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TAI SANG LAND DEVELOPMENT LIMITED

大生地產發展有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 89)

ANNOUNCEMENT MAJOR TRANSACTION DISPOSAL OF A SUBSIDIARY

Further to the announcement of the Company dated 16 June 2006, the Company and the Purchaser had on 3 July 2006 entered into the Agreement pursuant to which the Company had conditionally agreed to sell to the Purchaser and the Purchaser had conditionally agreed to acquire the Sale Shares from the Company. The Sale Shares represent the entire issued share capital of the Property Company. Details of the Agreement are set out below.

The Disposal and the Loan Repayment together constitute a major transaction for the Company under the Listing Rules and will be subject to the approval of the Shareholders. The Company had obtained from the Majority Shareholders their written approval with respect to the Disposal, the Agreement and the transactions contemplated thereunder (including the Loan Repayment). The Company will despatch a circular to the Shareholders as soon as possible giving particulars of the Disposal and the Agreement in accordance with the provisions of the Listing Rules.

Trading in the Shares has been suspended at the request of the Company with effect from 9:30 a.m. on 4 July 2006 pending the release of this announcement. Application has been made to the Stock Exchange for resumption in trading of the Shares with effect from 9:30 a.m. on 6 July 2006.

Reference is made to the announcement of the Company dated 16 June 2006 regarding the proposed disposal by the Company of the Properties through the sale of the Property Company subject to the entering into of a formal agreement. The Company and the Purchaser had on 3 July 2006 entered into the Agreement, details of which are set out below.

THE AGREEMENT DATED 3 JULY 2006

1. The parties

Seller : the Company

Purchaser : MGI HK Investments, a company incorporated in the Cayman Islands. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owners are independent of the Company and its connected persons as defined under the Listing Rules.

2. Assets to be disposed of

The Company has pursuant to the Agreement conditionally agreed to sell to the Purchaser the Sale Shares. The Sale Shares represent the entire issued share capital of the Property Company.

Information on the Property Company

The Property Company is incorporated in Hong Kong with limited liability on 21 August 1963 with an issued share capital of HK\$915,960 divided into 915,960 shares of HK\$1 each and is a wholly-owned subsidiary of the Company. After Completion, the Company will no longer have any interest in the Property Company and the Property Company will cease to be a subsidiary of the Company. The principal activity of the Property Company is the holding of the Properties.

The Properties are located at the Warehouse Centre, which was completed in 1987, and comprise factory units and parking spaces. The aggregate book value of the Properties as at 31 December 2005 was HK\$215,000,000. All the Properties, other than the Canteen Space which is retained for the Group's use, are held by the Property Company for rental purpose and currently generate gross rental income of approximately HK\$1,320,000 per month.

The Properties were valued at HK\$230,000,000 as at 30 June 2006 by AA Properties Services Limited, an independent property valuer, and the valuation report will be included in the circular to be dispatched to the Shareholders.

Financial information on the Property Company

The net asset value, net profits before and after taxation and the turnover in respect of the Property Company for the two years ended 31 December 2005 and 2004 were extracted from the audited financial statements of the Property Company, and their respective percentage (%) over the audited consolidated net asset value, audited consolidated net profits before and after taxation and the turnover of the Group for the two years ended 31 December 2005 and 2004 were set out as follows:

	2005		2004	
	<i>HK\$</i>	<i>%</i>	<i>HK\$</i>	<i>%</i>
Net asset value	107,133,849	5.48	90,576,559	5.32
Net profits before taxation	23,972,325	7.47	17,169,418	6.23
Net profits after taxation	19,763,150	7.16	14,150,753	5.85
Turnover	14,854,111	8.26	13,809,511	7.81

As at the date of the Agreement, an amount of approximately HK\$28,400,000 was due and owing by the Property Company to the Company.

3. Conditions

Completion is subject to the following conditions:

- (a) (i) the obtaining of written approval of the Shareholders of the transactions contemplated under the Agreement from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company giving the right to attend and vote at a general meeting to approve the transactions contemplated by the Agreement in accordance with Rule 14.44 of the Listing Rules; or
- (ii) where the Stock Exchange considers that no written approval from the Shareholders may be obtained under Rule 14.44 of the Listing Rules, the Shareholders in general meeting having passed resolution(s) approving the transactions contemplated by the Agreement and the entering into by the Company of the Agreement;
- (b) the Company having delivered to the Purchaser the release or discharge of the Assignment of Rental Proceeds and the Mortgage, both duly executed by The Hongkong and Shanghai Banking Corporation Limited and attested by a practising solicitor in Hong Kong together with certified copy(ies) of the relevant and valid power of attorney and power of substitution (if any) created by The Hongkong and Shanghai Banking Corporation Limited authorizing due execution of such release by the attorney, the completed Memorial Form (in respect of the Mortgage only) and Memorandum of Satisfaction and the relevant filing fee PROVIDED that this condition shall be deemed to have been satisfied upon the Company's solicitors delivering written undertakings on Completion to the Purchaser and the Purchaser's solicitors to deliver such documents referred to above to the Purchaser's solicitors within 21 days following Completion;
- (c) the Company having provided the Purchaser with the unaudited management accounts of the Property Company made up from the first day of the calendar month in which the Completion Date falls to the Completion Date evidencing that save and except the Loan and the tenancy rental deposits under the tenancies in respect of the Properties, all amounts owed to the Property Company from any person and all amounts owed by the Property Company to any person (including, without limitation, all non-trade and bank indebtedness) have been repaid; and
- (d) where applicable, the Company having obtained the necessary consents from its banks such that the entering into of the Agreement by the Company and the transactions contemplated thereunder will not constitute a default under any of the bank facility documents of which the Property and/or the Property Company is a party.

The Purchaser may in writing waive in whole or in part all or any of the Conditions (other than Condition (a) which cannot be waived) or extend the period in which all or any of the Conditions are to be satisfied. An announcement will be made by the Company if the Purchaser does waive any of the Conditions.

If (i) any fact which would prevent any of the Conditions from being satisfied on the Completion Date comes to the knowledge of the Purchaser; or (ii) any of the Conditions is not fulfilled or waived by the Purchaser on or before 30 September 2006, the Purchaser may terminate the Agreement by notice in writing to the Company. If the Agreement is terminated, all obligations of the Purchaser and the Company under the Agreement shall end except for those expressly stated to continue without limit in time but all rights and liabilities which have accrued before termination shall continue to exist.

Subject to fulfillment or waiver of the Conditions, Completion shall take place on the Completion Date.

4. **The Consideration**

The aggregate amount payable by the Purchaser to the Company under the Agreement shall be HK\$270,000,000 of which the consideration for the Sale Shares shall be HK\$270,000,000 less the amount of the Loan, subject to adjustments as set out below. The parties have agreed that the total consideration payable under the Agreement is HK\$270,000,000, and since it is agreed that the Loan will be repaid by the Purchaser on behalf of the Property Company to the Company at Completion on a dollar for dollar basis, the sum after deducting the Loan amount from HK\$270,000,000 is the consideration for the Sale Shares.

The Consideration has been / shall be paid by the Purchaser as follows:

- (a) an amount of HK\$8,400,000 being earnest moneys has been paid by the Purchaser to the Company's solicitors and held in escrow prior to the signing of the Agreement;
- (b) the sum of HK\$18,600,000 has been paid by the Purchaser to the Company's solicitors as stakeholders upon signing of the Agreement, which together with the sum of HK\$8,400,000 referred to in paragraph (a) above, shall be treated as deposit and held in escrow by the Company's solicitors and released to the Company upon Completion; and
- (c) the balance of the Consideration in the sum of HK\$243,000,000 shall be paid by the Purchaser to the Company upon Completion of which:-
 - (i) an amount required for the release and discharge of the Mortgage and Assignment of Rental Proceeds shall be paid to The Hongkong and Shanghai Banking Corporation Limited, if such amount has not been paid by the Company prior to Completion; and
 - (ii) an amount representing the amount of the Loan shall be paid to the Company for the purpose of the Loan Repayment.

Under the Agreement, following Completion, the Completion Balance Sheet will be prepared and the Consideration will be adjusted in the following manner:

- (1) if the amount of Adjustment Assets is greater than the amount of the Adjustment Liabilities, the Purchaser shall pay to the Company an amount equal to such excess; and
- (2) if the amount of Adjustment Assets is less than the amount of Adjustment Liabilities, the Company shall pay to the Purchaser an amount equal to such deficit.

It is expected that any adjustments to the Consideration would not affect the classification of the notifiable transaction of the Company in respect of the Disposal. However, if any adjustments to the Consideration are required to be made under the Agreement and such adjusted amount of the Consideration results in a change of classification of notifiable transaction under Chapter 14 of the Listing Rules in respect of the Disposal and the Loan Repayment, the Company will re-comply with the disclosure and shareholders' approval requirements.

The Consideration was arrived at after arms length negotiations between the Company and the Purchaser by reference to current market conditions and is comparable to the market price of similar properties in the same area.

5. Other principal terms of the Agreement

The Agreement provides that on Completion, the Purchaser and the Company will enter into a licence agreement pursuant to which the Company will be granted a licence to use and occupy the Canteen Space at the nominal licence fee of HK\$1 for a maximum period of three months. The Canteen Space is intended to be used by the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Properties were valued at HK\$230,000,000 as at 30 June 2006 by AA Properties Services Limited, an independent property valuer, and the Company considers the Consideration attractive when compared such valuation with the valuation of the Properties as at 31 December 2005 of HK\$215,000,000 also made by AA Properties Services Limited. The Consideration represents a premium of approximately 17.4% of HK\$230,000,000, being the value of the Properties based on the valuation as at 30 June 2006. The Company considers that the Disposal gives the Company an opportunity to dispose of the Properties at an attractive price in comparison to the current yield on the Properties. Given that the Company does not own the entire floor areas of Warehouse Centre where the Properties are situated, the Group may encounter difficulties in proposing application for change of use or future development of Warehouse Centre, hence it is beneficial for the Group as a whole to dispose of the Properties at an attractive price.

The Directors (including the independent non-executive directors) consider that the Consideration and the terms of the Disposal are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

According to the audited consolidated financial statement of the Group, the fair value of the Properties was HK\$215,000,000 as at 31 December 2005. The fair value of the Properties as at 30 June 2006 was HK\$230,000,000 after taking into accounts the valuation conducted by AA Property Services Limited, an independent property valuer, on the Properties. Accordingly, the Disposal at the Consideration of HK\$270,000,000 will give rise to a gain of approximately HK\$40,000,000 (subject to audit) for the Group based on its fair value as at 30 June 2006. The deferred tax liabilities of the Group in relation to the holding of the Properties will also be reduced by approximately HK\$34,782,000 as at 30 June 2006 following the Disposal.

USE OF PROCEEDS

The gross proceeds receivable by the Company pursuant to the Agreement are HK\$270,000,000 and the net proceeds are expected to be approximately HK\$220,000,000. The Company intends to apply approximately HK\$100,000,000 out of the net proceeds to reduce its borrowings with the remaining balance being retained for working capital purposes pending investment opportunities which the Company may consider attractive. Currently the Company has not identified any investment opportunities yet.

MAJOR TRANSACTION

As the amount of the relevant percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules exceeds 25%, the Disposal and the Loan Repayment together constitute a major transaction for the Company under the Listing Rules and is subject to approval by the Shareholders by a majority vote at a general meeting, or obtaining of a written approval approving the Disposal and the Loan Repayment from a Shareholder or a closely allied group of Shareholders which in aggregate hold more than 50% of the issued share capital giving the right to attend and vote at that general meeting of the Company, provided that no Shareholder is required to abstain from voting at the said meeting.

As no Shareholder has a material interest in the Disposal or the Agreement, no Shareholder is required to abstain from voting at the general meeting of the Company if a general meeting were convened to approve the Disposal, the Agreement and the transactions contemplated thereunder (including the Loan Repayment), and the Company has obtained the written approval of the Majority Shareholders, who are a closely allied group of Shareholders, with respect to the Disposal, Agreement and the transactions contemplated thereunder (including the Loan Repayment). The Majority Shareholders have also undertaken with the Purchaser that if the Company is required by the Stock Exchange to convene a general meeting to approve the Disposal, the Agreement and the transactions contemplated thereunder (including the Loan Repayment), they will (a) vote in favour of the resolution(s) to be proposed at such meeting and (b) continue to hold in aggregate more than 50% of the issued share capital of the Company prior to the close of such meeting.

As at the date of this announcement, the Majority Shareholders are together interested in 158,246,458 Shares representing approximately 55.01% of the issued share capital of Company. Details of the Majority Shareholders and their respective shareholding in the Company are as follows:

Name of Majority Shareholder	No. of Shares held	Approximate shareholding percentage
Kam Chan & Company, Limited	112,248,758	39.02%
Gold Fortune Investment Co. Ltd.	15,488,636	5.38%
Suremark Limited	3,964,405	1.38%
Montgomery Securities Limited	5,406,422	1.88%
Holston Investment Limited	21,138,237	7.35%

Mr. William Ma Ching Wai, a Director, has a controlling interest in each of Holston Investment Limited and Kam Chan & Company, Limited. Each of Gold Fortune Investment Co. Ltd., Suremark Limited and Montgomery Securities Limited is a wholly-owned subsidiary of Kam Chan & Company, Limited and Kam Chan & Company, Limited controls the board of each of Gold Fortune Investment Co. Ltd., Suremark Limited and Montgomery Securities Limited.

The Company will despatch a circular to the Shareholders as soon as possible giving particulars of the Disposal and the Agreement in accordance with the provisions of the Listing Rules.

PRINCIPAL ACTIVITIES OF THE GROUP AND THE PURCHASER

The principal activities of the Company are investment holding and property investment. The activities of the principal subsidiary companies include property rental, property development, finance, estate management and agency, investment holding, motor vehicle rental, property trading and management service.

The principal activities of the Purchaser are investment holding and property investment.

GENERAL

Trading in the Shares has been suspended at the request of the Company with effect from 9:30 a.m. on 4 July 2006 pending the release of this announcement. Application has been made to the Stock Exchange for resumption in trading of the Shares with effect from 9:30 a.m. on 6 July 2006.

As at the date of this announcement, the Board comprised of twelve Directors, of which Mr Ma Ching Wai, William, Mr Ma Ching Kuen, Alfred, Ms Ma Ching Sau, Amy, Ms Ma Ching Man, Katy, Ms Ma Ching Keung, Ruth, Mr Ma Ching Hang, Patrick, Ms Ma Ching Kwai, Ida and Mr Ma Ching Yeung, Philip are executive directors, Mr Cheung Wing Yui, Edward is a non-executive director, and Mr Chau Kwok Fun, Kevin, Mr Tan Soo Kiu and Mr Wong Hing Kwok, William are independent non-executive directors.

DEFINITIONS

“Adjustment Assets”	the total assets of the Property Company excluding (i) the Properties; (ii) fixed assets; (iii) leasehold improvements, (iv) rent arrears in relation to the Properties; and (v) pre-paid expenses in relation to the Properties (including renovation works but excluding government rates) based on the Completion Balance Sheet
“Adjustment Liabilities”	the total liabilities of the Property Company excluding (i) tenancy deposits under the tenancies, sub-tenancies and licences in respect of the Properties; and (ii) any deferred tax liability, based on the Completion Balance Sheet
“Agreement”	the conditional agreement dated 3 July 2006 entered into by the Company and the Purchaser pursuant to which the Company agreed to sell the Sale Shares to the Purchaser and the Purchaser agreed to purchase the Sale Shares
“Assignment of Rental Proceeds”	the assignment of rental proceeds made between the Property Company and The Hongkong and Shanghai Banking Corporation Limited dated 10 January 2000
“Board”	the board of Directors
“Canteen Space”	the canteen space located at 19th Floor of Phase II of Warehouse Centre
“Company”	Tai Sang Land Development Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Agreement
“Completion Balance Sheet”	the balance sheet of the Property Company as at the Completion Date
“Completion Date”	the Initial Completion Date or the Deferred Completion Date (if any)
“Conditions”	the conditions precedent to Completion, as more particularly set out under the section headed “3. Conditions” of this announcement
“Consideration”	the sum of HK\$270,000,000 being the aggregate amount payable by the Purchaser to the Company under the Agreement

“Deferred Completion Date”	the date to Completion is deferred as notified by the Company to the Purchaser, or by the Purchaser to the Company, the event that the Purchaser or the Seller (as the case may be) failed to comply with all its completion obligations on the Initial Completion Date
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares by the Company to the Purchaser pursuant to the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Initial Completion Date”	the later of 31 July 2006 or five business days from the fulfillment or waiver of all the Conditions, or such other date as may be agreed by the parties to the Agreement
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the outstanding principal of the loan owing by the Property Company to the Company as at the Completion Date, together with all interest accrued thereon up to and including the Completion Date
“Loan Repayment”	the repayment of the Loan by the Purchaser on behalf of the Property Company to the Company at Completion on a dollar for dollar basis
“Majority Shareholders”	Kam Chan & Company, Limited, Gold Fortune Investment Co. Ltd., Suremark Limited, Montgomery Securities Limited and Holston Investment Limited, which together hold approximately 55.01% of the issued share capital of the Company
“Mortgage”	the mortgage made between the Property Company and The Hongkong and Shanghai Banking Corporation Limited dated 10 January 2000 and registered in the Land Registry by Memorial No. ST1136439

“Properties”	the Factory Units A and B on G/F, Upper G/F, 2/F to 12/F, Container Parking Space No. 1 of Phase I; Factory Units A and B on G/F, 10/F to 12/F, 14/F to 18/F, Canteen on 19/F, Container Parking Space nos. 1 and 2 of Phase II; Vehicle Parking Space Nos. P1 to P23 on 1/F; Lorry Parking Space Nos. L1 to L23 on 1/F; Reserved Areas of the Warehouse Centre owned by the Company
“Property Company”	Lee Sang On Investment Company, Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Purchaser”	MGI HK Investments, a company incorporated in the Cayman Islands
“Sale Shares”	915,960 shares of HK\$1 each in the Property Company representing the entire issued share capital of the Property Company
“Shareholders”	holders of Shares
“Shares”	share of HK\$1 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warehouse Centre”	Tai Sang Shatin Warehouse Centre, No. 6 Wong Chuk Yeung Street, Shatin, New Territories, Hong Kong

By Order of the Board
TAI SANG LAND DEVELOPMENT LIMITED
Ma Ching Man, Katy
Company Secretary

Hong Kong, 5th July 2006

Please also refer to the published version of this announcement in The Standard.