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澳門祥泰地產集團有限公司\*

MACAU PRIME PROPERTIES HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 199)**

**VERY SUBSTANTIAL DISPOSAL  
AND  
RESUMPTION OF TRADING**

**DISPOSAL OF TFH**

On 27th February, 2007, MPBVI, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser whereby MPBVI conditionally agreed to sell and assign, and the Purchaser conditionally agreed to purchase and accept the assignment of, the Sale Shares and the Sale Debt at the Consideration of HK\$110 million, which would be settled by the Purchaser as to HK\$20 million in cash and the remaining HK\$90 million by way of issue of the Note.

**SGM**

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and requires the approval by the Shareholders at the SGM. The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the entering into of the Agreement and the performance of the transactions contemplated thereunder. A circular containing, among other things, further details of the Disposal, financial information relating to the Group and the Remaining Group, the notice of the SGM and other information as required under the Listing Rules, will be despatched to the Shareholders as soon as practicable.

**RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 28th February, 2007 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 5th March, 2007.

**THE AGREEMENT**

**Date:** 27th February, 2007

**Parties:**

**Vendor:** MPBVI, a wholly-owned subsidiary of the Company and an investment holding company.

**Purchaser:** Master Journal Limited, an investment holding company incorporated in BVI with limited liability. Save for being a party to the Agreement, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser and all its shareholders are independent of the Company and its connected persons and are not connected persons of the Company.

**Assets to be disposed of:**

1. The Sale Shares, being the entire issued share capital of TFH. The consolidated net assets of the TFH Group attributable to the Group was approximately HK\$25.9 million as at 31st March, 2006; and
2. The Sale Debt, being the entire amount of the interest-free shareholder's loan owing from TFH to MPBVI as at Completion. As at the date of this announcement, the face value is approximately HK\$99.7 million.

\* For identification purpose only

## **Consideration**

Pursuant to the Agreement, the Consideration of HK\$110 million shall be paid by the Purchaser to MPBVI in the following manner:

- a deposit of HK\$5 million to be paid in cash within seven Business Days after the signing of the Agreement, which deposit will be applied as part payment of the Consideration upon Completion;
- a sum of HK\$15 million to be paid in cash upon Completion; and
- the remaining balance of HK\$90 million to be paid by way of issuing the Note upon Completion.

The Consideration was determined between MPBVI and the Purchaser after arm's length negotiations having taken into account the business potential and future prospects of the TFH Group and with reference to, among others, the consolidated net assets of the TFH Group attributable to the Group of approximately HK\$25.9 million as at 31st March, 2006 and the face value of the Sale Debt of approximately HK\$99.7 million immediately prior to the entering into of the Agreement. The Consideration of HK\$110 million represents a discount of approximately HK\$15.6 million to, or 12% of, the carrying value of the Sale Shares and the Sale Debt.

The profit margin of the TFH Group has been diminishing. For the two years ended 31st March, 2005 and 2006, the TFH Group recorded losses of approximately HK\$2 million and HK\$10.5 million respectively. The Directors consider that a significant amount of capital and human resources may be required to turnaround the operation of the TFH Group. Given the Group's principal businesses are property investment and development, it would be in the interest of the Group to dispose of the TFH Group and to relocate its resources used in managing and operating the TFH Group to its principal businesses. On this basis, the Directors consider the discount for the Sale Shares is reasonable.

## **Principal terms of the Note**

Principal amount: HK\$90 million

- Interest: 5% per annum payable on the Maturity Date and shall accrue from day to day (inclusive of the date of issue of the Note and the Maturity Date) and shall be calculated on the basis of the actual number of days elapsed in a year of 365 days.
- Maturity: The principal and interest accrued thereon are repayable in cash on the date falling six months after the date of the Note, i.e. the date of Completion.
- Security: Upon the issuance of the Note, the Purchaser shall deliver to MPBVI:
- (i) the Mortgage Agreement duly executed by the Purchaser in favour of MPBVI; and
  - (ii) the Deed duly executed by the Purchaser and TFH in favour of MPBVI,
- as security for the repayment of the Note.

## **Conditions precedent**

Completion shall be conditional upon:

- (a) the passing of an ordinary resolution by the Shareholders (other than those who are required to abstain from voting under the Listing Rules) at the SGM approving the entering into of the Agreement by MPBVI and the performance of the transactions contemplated thereunder;
- (b) the Purchaser notifying MPBVI in writing that it is reasonably satisfied with the due diligence review on the operational, financial and legal aspects of the TFH Group; and
- (c) the warranties given by MPBVI as contained in the Agreement remaining true and accurate in all material respects and not misleading in any material respect.

The Purchaser may in its absolute discretion at any time waive the above conditions precedent, other than item (a) above, by notice in writing to MPBVI, and such waiver may be subject to such terms and conditions as determined by the Purchaser.

If any of the conditions precedent above has not been fulfilled (or waived by the Purchaser in respect of items (b) and (c) above) on or before 26th June, 2007, either party to the Agreement shall be entitled to rescind the Agreement by giving written notice to the other and MPBVI shall refund the deposit of HK\$5 million (without interest) to the Purchaser whereupon the provisions of the Agreement shall from such date have no further force and effect and no parties to the Agreement shall have any liability under them (without prejudice to the rights of the parties thereto in respect of any antecedent breaches).

## **Completion**

Completion shall take place at or before 5:00 p.m. on the third Business Day after the fulfilment or waiver (as applicable) of the conditions precedent to the Agreement or such other date as the parties to the Agreement may agree in writing.

## INFORMATION ON THE TFH GROUP

TFH, a wholly-owned subsidiary of the Company, is an investment holding company, and the TFH Group is principally engaged in the business of manufacturing and sale of “Tung Fong Hung” branded Chinese pharmaceutical and health products, production and distribution of western pharmaceutical products.

Upon Completion, TFH will cease to be a subsidiary of the Company and the Remaining Group will not engage in the Disposed Business.

Set out below is the audited consolidated financial information of the TFH Group for each of the two years ended 31st March, 2005 and 2006 prepared in accordance with the HKFRS:

	Year ended 31st March,	
	2006	2005
	HK\$'million	HK\$'million
Turnover	324.8	289.4
Loss before taxation	(8.0)	(0.2)
Loss after taxation and minority interest	(10.5)	(2.0)
As at 31st March,		
	2006	2005
	HK\$'million	HK\$'million
Total assets	212.9	206.6
Net assets (after minority interest)	25.9	34.7

## REASONS FOR THE DISPOSAL

The Group is principally engaged in property development and investment in Macau, the PRC and Hong Kong. The Group is also engaged in securities investment, golf resort and hotel operations, trading of motorcycles and the Disposed Business. Based on the audited consolidated financial statements of the Group for the year ended 31st March, 2006 and assuming that the Completion has taken place on the same date, the Remaining Group would have total assets of approximately HK\$1,257 million and turnover of approximately HK\$518 million. These figures have not taken into account the acquisition of properties interests in Macau and the PRC completed subsequent to 31st March, 2006.

As stated in the 2005-2006 annual report of the Company, the Group has been actively exploring business opportunities with primary focus on property development and investment opportunities in Macau and surrounding area. In February and March 2006, the Group entered into agreements to acquire certain property interests in Macau and the PRC. Subsequent to the completion of the aforesaid acquisitions in June 2006, the Group entered into further agreements to acquire additional property interests in Macau and the PRC in October and November 2006 and January 2007 respectively. Currently, the Group's investment in property business has significantly outweighed its investment in the Disposed Business.

Given the intense competition encountered by the TFH Group, increasing marketing and selling expenses (including but not limited to advertisement and running costs of retail outlets) are required to attract customers. Technological advancement also leads to continuing investment for innovative products. In view of the above, the Board considers it an opportune time to dispose of the Disposed Business despite the Disposal is estimated to result in a loss of approximately HK\$14.9 million with reference to the carrying value of the Disposed Business as at 31st March, 2006. The exact amount of the loss on the Disposal is to be determined with reference to the carrying value of the Disposed Business to be set out in the completion accounts of TFH.

After Completion, the Remaining Group will concentrate on property development and investment, securities investment, golf resort and hotel operations, and trading of motorcycles. The Remaining Group will keep actively exploring business opportunities with primary focus on property development and investment in Macau and the PRC. The Board considers that the Disposal represents a good opportunity to align the business focus of the Group so that resources of the Remaining Group can be managed and utilized in a more efficient and effective manner with an aim to uplifting the return to the Shareholders.

In light of the above, the Directors consider that the terms of the Disposal fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## USE OF PROCEEDS

A substantial part of the Consideration will be settled by way of the issue of the Note while the remaining part of the Consideration in the amount of HK\$20 million will be paid in cash. The sale proceeds from the Disposal will be applied as general working capital of the Remaining Group.

## **LISTING RULES IMPLICATIONS**

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval by the Shareholders at the SGM. As the Purchaser is a third party independent of the Company and its connected persons and no Shareholder has a material interest in the Disposal which is different from the other Shareholders, no Shareholder is required to abstain from voting in respect of the proposed ordinary resolution to approve the Disposal at the SGM under the Listing Rules.

A circular containing further details of the Disposal, financial information relating to the Group and the Remaining Group, the notice of the SGM and other information as required under the Listing Rules, will be despatched to the Shareholders as soon as practicable.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 28th February, 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 5th March, 2007.

## **TERMS USED IN THIS ANNOUNCEMENT**

“Agreement”	the conditional sale and purchase agreement dated 27th February, 2007 entered into between MPBVI as vendor and the Purchaser as purchaser in relation to the Disposal
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“Completion”	completion of the Disposal
“Company”	Macau Prime Properties Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$110 million, being the consideration for the Disposal
“Deed”	the deed of assignment and subordination to be executed by the Purchaser in favour of MPBVI whereby all loans advanced or to be advanced by the Purchaser to TFH will be assigned and subordinated as security for the repayment of the Note
“Directors”	directors of the Company
“Disposal”	the proposed disposal of the Sale Shares and the Sale Debt by MPBVI to the Purchaser in accordance with the terms and conditions of the Agreement and the performance of the transactions contemplated under the Agreement
“Disposed Business”	the existing business carrying out by the TFH Group i.e. the manufacturing and trading of medicine and health products
“Group”	the Company and its subsidiaries before Completion
“HKFRS”	the Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Maturity Date”	the date falling six months after the date of the Note
“Mortgage Agreement”	the mortgage agreement to be executed by the Purchaser as chargor in favour of MPBVI as chargee whereby the entire issued share capital of TFH will be mortgaged by way of first fixed charge to MPBVI as security for the repayment of the Note

“MPBVI”	Macau Prime (B.V.I.) Limited (formerly known as Cheung Tai Hong (B.V.I.) Limited), a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company
“Note”	the loan note in the principal amount of HK\$90 million to be issued by the Purchaser in favour of MPBVI upon Completion in partial settlement of the Consideration
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this announcement
“Purchaser”	Master Journal Limited, an investment holding company incorporated in BVI with limited liability
“Remaining Group”	the Company and its subsidiaries immediately after Completion
“Sale Debt”	the entire amount of the interest-free shareholder’s loan owing from TFH to MPBVI as at Completion
“Sale Shares”	10,000 ordinary shares of US\$1.00 each, representing the entire issued share capital of TFH
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TFH”	Tung Fong Hung Investment Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company as at the date of the Agreement
“TFH Group”	TFH and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By order of the Board  
**Macau Prime Properties Holdings Limited**  
**Yan Ha Hung, Loucia**  
*Company Secretary*

Hong Kong, 2nd March, 2007

As at the date of this announcement, the Directors are as follows:

*Executive Directors:*

Mr. Cheung Hon Kit (*Chairman*)  
Mr. Chan Fut Yan (*Managing Director*)  
Mr. Wong Kam Cheong, Stanley (*Deputy Managing Director*)  
Mr. Cheung Chi Kit  
Mr. Lai Tsan Tung, David

*Non-executive Directors:*

Mr. Ho Hau Chong, Norman (*Deputy Chairman*)  
Mr. Lo Lin Shing, Simon

*Independent non-executive Directors:*

Mr. Wong Chi Keung, Alvin  
Mr. Kwok Ka Lap, Alva  
Mr. Chui Sai Cheong

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