in the Listing Rules) has any present intention to sell any securities of the Company to the Company if the proposed repurchase mandate is approved by the Shareholders at the EGM.

No connected persons (as defined in Listing Rules) of the Company have notified the Company that they have a present intention to sell to the Company any securities of the Company held by them or have undertaken not to sell to the Company any securities of the Company held by them in the event that the proposed repurchase mandate is approved by the Shareholders at the EGM.

5. SHARE REPURCHASED

An aggregate of 653,372,654 Shares have been repurchased by the Company during the six months immediately preceding the Latest Practicable Date. The repurchase of these Shares was made on 20 August 2003 and the purchase price was HK\$0.15 per Share.

6. SHARE PRICES

The highest and lowest prices at which the securities have been traded on the Stock Exchange during each of the previous twelve months were as follows:

	Shares		Warrants	
	Highest (HK\$)	Lowest (HK\$)	Highest (HK\$)	Lowest (HK\$)
2003				
January	0.127	0.103	0.017	0.010
February	0.132	0.118	0.021	0.013
March	0.126	0.112	0.016	0.011
April	0.123	0.110	0.014	0.011
May	0.132	0.117	0.017	0.011
June	0.149	0.119	0.029	0.013
July	0.142	0.125	0.027	0.019
August	0.162	0.126	0.040	0.019
September	0.168	0.145	0.048	0.029
October	0.185	0.154	0.050	0.031
November	0.195	0.168	0.049	0.032
December	0.195	0.174	0.048	0.027
2004				
1 January to the Latest Practicable Date	0.255	0.178	0.073	0.290

7. UNDERTAKING OF DIRECTORS

The Directors have undertaken to the Stock Exchange that they will exercise the proposed repurchase mandate in accordance with the Listing Rules and the applicable laws of Hong Kong.

8. GENERAL

If as a result of repurchase by the Company of its securities, a proportionate interest in the voting rights of the Company held by a Shareholder increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could, under such circumstances, obtain or consolidate control of the Company or become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeover Code. As at the Latest Practicable Date, Sun Hung Kai & Co. Limited (“SHK”) and China Online (Bermuda) Limited (“COB”) (not being persons who pursuant to an agreement or understanding (whether formal or informal) actively cooperate to obtain or consolidate control of the Company) were directly and/or indirectly interested in an aggregate of 3,794,079,379 Shares and 855,200,000 Shares respectively, representing approximately 48.41% and 10.91% of the issued share capital of the Company. Based on such interests and assuming that no further Shares are issued (whether pursuant to the exercise of the Warrants or otherwise) or repurchased prior to the Capital Reorganization becoming effective and in the event that the Directors exercise in full the power to repurchase the New Shares under the proposed repurchase mandate, the interests of SHK and COB after the Capital Reorganization would be increased to approximately 53.79% and 12.12% respectively. Accordingly, the increase in the interest of SHK will give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Takeovers Code.

In the event that the repurchase mandate is exercised in full, the number of the relevant class of securities of the Company held by the public will not fall below 25% of the total number of that class of securities then in issue.

NOTICE OF EXTRAORDINARY GENERAL MEETING



天安中國投資有限公司

TIAN AN CHINA INVESTMENTS COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Tian An China Investments Company Limited will be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 16 February 2004 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, the first four of which will be proposed as Ordinary Resolutions and the last one will be proposed as a Special Resolution:

ORDINARY RESOLUTIONS

1. “**THAT** immediately before the proposed reduction of capital referred to in the Special Resolution numbered 5 set out in the Notice convening this Meeting taking effect, every ten issued and unissued ordinary shares of HK\$0.20 each in the capital of the Company be consolidated into one ordinary share of HK\$2.00.”
2. “**THAT**, subject to and forthwith upon the proposed reduction of capital referred to in the Special Resolution numbered 5 set out in the Notice convening this Meeting (the “Capital Reduction”) taking effect:
 - (1) the general and unconditional mandate granted to the Directors of the Company in the form of an Ordinary Resolution passed at the Annual General Meeting of the Company held on 15 May 2003 to repurchase securities of the Company be and is hereby revoked;
 - (2) (a) subject to sub-paragraph (b) of this paragraph (2), the exercise by the Directors of the Company during the Relevant Period (as defined in sub-paragraph (c) of this paragraph (2)) of all the powers of the Company to repurchase its own securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the relevant class of securities may be listed and recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) or those of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the aggregate nominal amount of the securities of the Company to be repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the approval given in sub-paragraph (a) of this paragraph (2) during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the relevant class of securities of the Company in issue at the date when the Capital Reduction becomes effective and the approval granted under sub-paragraph (a) of this paragraph (2) shall be limited accordingly; and
 - (c) for the purpose of this Resolution, “Relevant Period” means the period from the date when the Capital Reduction becomes effective until the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of Hong Kong to be held; and
 - (iii) the revocation or variation of the authority given under this Resolution by an Ordinary Resolution of the shareholders of the Company in general meeting.”
- 3. “**THAT**, subject to and forthwith upon the proposed reduction of capital referred to in the Special Resolution numbered 5 set out in the Notice convening this Meeting (the “Capital Reduction”) taking effect:
 - (1) the general and unconditional mandate granted to the Directors of the Company in the form of an Ordinary Resolution passed at the Annual General Meeting of the Company held on 15 May 2003 to allot and issue securities of the Company be and is hereby revoked;
 - (2) (a) subject to sub-paragraph (c) of this paragraph (2), the exercise by the Directors of the Company during the Relevant Period (as defined in sub-paragraph (d) of this paragraph (2)) of all the powers of the Company to allot, issue or otherwise deal with the ordinary shares of HK\$0.20 each in the capital of the Company arising from the Capital Reduction (the “New Shares”) or securities convertible into the New Shares or options, warrants or similar rights to subscribe for any New Shares, and to make or grant offers, agreements and options which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the approval given in sub-paragraph (a) of this paragraph (2) shall authorize the Directors of the Company during the Relevant Period to make or grant offers, agreements or options which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval given in sub-paragraph (a) of this paragraph (2), otherwise than pursuant to:
 - (i) a Rights Issue (as defined in sub-paragraph (e) of this paragraph (2)); or
 - (ii) the exercise of the rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into the New Shares; or
 - (iii) any scrip dividend or similar arrangement providing for the allotment of the New Shares in lieu of the whole or part of a dividend on the New Shares in accordance with the memorandum and articles of association of the Company from time to time; or
 - (iv) the exercise of any option granted under any option scheme or similar arrangement for the time being adopted for the grant or issue to the officers or the employees of the Company or any of its subsidiaries of options to subscribe for, or rights to acquire, the New Shares;shall not exceed 20% of the aggregate nominal amount of the capital of the Company in issue at the date when the Capital Reduction becomes effective, and the approval granted under sub-paragraphs (a) and (b) of this paragraph (2) shall be limited accordingly;
- (d) for the purpose of this Resolution, “Relevant Period” means the period from the date when the Capital Reduction becomes effective until the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of Hong Kong to be held; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (iii) the revocation or variation of the authority given under this Resolution by an Ordinary Resolution of the shareholders of the Company in general meeting; and
 - (e) for the purpose of this Resolution, “Rights Issue” means the allotment, issue or grant of the New Shares pursuant to an offer of the New Shares or other securities open for a period fixed by the Directors of the Company to the holders of the New Shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such New Shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory applicable to the Company).”
- 4. “**THAT**, subject to and conditional upon the passing of the Ordinary Resolutions numbered 2 and 3 set out in the Notice convening this Meeting, the general mandate granted to the Directors of the Company to exercise the powers of the Company to allot, issue and otherwise deal with the ordinary shares or other securities of the Company pursuant to the Ordinary Resolution numbered 3 mentioned above be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted by the Directors of the Company pursuant to such general mandate an amount representing the aggregate nominal amount of the relevant class of securities of the Company repurchased by the Company under the authority granted pursuant to the Ordinary Resolution numbered 2 mentioned above provided that such amount shall not exceed 10% of the aggregate nominal amount of the capital of the Company in issue at the date when the proposed reduction of capital referred to in the Special Resolution numbered 5 set out in the Notice convening this Meeting takes effect.”

SPECIAL RESOLUTION

- 5. “**THAT**, subject to and conditional upon the passing of the Ordinary Resolution numbered 1 set out in the Notice convening this Meeting for the purpose of consolidating every ten issued and unissued ordinary shares of HK\$0.20 each in the capital of the Company into one ordinary share of HK\$2.00 (the “Consolidated Share”):
 - (a) the capital of the Company be reduced from HK\$4,000,000,000 divided into 2,000,000,000 Consolidated Shares of HK\$2.00 each to HK\$400,000,000 divided into 2,000,000,000 ordinary shares of HK\$0.20 each (the “New Shares”) and that such reduction be effected by cancelling

NOTICE OF EXTRAORDINARY GENERAL MEETING

paid up capital to the extent of HK\$1.80 on each of the Consolidated Share in issue and by reducing the nominal value of all the Consolidated Shares from HK\$2.00 each to HK\$0.20 each; and

- (b) all fractions of New Shares to which holders of the ordinary shares of HK\$0.20 each in the capital of the Company would otherwise be entitled be aggregated and sold for the benefit of the Company and that a person nominated by the Company be appointed to transfer the shares so sold to the purchaser or purchasers thereof and to do all such acts and things and execute all such documents including without limitation the instruments of transfer on behalf of such holders as may be necessary to effect the transfers.”

By Order of the Board
Tian An China Investments Company Limited
Ng Qing Hai
Managing Director

Hong Kong, 20 January 2004

Registered office:

27th Floor, China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and, on a poll, to vote in his stead. A proxy need not be a member of the Company.
2. A form of proxy for use at the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible. Completion and return of the form of proxy will not prevent you from attending and voting in person at the Meeting or any adjourned meeting thereof if you so wish. In the event that you attend the Meeting after having returned the completed form of proxy, your form of proxy will be deemed to have been revoked.
3. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney, must be deposited at the Company's registrar, Secretaries Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for the Meeting or any adjournment thereof.
4. Where there are joint holders of a share, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the Meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company shall alone be entitled to vote in respect of such share.