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**南海控股有限公司\***

NAN HAI CORPORATION LIMITED  
(Incorporated in Bermuda with limited liability)  
(Stock Code: 680)

**MAJOR TRANSACTION,  
CONNECTED TRANSACTIONS AND  
CONTINUING CONNECTED TRANSACTIONS**

**THE DISPOSAL**

The Board announces that on 31 October 2012 after trading hours, the Vendor, a wholly-owned subsidiary of the Company, Listar and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor shall sell and the Purchaser shall purchase the Acquired Interests at the Consideration (being US\$160,380,314), which shall be settled by way of dollar-for-dollar set-off against obligations of LWD (also a subsidiary of the Vendor) to pay the Purchaser under the LWD MTQ Agreements. Completion is conditional on fulfilment of the conditions set out below.

Listar's principal business is the holding, through the Project Company, of the Site for properties development in Guangzhou, the PRC. As at the date of this announcement, the Vendor holds 100% of the issued share capital of Listar.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Group and its connected persons (save as being a party to the LWD MTQ Transaction Documents).

\* For identification purpose only

The Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

### **THE CONNECTED TRANSACTIONS**

Upon Completion, the Purchaser shall become a 30% shareholder of Listar and thus regarded as a connected person of the Company under the Listing Rules. At Completion, the Vendor shall enter into other Transaction Documents, including the Option Agreement, the Shareholders Agreement and the Deed of Covenant, which will be secured by the Security Documents. The transactions contemplated under these Transaction Documents as secured by the Security Documents shall constitute connected transactions of the Company under the Listing Rules. The Connected Transactions are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to provide recommendations to the Independent Shareholders in respect of the Connected Transactions. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in the same respect.

### **THE CONTINUING CONNECTED TRANSACTIONS**

As set out above, upon Completion, the Purchaser will be regarded as a connected person of the Company. Accordingly, the facilities in the aggregate principal amount of US\$327,598,000 extended to the Group by the Purchaser pursuant to the LWD MTQ Agreements as secured by the LWD MTQ Security Documents (which have been in place since 2009) shall constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.41 of the Listing Rules, the Continuing Connected Transactions are subject to reporting, annual review and disclosure requirements.

### **SGM**

The SGM will be convened and held for (i) the Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the Independent Shareholders to consider, and if thought fit, to approve the Connected Transactions. As at the date of this announcement, the Purchaser does not hold any Share. Mr. Yu, the chairman of the Company, an executive Director and the Controlling Shareholder, is a party to the First Personal Guarantee and the Second Personal Guarantee which were executed to secure the LWD MTQ Secured Obligations. Since the entire amount of the Consideration will be used to repay equivalent sum under the LWD MTQ Agreements by way of set-off, Mr. Yu is considered to be interested in the Disposal and the Connected Transactions. Accordingly, he shall abstain from voting on the relevant resolutions approving the Disposal and the Connected Transactions at the SGM. Save for the aforesaid, no Shareholder is required to abstain from voting on the resolutions to be proposed at the SGM.

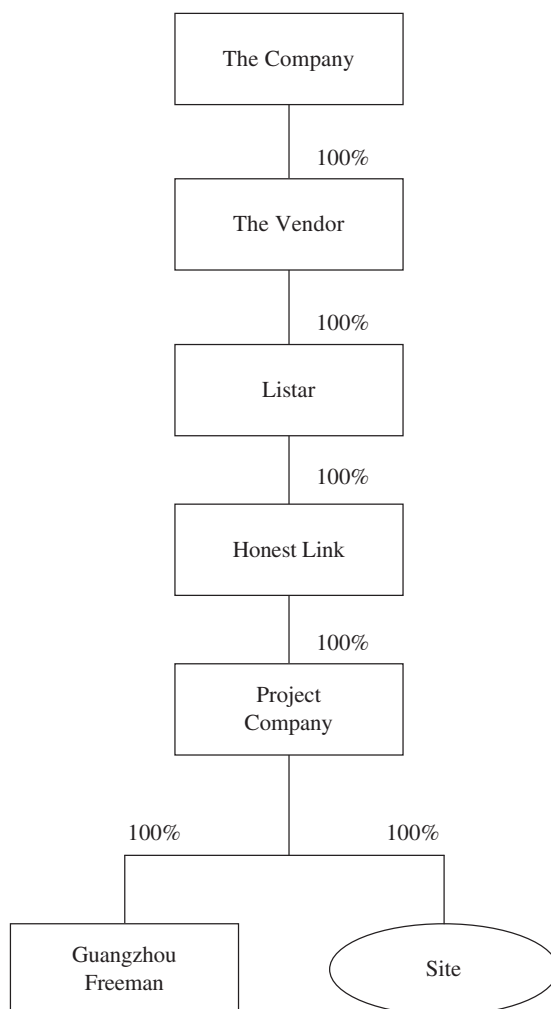
A circular containing, among other things, further information on the Disposal and the Connected Transactions, financial information relating to the Group, the letter of recommendation from the Independent Board Committee and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Connected Transactions as well as the notice of SGM will be despatched to the Shareholders on or before 21 November 2012.

## INTRODUCTION

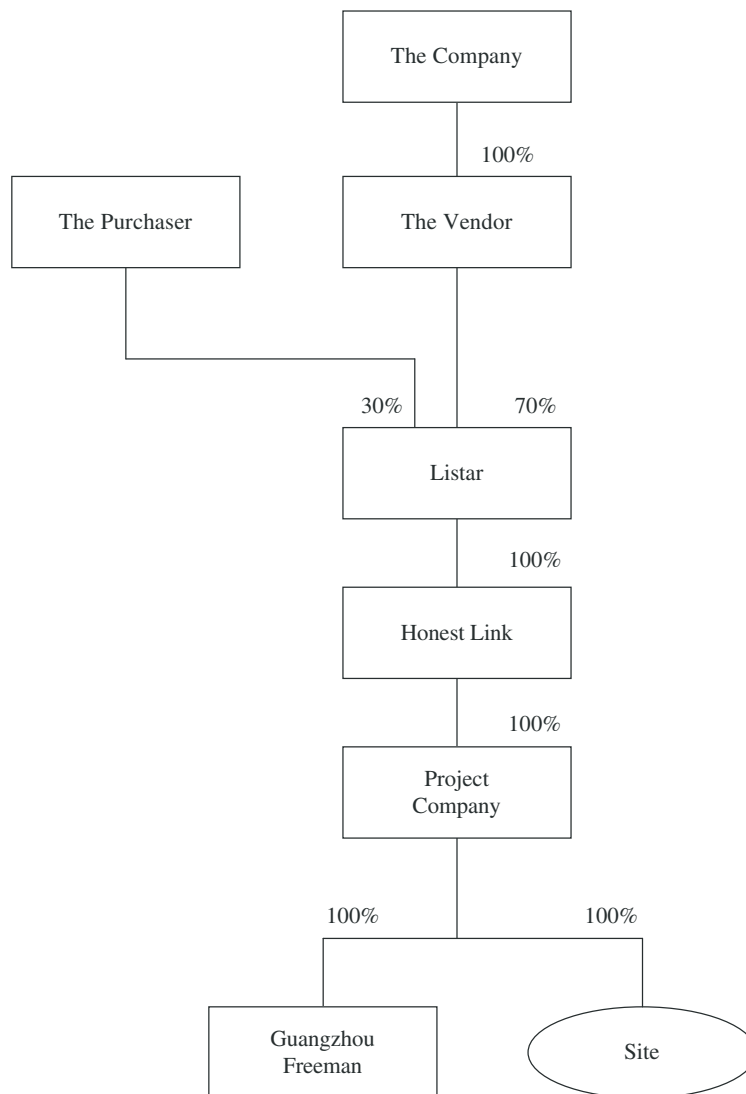
On 31 October 2012 after trading hours, the Vendor, a wholly-owned subsidiary of the Company, Listar and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor shall sell and the Purchaser shall acquire the Acquired Interests at the Consideration, being US\$160,380,314.

Set out below is the shareholding structure of the Listar Group as at the date of this announcement and immediately upon Completion:

### Shareholding structure of the Listar Group as at the date of this announcement



## Shareholding structure of the Listar Group immediately upon Completion



Upon Completion, the Purchaser will become a 30% shareholder of Listar. The following documents will be signed upon Completion to regulate the rights and obligations of the Vendor and the Purchaser in respect of their investment in Listar:

- (1) the Option Agreement, whereupon the Vendor will grant the Put Option to the Purchaser and the Purchaser will grant the Call Option to the Vendor in relation to the Option Assets;
- (2) the Shareholders Agreement; and
- (3) the Deed of Covenant, whereupon the Vendor will undertake certain obligations as regards the Listar Group.

Upon Completion, the following Security Documents will also be executed to secure, among others, the obligations of the Obligors under the above documents:

- (1) the Corporate Guarantee;
- (2) the Personal Guarantee;
- (3) the Listar Security Documents; and
- (4) the LWD Security Documents

After Completion, the facilities in the aggregate principal amount of US\$327,598,000 extended to the Group by the Purchaser pursuant to the LWD MTQ Agreements as secured by the LWD MTQ Security Documents (which have been in place since 2009) shall continue. Summary of the aforesaid facilities are set out in the section headed "Continuing Connected Transactions".

## **THE DISPOSAL**

### **The Sale and Purchase Agreement**

*Date:* 31 October 2012 (after trading hours)

*Parties:*

- (1) the Vendor;
- (2) Listar; and
- (3) the Purchaser (to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as being party to the LWD MTQ Transaction Documents, the Purchaser and its ultimate beneficial owners are third parties independent of the Group and its connected persons. To the best knowledge of the Directors, the principal activity of the Purchaser is real estate investment conducted in accordance with the relevant Islamic principles.)

*Assets to be disposed of*

- (1) the Sale Shares, being 6,000,000 shares of US\$1.00 each in the capital of Listar, representing 30% of the issued share capital of Listar as at the date of this announcement; and
- (2) the Shareholder Loan, being 30% of the aggregate amount of the shareholder's loan owing by Listar to the Vendor as at the Completion Date. As at 30 September 2012, the 100% of the aggregate amount owed by Listar to the Vendor was approximately HK\$950,444,745. Pursuant to the Sale and Purchase Agreement, the Shareholder Loan shall not exceed HK\$955,000,000 as at Completion.

## *Consideration*

The Consideration for the Acquired Interests is US\$160,380,314 (the consideration of the Shareholder Loan shall be the face value of the Shareholder Loan on a dollar-for-dollar basis and the balance thereof shall be the consideration for the Sale Shares).

The Consideration shall be payable by the Purchaser to the Vendor upon Completion by way of dollar-for-dollar set-off against obligations of LWD (also a subsidiary of the Vendor) to pay the Purchaser under the LWD MTQ Agreements in accordance with the terms of the Settlement Agreement. The Settlement Agreement will be entered into between Vendor, LWD and the Purchaser on the Completion Date.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to a draft preliminary property valuation report prepared by Vigers Appraisal and Consulting Limited, an independent valuer. Based on the aforesaid draft preliminary property valuation report, the fair market value of the Project as at 30 September 2012 was approximately RMB3,201,500,000 (equivalent to approximately HK\$3,904,268,293). According to the draft preliminary property valuation report, the valuer has valued the Project by direct comparison approach by making reference to comparable sales evidences as available in the relevant market and has also taken into account the expended construction costs and the construction costs that will be expended to complete the development to reflect the quality of the completed development. By taking into account of the book value of the Project as at 30 September 2012 of approximately HK\$2,185,780,579, there is a valuation surplus in the Project of approximately HK\$1,718,487,714. The total fair market value excluding the Shareholder Loan of the Listar Group as at 30 September 2012 was approximately HK\$2,808,888,522 which was calculated by summation of (1) the net asset value of the Listar Group as at 30 September 2012 (i.e. approximately HK\$139,956,063); (2) the valuation surplus in the Project (i.e. approximately HK\$1,718,487,714); and (3) the Shareholder Loan as at 30 September 2012 (i.e. approximately HK\$950,444,745). The net Consideration after deduction of the amount owed by Listar to the Vendor of approximately HK\$285,133,424 (equivalent to approximately US\$36,753,470) as at 30 September 2012 on a dollar-for-dollar basis will be approximately HK\$959,097,052 (equivalent to approximately US\$123,626,844). The total fair market value excluding the Shareholder Loan of 30% interest in the Listar Group as at 30 September 2012 was approximately HK\$842,666,557 and has no material change as of the date of this announcement. Accordingly, there is a premium of approximately HK\$116,430,495 (representing approximately 14% premium over the total fair market value excluding the Shareholder Loan of 30% interest in the Listar Group).

Having considered the above, the Directors (excluding Mr. Yu who is deemed to be interested in the Disposal) consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### *Conditions precedent to Completion*

Completion is conditional upon:

- (i) the board of directors and (as regards companies incorporated in Hong Kong) the shareholders at a general meeting of each corporate Obligor having approved the entry into, execution and performance of each Transaction Document to which it is a party, the transactions contemplated thereunder and an authorised person to sign on behalf of it each Transaction Document to which it is a party and all other documents, notices, and communications required to be given by or on its behalf, under or for the purposes of the Transaction Documents;
- (ii)
  - (a) the Shareholders (other than those who are required to abstain from voting under the Listing Rules) having approved the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM; and
  - (b) the Shareholders (other than those who are required to abstain from voting under the Listing Rules) having approved the Transaction Documents (other than the Personal Guarantee) that are to be signed by the Group upon Completion and the transactions contemplated thereunder at the SGM;
- (iii) receipt by the Purchaser of original legal opinions in agreed form from:
  - (a) the Hong Kong legal counsel to the Purchaser relating to matters of Hong Kong law relevant to the Transaction Documents;
  - (b) the British Virgin Islands legal counsel to the Vendor relating to matters of the British Virgin Islands law relevant to Listar and the Transaction Documents to which it is a party;
  - (c) the British Virgin Islands legal counsel to the Vendor relating to matters of the British Virgin Islands law relevant to LWD and the Transaction Documents to which it is a party;
  - (d) the Bermuda legal counsel to the Vendor relating to matters of Bermuda law relevant to any Obligor incorporated in Bermuda and the Transaction Documents to which it is a party;
- (iv) the Purchaser having received the due diligence report issued by its advisers regarding the legal, financial and tax aspects of the Listar Group and the Project in form and substance satisfactory to the Purchaser;
- (v) all authorisations, approvals, waivers, permits or filing of any kind from any governmental authority necessary to be obtained under applicable laws or regulation (including, without limitation, any authorisations or approval required for compliance with the relevant provisions in the Listing Rules) in connection with the entering into and performance of each Transaction Document and for the consummation of all the transactions contemplated under each Transaction Document shall have been received and obtained;

- (vi) the warranties given by the Vendor as set out in the Sale and Purchase Agreement remaining true and accurate and not misleading on and as of the Completion Date, before and immediately after giving effect to Completion, as though made on and as of such date;
- (vii) the Vendor having complied with and performed all its covenants, obligations and undertakings contained in the Sale and Purchase Agreement that are due to be complied with and performed as at the Completion Date; and
- (viii) there having occurred no termination event or material adverse change.

Conditions set out in paragraphs (iii), (iv), (vi), (vii) and (viii) above can be waived by the Purchaser by serving a written notice to the Vendor. All other conditions cannot be waived. If the conditions set out above have not been satisfied (or waived by the Purchaser) by 5:00 p.m. on the Long Stop Date, the Sale and Purchase Agreement shall terminate (other than the surviving provisions) automatically and no parties shall have any claim against any other except for antecedent breaches.

### *Completion*

Completion shall take place on the Completion Date. At Completion, the Vendor shall enter into other Transaction Documents, including the Listar Share Mortgage in relation to the charge on the Vendor's then interests in the issued share capital of Listar, being 70% of the issued share capital of Listar. As at the date of this announcement, 51% of the issued share capital of Listar is mortgaged to Sino-i Technology Limited ("**Sino-i**") by the Company, details of which are set out in the joint announcement of the Company and Sino-i dated 14 November 2007 (as supplemented by another joint announcement dated 29 May 2009 and further supplemented by an announcement issued by Sino-i dated 20 May 2011). Sino-i is a subsidiary of the Company, the issued shares of which are listed on the Stock Exchange. Upon Completion, the Vendor shall deliver to the Purchaser evidence of release and discharge of the aforesaid share mortgage granted in favour of Sino-i. Failure of such delivery would entitle the Purchaser not to proceed with Completion.

### **Information on the Listar Group**

Listar is a company incorporated in the British Virgin Islands on 27 July 1993 with an authorised share capital of US\$40,000,000 divided into 40,000,000 shares of US\$1.00 each, of which 20,000,000 shares have been issued. As at the date of this announcement, Listar is a wholly-owned subsidiary of the Vendor. Listar is an investment holding company holding the entire issued share capital of Honest Link.

Honest Link is a company incorporated in Hong Kong on 26 May 1992 with an authorised share capital of HK\$10,000,000 divided into 10,000,000 shares of HK\$1.00 each, of which two (2) shares have been issued. As at the date of this announcement, Honest Link is a wholly-owned subsidiary of Listar. Honest Link is an investment holding company and its main assets are the entire equity interests in the Project Company.



The Project Company is a co-operative joint venture established in the PRC with registered capital of US\$42,000,000. Its approved business scope is to develop, construct, sell, lease out and manage self-developed commodity properties and the related ancillary facilities on the Site. As at the date of this announcement, the Project Company is wholly owned by Honest Link and the main asset of the Project Company is the Project.

The Site having an area of approximately 615,000 sq.m., is designated for residential development. The Project namely “Free Man Garden” situated at the Site, having gross floor area of approximately 1,036,000 sq.m., will be developed in 5 phases. The gross floor area of phase 1 of the Project is approximately 298,000 sq.m. of which a saleable area of approximately 210,000 sq.m. is for residential. The pre-sale of residential premises in phase 1 was launched in May 2012, having a total saleable area of approximately 54,000 sq.m., and approximately 40,000 sq.m. of saleable area was sold which derived sales proceeds of approximately HK\$390,000,000 as of 30 September 2012.

Set out below is the consolidated financial information of Listar for the two years ended 31 December 2011 and for the six months ended 30 June 2012:

	<b>As at/for the six months ended 30 June 2012 (unaudited) HK\$'000</b>	<b>As at/for the year ended 31 December 2011 (unaudited) HK\$'000</b>	<b>As at/for the year ended 31 December 2010 (unaudited) HK\$'000</b>
Net assets	146,739	170,363	177,479
Profit/(loss) before taxation	(17,949)	(34,333)	(39,919)
Profit/(loss) after taxation	(17,949)	(34,333)	(39,919)

### **Information on the Group and reason for the Disposal**

The Group is principally engaged in property development, culture and media services and its listed subsidiary, Sino-i, is engaged in corporate IT application services.

As set out above, the Group has been granted facilities in the aggregate principal amount of US\$327,598,000 by the Purchaser pursuant to the LWD MTQ Agreements since 2009. As at the date of this announcement, the outstanding Deferred Sale Price payable by the Group amounts to US\$371,059,334. Pursuant to the LWD MTQ Agreements, on or before 14 December 2012 (or such other date as the Purchaser may approve), the Group shall pay US\$160,380,314 to the Purchaser.

Although the sale of certain premises of the Project has generated sales proceeds of approximately HK\$390,000,000, it is not enough to settle the sum of US\$160,380,314. Given the size and amount of the funds required to settle the aforesaid payment under the LWD MTQ Agreements, it is difficult for the Group to obtain any borrowings. The Directors consider the Disposal is the most effective way to settle the partial payment required under the LWD MTQ Agreements. In view of the above, the Directors (other than Mr. Yu, but including the independent non-executive Directors) are of the view that the terms of the Disposal are fair and reasonable, which have been arrived at after arm’s length negotiations and are in the interests of the Company and the Shareholders as a whole.

## **Financial effect of the Disposal**

Without taking into account the expenses to be incurred in connection with the Disposal, based on the net Consideration of approximately HK\$959,097,052 (equivalent to approximately US\$123,626,844) and the net assets of 30% interest in the Listar Group as at 30 June 2012 of approximately HK\$44,021,553, it is expected to have a gain of approximately HK\$915,075,499 (i.e. HK\$959,097,052 – HK\$44,021,553 = HK\$915,075,499) as a result of the Disposal, and such gain will be recognised directly in equity.

Upon Completion, the Vendor will be holding 70% of the issued share capital of Listar. Therefore, Listar will continue to be a subsidiary of the Vendor and its assets and liabilities will continue to be consolidated into the Group's consolidated financial statements.

## **Use of proceeds from the Disposal**

The entire amount of the Consideration will be used to repay equivalent sum under the LWD MTQ Agreements by way of set-off.

## **Listing Rules implications in relation to the Disposal**

As the applicable percentage ratios for the Disposal under the Listing Rules are more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

## **CONNECTED TRANSACTIONS**

Upon Completion, the Purchaser shall become a 30% shareholder of Listar and thus regarded as a connected person of the Company. At Completion, the Vendor shall enter into other Transaction Documents, including the Option Agreement, the Shareholders Agreement and the Deed of Covenant, which will be secured by the Security Documents. The transactions contemplated under these Transaction Documents (other than the Sale and Purchase Agreement and the Personal Guarantee) will constitute connected transactions of the Company (being the Connected Transactions) under the Listing Rules.

Principal terms of the Option Agreement, the Shareholders Agreement and the Deed of Covenant to be executed at Completion are set out below:

### **(A) The Option Agreement**

#### ***Parties:***

- (1) the Purchaser; and
- (2) the Vendor

### ***Put Option***

As and from the Completion Date, the Vendor grants to the Purchaser the Put Option to require the Vendor to purchase the Option Assets at the Put Option Exercise Price (as defined below).

### ***Put Option Exercise Period***

The Purchaser may exercise the Put Option by serving a Put Option Exercise Notice to the Vendor at any time during the Put Option Exercise Period, being the period commencing on (i) the Commencement Date and expiring on the date falling twenty-four (24) months after the Commencement Date; or (ii) in the case of occurrence of any termination event, the date on which such termination event occurs and expiring on the date on which the Put Option would have expired should no such termination event occur. The Put Option may be exercised once only. Any Put Option Exercise Notice once issued is irrevocable. The Put Option shall cease to be exercisable upon completion pursuant to the exercise of the Put Option. The Put Option Exercise Period shall lapse on the date on which the Purchaser has disposed of the Acquired Interests or any part thereof in accordance with the Shareholders Agreement if on such date no termination event has occurred or is continuing. A Put Option Exercise Notice shall be deemed to have been served upon payment of the Minimum IRR by the Vendor pursuant to sub-paragraph headed “(b) IRR make-whole” under the paragraph headed “(C) The Deed of Covenant” below.

### ***Put Option Exercise Price***

The exercise price of the Put Option (the “**Put Option Exercise Price**”) shall be an amount in US dollars equal to the amount required to ensure that the Internal Rate of Return of the Purchaser’s investment in the Acquired Interests be not less than the Minimum IRR.

The Put Option Exercise Price was arrived at after arm’s length negotiations between the Vendor and the Purchaser by reference to the Internal Rate of Return under the LWD MTQ Agreements which is equivalent to the Minimum IRR.

The Directors (excluding (i) Mr. Yu by reason of him being a party to the First Personal Guarantee and the Second Personal Guarantee guaranteeing the Group’s obligations under the LWD MTQ Transaction Documents and (ii) the independent non-executive Directors whose view will be included in the circular of the Company to be published in relation to the Disposal and the Connected Transactions after being advised by the Independent Financial Adviser) consider that the Put Option Exercise Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### ***Completion of the sale and purchase of the Option Assets pursuant to exercise of the Put Option***

Completion of the sale and purchase of the Option Assets pursuant to exercise of the Put Option shall take place on the date falling sixty (60) days after the date of service of the Put Option Exercise Notice (if such date is a business day) or the business day next following such date (if it is not) (or such other day as may be agreed between the

Vendor and the Purchaser in writing), whereupon the Vendor shall pay the Put Option Exercise Price to the Purchaser. Until payment in full of the Put Option Exercise Price and all other amounts (if any) under the Transaction Documents, the Put Option Exercise Price shall continue to accrue profit at the rate equal to the Minimum IRR for the period to and including the actual date of payment.

### ***Call Option***

As and from the Completion Date, the Purchaser grants to the Vendor the Call Option to require the Purchaser to sell the whole (but not part) of the Option Assets at the Call Option Exercise Price (as defined below).

### ***Call Option Exercise Period***

The Vendor may exercise the Call Option by serving a Call Option Exercise Notice to the Purchaser at any time during the Call Option Exercise Period, being the period commencing on the Commencement Date and expiring on the date falling twenty-four (24) months after the Commencement Date, which shall lapse upon the occurrence of a termination event. The Call Option may be exercised once at any time during the Call Option Exercise Period. Notwithstanding the issue of a Call Option Exercise Notice, upon exercise of the Put Option, the Call Option shall be deemed not to have been exercised. Subject to the foregoing and subject to completion being conditional upon compliance with the Listing Rules, any Call Option Exercise Notice, once issued, is irrevocable. The Call Option shall cease to be exercisable upon exercise of the Put Option.

### ***Call Option Exercise Price***

The exercise price of the Call Option (the “**Call Option Exercise Price**”) shall be an amount in US dollars equal to the higher of:

- (a) the amount required to ensure that the Internal Rate of Return of the Purchaser’s investment in the Acquired Interests be not less than the Minimum IRR; and
- (b) the market value of the Option Assets on the relevant exercise date to be agreed by the Vendor and the Purchaser thereupon or, failing that, to be determined by an independent valuation company.

The Call Option Exercise Price was arrived at after arm’s length negotiations between the Vendor and the Purchaser by reference to the Put Option Exercise Price and to the potentiality of inflated market value of the Option Assets as a matter of equality that the Call Option Exercise Price equals the Put Option Exercise Price, and in the event that the market value of the Option Assets increases in the future, the Vendor should acquire the Option Assets at the price in which the inflated market value is taken into account.

The Directors (excluding (i) Mr. Yu by reason of him being a party to the First Personal Guarantee and the Second Personal Guarantee guaranteeing the Group’s obligations under the LWD MTQ Transaction Documents and (ii) the independent non-executive Directors whose view will be included in the circular of the Company to be published

in relation to the Disposal and the Connected Transactions after being advised by the Independent Financial Adviser) consider that the Call Option Exercise Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

***Completion of the sale and purchase of the Option Assets pursuant to exercise of the Call Option***

Completion of the sale and purchase of the Option Assets pursuant to exercise of the Call Option shall take place on the later of:

- (a) the date falling thirty (30) days after the date of service of the Call Option Exercise Notice (if such date is a business day) or the business day next following such date (if it is not), or such longer period not exceeding sixty (60) days as is necessary for compliance with the requirements under the Listing Rules (or such other day as may be agreed between the Vendor and the Purchaser in writing); and
- (b) if the Call Option Exercise Price has not been determined in accordance with the Option Agreement by the date referred to paragraph (a) above, the seventh (7th) business day after the day on which the Call Option Exercise Price is determined,

whereupon the Vendor shall pay the Call Option Exercise Price to the Purchaser. Until payment in full of the Call Option Exercise Price and all other amounts (if any) under the Transaction Documents, the Call Option Exercise Price shall continue to accrue profit at the rate equal to the Minimum IRR for the period to and including the actual date of payment.

***Reasons for the grant of the Put Option and the Call Option***

The Vendor views that the Put Option is an incentive for the Purchaser's agreement to the amount of the Consideration which represents a high premium of the Disposal (as more particularly described in the headings of the "Consideration" above), i.e. the Purchaser shall have flexibility in selling the Option Assets back to the Vendor at its sole discretion. On the other hand, the Vendor may manage the funding requirement for knowing the pre-determined price under the Put Option. In view of granting the Put Option to the Purchaser by the Vendor, the Purchaser also grants the Call Option to the Vendor for having its flexibility in managing its shareholding interest in Listar, especially in the event that the Vendor expects that the market value of Listar will increase in the future, the Vendor may consider exercising the Call Option to secure its 100% shareholding interest in Listar for entitlement of 100% benefits or returns in the Project.

Based on the above, the Directors (excluding (i) Mr. Yu by reason of him being a party to the First Personal Guarantee and the Second Personal Guarantee guaranteeing the Group's obligations under the LWD MTQ Transaction Documents and (ii) the independent non-executive Directors whose view will be included in the circular of the Company to be published in relation to the Disposal and the Connected Transactions after being advised by the Independent Financial Adviser) are of the view that the terms of the Option Agreement are on normal commercial terms based on arm's length negotiations between the Group and the Purchaser which are no less favourable to the

Group than those from independent third parties given the circumstances. Such Directors also consider the terms of the Option Agreement are fair and reasonable, and are in the interests of the Company and the Independent Shareholders as a whole.

## **(B) The Shareholders Agreement**

### ***Parties:***

- (1) the Vendor;
- (2) the Purchaser; and
- (3) Listar

### ***Principal terms:***

#### ***(a) Scope of business***

The sole business of the Listar Group shall be the development and operation of the Project.

#### ***(b) Finance for Listar***

Unless Listar and its all shareholders otherwise agree in writing, all loans shall be lent to Listar by its shareholders on an equal pro rata basis in proportion to the respective outstanding amounts of such shareholder loans. Listar may raise capital and obtain financing to meet the funding requirements of the Listar Group for working capital or other financial support by such means as the board of directors determines from time to time.

#### ***(c) Board representation***

The number of directors of Listar shall be five (5), of which three (3) directors shall be appointed by the Vendor and two (2) directors shall be appointed by the Purchaser. The chairman shall be nominated by the Purchaser but he shall have no casting vote on the equality of votes.

#### ***(d) Project management committee***

The shareholders of Listar agree that the board of directors of the Project Company shall establish a project management committee (the “**PMC**”) to supervise the management and operations of the Project Company and the Project. The PMC shall initially consist of four (4) members, comprising two (2) members appointed by the Vendor and two (2) members being representatives from a firm of independent project consultants engaged by the Project Company with the approval of the Purchaser.

*(e) Right of first offer*

Each shareholder of Listar grants to the other shareholder a right of first offer with respect to the shares of Listar held by such shareholder and the shareholder loans owing to such shareholder.

*(f) Rights of first offer on future equity offerings*

Listar grants to each shareholder a right of first offer with respect to future issues by Listar of any shares of, or securities convertible into or exchangeable or exercisable for any shares of, any class of its capital and with respect to any future borrowing by Listar of any shareholder loans in proportion to such shareholder's percentage holding of shares in Listar from time to time.

*(g) Dividend*

Subject to the terms of the Transaction Documents, the initial dividend policy of each Listar Group company shall be to distribute a cash dividend equivalent to all net after-tax distributable profit, having regard to the profitability of the Listar Group and any statutory requirement for reserves of the Listar Group.

*(h) Duration*

The term of the Shareholders Agreement shall extend until terminated by operation of law or by mutual agreement of Listar and its shareholders or in accordance with the terms of the Shareholders Agreement.

*(i) Termination*

The Shareholders Agreement shall terminate if either the Vendor or the Purchaser ceases to hold any shares of Listar; or upon the liquidation or the making of an order for the winding-up of Listar (other than for the purpose of reconstruction or amalgamation).

***Reasons for entering into the Shareholders Agreement***

For the purpose of listing out (i) the rights and obligations of the Vendor and the Purchaser in the capacity of shareholders of Listar and (ii) the terms and conditions upon which the Vendor and the Purchaser are investing in Listar, the Vendor, the Purchaser and Listar agreed to enter into the Shareholders Agreement upon Completion. As such, both the Vendor and the Purchaser's rights and obligations in their investment in Listar can be securely protected and governed by the Shareholders Agreement.

Based on the above, the Directors (excluding (i) Mr. Yu by reason of him being a party to the First Personal Guarantee and the Second Personal Guarantee guaranteeing the Group's obligations under the LWD MTQ Transaction Documents and (ii) the independent non-executive Directors whose view will be included in the circular of the Company to be published in relation to the Disposal and the Connected Transactions after being advised by the Independent Financial Adviser) are of the view that the terms of the Shareholders Agreement are on normal commercial terms based on arm's length

negotiations between the Group and the Purchaser which are no less favourable to the Group than those from independent third parties given the circumstances. Such Directors also consider the terms of the Shareholders Agreement are fair and reasonable, and are in the interests of the Company and the Independent Shareholders as a whole.

### **(C) The Deed of Covenant**

#### ***Parties:***

- (1) the Vendor;
- (2) Listar; and
- (3) the Purchaser

#### ***Principal terms:***

##### ***(a) Relevant Acquisition***

As set out in the LWD MTQ Agreements (brief summary of which is set out in the section headed “Continuing Connected Transactions” below), the Group is required to pay US\$106,000,000 to discharge the secured obligations thereunder on or before 31 December 2012. The requisite funds for payment of such amount might be raised by the Group by way of disposal of further interests in Listar up to 19% of issued share capital of Listar and up to 19% of the aggregate amount of shareholder loans due from Listar to the Vendor for a consideration of not less than US\$100,700,000 (being the Relevant Acquisition). In connection with this, the Purchaser agrees under the Deed of Covenant that the Vendor may conduct such Relevant Acquisition notwithstanding the provisions set out in the Transaction Documents (such as the pre-emptive provisions under the Shareholders Agreement set out above). Subject to the approval of the Purchaser, the Relevant Acquisition may be conducted for a smaller percentage of the interest in Listar for a consideration less than US\$100,700,000 on terms acceptable to the Purchaser, which are no more favourable than those of the sale of the Acquired Interests pursuant to the Sale and Purchase Agreement.

Subject to the approval of the Purchaser, the Relevant Acquisition may take the form of a transfer of 19% of the equity interest in the Project Company in which case the Vendor shall, subject to compliance with the Listing Rules, transfer to the Purchaser at nominal consideration such additional shares in the issued share capital of Listar and shareholder loans due from Listar to the Vendor as to ensure that the Purchaser retains a minimum of 30% indirect interest in the registered capital of, and the shareholder loans to, the Project Company on the condition that the Purchaser shall not be entitled to share in the economic interest arising from the sale proceeds of the Relevant Acquisition (save for any application of the same to discharge part of the LWD MTQ Secured Obligations).

The Directors (excluding (i) Mr. Yu by reason of him being a party to the First Personal Guarantee and the Second Personal Guarantee guaranteeing the Group’s obligations under the LWD MTQ Transaction Documents and (ii) the independent



non-executive Directors whose view will be included in the circular of the Company to be published in relation to the Disposal and the Connected Transactions after being advised by the Independent Financial Adviser) consider that the above arrangements with the Purchaser (including the minimum consideration of the Relevant Acquisition, if materialised, at US\$100,700,000 and the further transfer of issued shares in Listar to the Purchaser at nominal consideration should the Relevant Acquisition take the form of acquisition of equity interests in the Project Company) are fair and reasonable after arm's length negotiations between the Group and the Purchaser. The minimum consideration of the Relevant Acquisition, if materialised, at US\$100,700,000, was arrived at after arm's length negotiations between the Group and the Purchaser by reference to the Consideration for the Acquired Interests. Given immediately upon Completion, the Purchaser's indirect interest in the Project Company amount to 30%, the above Directors consider it fair and reasonable that in the event the Relevant Acquisition shall take the form of acquisition of equity interests in the Project Company, the Vendor shall transfer to the Purchaser at nominal consideration such additional shares in the issued share capital of Listar and shareholder loans due from Listar to the Vendor so as to ensure that the Purchaser retains a minimum 30% indirect interest in the Project Company.

As at the date of this announcement, no agreement has been entered into by the Group with any reputable investor in relation to the Relevant Acquisition. The Company will publish an announcement as and when required in accordance with the Listing Rules when any legally binding agreement has been signed by the Group in relation to the Relevant Acquisition.

*(b) IRR make-whole*

The Vendor shall ensure that the Internal Rate of Return of the Purchaser's investment in the Acquired Interests be not less than the Minimum IRR as at the earliest of (a) 31 December 2017; (b) the date on which the Purchaser has disposed of all of its interest in the Acquired Interests; and (c) the date on which the Project is fully completed and the Project Company has made the final distributions to its shareholders. Otherwise, the Vendor shall forthwith, on demand by the Purchaser and taken into account for the purpose of calculating the Internal Rate of Return, make a payment to the Purchaser that would provide the Purchaser with an Internal Rate of Return equal to the Minimum IRR. Upon payment of the same to the Purchaser, a Put Option Exercise Notice shall be deemed to have been issued by the Purchaser in accordance with the Option Agreement and that the Put Option Exercise Price shall be deemed to have been paid in full.

The Directors (excluding (i) Mr. Yu by reason of him being a party to the First Personal Guarantee and the Second Personal Guarantee guaranteeing the Group's obligations under the LWD MTQ Transaction Documents and (ii) the independent non-executive Directors whose view will be included in the circular of the Company to be published in relation to the Disposal and the Connected Transactions after being advised by the Independent Financial Adviser) consider

that the above arrangement (including the Minimum IRR) with the Purchaser is fair and reasonable after arm's length negotiations based on the rate of return under the LWD MTQ Agreements, which is 12% per annum.

(c) *Interim cash distributions*

For as long as the Purchaser maintains a shareholding in Listar, the Vendor shall after each period of six (6) months ending on 30 June or 31 December pay to the Purchaser a proportion of the available cash (after deducting, among others, any fees, expenses and tax incurred in relation to the Project) in respect of that period equal to the proportion of the Purchaser's shareholding in Listar.

(d) *Profit distributions*

After completion of each phase of the Project and all legal procedures for distribution of the net profits of the Project Company for that phase has been completed under applicable laws and regulations in the PRC (including the audit of accounts, verification of land value-added tax and tax assessment and payment), the Vendor shall make a profit distribution with respect to profits accrued for that phase (the "**Interim Profit**") by Listar to its shareholders (whether by way of distribution of dividends or repayment of shareholder loan) in accordance with their respective shareholdings in Listar.

If Listar fails to pay the Interim Profit accrued for that phase for any reason (including a failure by the Project Company to make a distribution to Honest Link or otherwise), the Vendor shall pay the Purchaser an amount (the "**Vendor's Payment**") on account of such Interim Profit distribution equal to the amount of profit distribution which Listar would otherwise have been able to pay the Purchaser. If, after the Vendor makes the Vendor's Payment, Listar makes a distribution to the Purchaser of profit to which the Vendor's Payment or any part thereof relates, the Purchaser shall upon demand by the Vendor pay to the Vendor an amount equal to the Vendor's Payment or the relevant part thereof in reimbursement to the Vendor.

On each date (each a "**Distribution Date**") on which the Interim Profit distribution or the Vendor's Payment is payable to the Purchaser, Excess Cash (if any) shall be used to set off the Interim Profit distribution or the Vendor's Payment on a dollar-for-dollar basis, and the Vendor shall pay the Purchaser the Adjustment Amount if applicable.

The Directors (excluding (i) Mr. Yu by reason of him being a party to the First Personal Guarantee and the Second Personal Guarantee guaranteeing the Group's obligations under the LWD MTQ Transaction Documents and (ii) the independent non-executive Directors whose view will be included in the circular of the Company to be published in relation to the Disposal and the Connected Transactions after being advised by the Independent Financial Adviser) consider that the above arrangement with the Purchaser is fair and reasonable after arm's length negotiations by reference to the rate of return under the LWD MTQ Agreements, and the terms thereof are no less favourable to the Group than those from independent third parties given the circumstances.

*(e) Release*

The parties to the Deed of Covenant shall be released from all obligations and liabilities thereunder, and all security interests created under the Security Documents shall also be released and discharged, on the earliest of:

- (i) the date on which the Purchaser confirms in writing that all Secured Obligations have been paid and discharged in full;
- (ii) the date on which the Purchaser confirms in writing that all obligations and liabilities of the Vendor under the Option Agreement and the amount of Minimum IRR calculated pursuant to the sub-paragraph headed “(b) IRR make-whole” above have been paid and discharged in full and no other amounts have fallen due and remain outstanding to the Purchaser under the Transaction Documents;
- (iii) the later of (i) 31 December 2017 and (ii) the date on which both the Put Option Exercise Period and the Call Option Exercise Period have expired if on or before such date the Purchaser has not made a demand for payment pursuant to the sub-paragraph headed “(b) IRR make-whole” above and no Put Option Exercise Notice or Call Option Exercise Notice has been issued, and the Purchaser confirms in writing that as at such date no other amounts have fallen due and remain outstanding to the Purchaser under the Transaction Documents; and
- (iv) the date on which the Purchaser has disposed of the Acquired Interests or any part thereof in accordance with the Shareholders Agreement if on such date no termination event has occurred and is continuing.

***Reasons for entering into the Deed of Covenant***

The Deed of Covenant lists out certain specific entitlements of the Vendor and the Purchaser in Listar for securing their respective interests in the Project development, which is expected to be completed in about five (5) years from the date of this announcement.

Based on the above, the Directors (excluding (i) Mr. Yu by reason of him being a party to the First Personal Guarantee and the Second Personal Guarantee guaranteeing the Group’s obligations under the LWD MTQ Transaction Documents and (ii) the independent non-executive Directors whose view will be included in the circular of the Company to be published in relation to the Disposal and the Connected Transactions after being advised by the Independent Financial Adviser) are of the view that the terms of the Deed of Covenant (including those set out in sub-paragraphs (a) to (e) above) are on normal commercial terms based on arm’s length negotiations between the Group and the Purchaser which are no less favourable to the Group than those from independent third parties given the circumstances. Such Directors also consider the terms of the Deed of Covenant are fair and reasonable, and are in the interests of the Company and the Independent Shareholders as a whole.

The obligations of the Obligors under the Sale and Purchase Agreement and the other Transaction Documents (being the Secured Obligations) will be secured by the Security Documents, including the following:

**(D) The Corporate Guarantee**

*Parties:*

- (1) Guarantor: the Company; and
- (2) Guarantee: the Purchaser

*The guarantee*

Under the Corporate Guarantee, the Company guarantees to the Purchaser, as primary obligor, the receipt by the Purchaser and the discharge of the Secured Obligations.

*Other undertaking*

Under the Corporate Guarantee, the Company undertakes that so long as the Secured Obligations remain outstanding, it shall procure Mr. Yu to remain as the Controlling Shareholder.

**(E) The Personal Guarantee**

*Parties:*

- (1) Guarantor: Mr. Yu; and
- (2) Guarantee: the Purchaser

*The guarantee*

Under the Personal Guarantee, Mr. Yu guarantees to the Purchaser, as primary obligor, the receipt by the Purchaser and the discharge of the Secured Obligations. The Personal Guarantee, however, does not form part of the Connected Transactions.

**Reasons for entering into the Connected Transactions**

As set out above, in the event that either the Purchaser or the Vendor wishes to dispose of any or all of the Option Assets, the mechanism in the Option Agreement can facilitate such disposal for securing its controlling interest in Listar. The Shareholders Agreement lists out (i) the rights and obligations of the Vendor and the Purchaser in the capacity of shareholders of Listar and (ii) the terms and conditions upon which the Vendor and the Purchaser are investing in Listar. Therefore, both the Vendor and the Purchaser's rights and obligations in their investment in Listar can be securely protected and governed by the Shareholders Agreement. The Deed of Covenant specifies certain specific entitlements of the Vendor and the Purchaser in Listar for securing their respective interests in the Project development, which is expected to be completed in about five (5) years from the date of this announcement.

Based on the above, the Directors (excluding (i) Mr. Yu by reason of him being a party to the First Personal Guarantee and the Second Personal Guarantee guaranteeing the Group's obligations under the LWD MTQ Transaction Documents and (ii) the independent non-executive Directors whose view will be included in the circular of the Company to be published in relation to the Disposal and the Connected Transactions after being advised by the Independent Financial Adviser) are of the view that the terms of the Option Agreement, the Shareholders Agreement, the Deed of Covenant and the Security Documents (other than the Personal Guarantee) are on normal commercial terms based on arm's length negotiations between the Group and the Purchaser which are no less favourable to the Group than those from independent third parties given the circumstances. Such Directors also consider the terms of the aforesaid agreements are fair and reasonable, and are in the interests of the Company and the Independent Shareholders as a whole. Mr. Yu has abstained from voting at the relevant Board meeting approving the Connected Transactions.

### **Listing Rules implications in relation to the Connected Transactions**

Upon Completion, the Purchaser shall become a 30% shareholder of Listar and thus regarded as a connected person of the Company under the Listing Rules. Thus, the entering into of the Option Agreement, the Shareholders Agreement and the Deed of Covenant as secured by the Security Documents (other than the Personal Guarantee) by the Group will constitute connected transactions of the Company under Chapter 14A of the Listing Rules. The Connected Transactions are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

The Independent Board Committee has been established to provide recommendations to the Independent Shareholders in respect of the Connected Transactions. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in the same respect.

### **CONTINUING CONNECTED TRANSACTIONS**

Upon Completion, the Purchaser shall become a 30% shareholder of Listar and thus a connected person of the Company. Accordingly, the facilities in the aggregate principal amount of US\$327,598,000 extended to the Group by the Purchaser pursuant to the LWD MTQ Agreements as secured by the LWD MTQ Security Documents (which have been in place since 2009) shall constitute continuing connected transactions of the Company. As at the date of this announcement, the outstanding Deferred Sale Price payable by the Group amounted to US\$371,059,334.

Set out below are the summary terms of the LWD MTQ Agreements:

### **Dates and parties**

The LWD MTQ Agreements comprise the following documents signed by the Group and the Purchaser on the dates set out below:

<b>Name of document</b>	<b>Date</b>	<b>Subject matter</b>
1. First Murabaha-Tawarruq agreement	3 August 2009	Grant of financing up to US\$275,000,000
2. Supplemental agreement supplementing the first Murabaha-Tawarruq agreement set out in item 1 above	22 July 2011	Amending certain terms of the first Murabaha-Tawarruq agreement set out in item 1 above
3. Second Murabaha-Tawarruq agreement	22 July 2011	Grant of financing up to US\$52,598,000
4. The Letter Agreement	26 October 2012	Setting out arrangements as regards repayment in relation to the agreements set out in items 1, 2 and 3 above

The agreements set out in items 1, 2 and 4 above are the First LWD MTQ Agreement and the agreements set out in items 3 and 4 above are the Second LWD MTQ Agreement.

### **The facilities**

The facilities under the LWD MTQ Agreements were granted by the Purchaser based on the Shariah principle of Murabaha under a Murabaha-Tawarruq structure which is an indirect way of granting facility to LWD by the Purchaser. LWD was required to enter into certain trade transactions in respect of certain commodities purchase from the Purchaser at a price covering the Purchaser's purchase price (the "**Purchase Price**") plus a profit margin agreed upon by both parties (the "**Murabaha Profit**", which together with the Purchase Price constitute the Deferred Sale Price). Thereafter LWD was required to sell the commodities to a third party for cash in an amount more or less the same as the Purchase Price.

Under the First LWD MTQ Agreement, the Purchase Price was US\$275,000,000 and the Murabaha Profit was US\$31,300,000, amounting to the Deferred Sale Price of US\$306,300,000. The commodities were then sold by LWD at the price of approximately US\$275,000,000.

Under the Second LWD MTQ Agreement, the Purchase Price was US\$52,598,000 and the Murabaha Profit was US\$15,656,671, amounting to a total Deferred Sale Price of US\$68,254,671. The commodities were then sold by LWD at the price of approximately US\$52,598,000.

## Purpose of the facilities

The facility under the First LWD MTQ Agreement was granted for the purpose of LWD investing in the development by Nanhai Yitian and Jingyitian of the piece of land situated at Nanshan District, Shekou, Shenzhen of the PRC. The facility under the Second LWD MTQ Agreement was granted for the purpose of funding payment of part of the Murabaha Profit portion of the Deferred Sale Price under the First LWD MTQ Agreement.

## Facility amounts

First LWD MTQ Agreement: up to US\$275,000,000

Second LWD MTQ Agreement: up to US\$52,598,000

## Facilities duration

First LWD MTQ Agreement: from the date on which the Purchaser purchased the commodities pursuant thereto to 31 December 2013

Second LWD MTQ Agreement: from the date on which the Purchaser purchased the commodities pursuant thereto to 31 December 2013

## Repayment

Under both the First LWD MTQ Agreement and the Second LWD MTQ Agreement (prior to the signing of the Letter Agreement), the Deferred Sale Price payable thereunder shall be paid in instalments, with the last instalment falling on 31 December 2013. LWD may make early payment of the whole of the Deferred Sale Price. Under such circumstances, the Purchaser shall have the sole discretion to grant rebate to LWD in such amount as the Purchaser may in its sole discretion determine.

The Group, however, did not make any instalment payment of the Deferred Sale Price due on 31 December 2011, 31 March 2012, 30 June 2012 and 30 September 2012 respectively (being the Relevant Events).

Pursuant to the Letter Agreement, notwithstanding any provisions of the LWD MTQ Transaction Documents:

- (i) on or before 14 December 2012 (or such other date as the Purchaser may approve) the Group shall pay an amount of US\$160,380,314 which shall be applied towards satisfaction of the LWD MTQ Secured Obligations (the “**First Payment**”);
- (ii) on or before 31 December 2012 (or such other date as the Purchaser may approve), the Group shall pay an amount of US\$106,000,000 which shall be applied towards satisfaction of the LWD MTQ Secured Obligations, in connection to which the Group may raise funds by procuring a sale to a reputable investor of such portion of its interest in the issued share capital of, and shareholder’s loan owing from, Listar as representing up to 19% of the entire issued share capital of Listar and up to 19% of the aggregate amount of shareholder’s loan due from Listar to the Vendor (the “**Relevant Acquisition**”), which if materialised shall be made at a consideration of not less than

US\$100,700,000 payable in cash and otherwise on terms acceptable to the Purchaser in its absolute discretion, whereupon the Group shall use proceeds of such sale to settle part of the aforesaid payment of US\$106,000,000;

- (iii) on the date when the payment referred to in (ii) above is made, the Group shall pay an amount of US\$5,406,000 (being the Murabaha Profit calculated on US\$106,000,000 at a rate of return of 12% per annum for the period from 31 July 2012 to 31 December 2012, and subject to adjustment in respect of any additional period ending on the date on which the amount referred to (ii) above is actually paid), which shall be applied towards satisfaction of the LWD MTQ Secured Obligations;
- (iv) on or before 31 December 2012 (or such other date as the Purchaser may approve), the Group shall pay an amount of US\$36,785,000, which shall be applied towards satisfaction of the LWD MTQ Secured Obligations;
- (v) on or before 30 June 2013 (or such other date as the Purchaser may approve), the Group shall pay an amount of US\$40,277,148, which shall be applied towards satisfaction of the LWD MTQ Secured Obligations; and
- (vi) on 30 June 2013 (or such other date as the Purchaser may approve), the Group shall pay an amount of US\$7,270,574 (being the Murabaha Profit calculated on the amount of the payment referred to in (i) above at a rate of return of 12% per annum for the period from 31 July 2012 to 14 December 2012, subject to adjustment in respect of any additional period ending on the date on which the payment referred to in (i) above is actually made), which shall be applied towards satisfaction of the LWD MTQ Secured Obligations.

(payments set out in (i) to (vi) above shall be referred to as the “**Revised Payments**”)

### **Termination events under the LWD MTQ Agreements**

The LWD MTQ Agreements contain events of default the occurrence of which would render the LWD MTQ Secured Obligations becoming immediately due and payable (the “**LWD MTQ Termination Events**”).

### **Rebates**

As set out above, pursuant to the LWD MTQ Agreements, in the event LWD shall make early payment of the Deferred Sale Price, the Purchaser may grant rebate to LWD.

Pursuant to the Letter Agreement, conditional upon no LWD MTQ Termination Events having occurred after the date of the Letter Agreement until the payment and discharge in full of the LWD MTQ Secured Obligations:

- (i) upon payment of the First Payment by the Group, the Purchaser shall be deemed to have granted a conditional rebate to LWD against the Deferred Sale Price payable under the LWD MTQ Agreements in the amount of US\$23,390,497 in respect of Murabaha Profit calculated from 1 October 2011 up to 31 July 2012; and



- (ii) upon payment of all the Revised Payments in accordance with the relevant payment dates by the Group, and the payment and discharge of all other LWD MTQ Secured Obligations (whether or not due) in full on or before 30 June 2013 (or such other date as the Purchaser may approve), the Purchaser shall grant a further conditional rebate to LWD in the amount of US\$9,714,280 in respect of the Murabaha Profit (subject to any adjustment in respect of the date on which the relevant Revised Payment is actually made). Such rebate shall be payable by the Purchaser to LWD on demand by LWD.

In the event where any of the rebates set out above are granted or paid by the Purchaser but there being a LWD MTQ Termination Event prior to the payment and discharge in full of all LWD MTQ Secured Obligations, the Group shall forthwith on demand by the Purchaser pay to the Purchaser an amount equal to all amounts rebated.

### **Waiver**

As set out above, the Group did not make any instalment payment of the Deferred Sale Price payable under the LWD MTQ Agreements due on 31 December 2011, 31 March 2012, 30 June 2012 and 30 September 2012 respectively (being the Relevant Events).

Pursuant to the Letter Agreement, the Purchaser grants a conditional waiver of the occurrence of the Relevant Events on the condition that:

- (i) there being no LWD MTQ Termination Event (other than the Relevant Events) occurred after the date of the Letter Agreement until payment and discharge in full of the LWD MTQ Secured Obligations;
- (ii) all Revised Payments having been paid in accordance with the relevant payment dates by the Group; and
- (iii) all other LWD MTQ Secured Obligations (whether or not due) are paid and discharged in full on or before 30 June 2013 (or such other date as the Purchaser may approve).

Violation of any of the aforesaid conditions would render:

- (a) the aforesaid conditional waiver granted by the Purchaser be revoked and deemed not to have been given; and
- (b) the Purchaser being entitled to enforce all rights, remedies and recourse in respect of any LWD MTQ Termination Event arising from the Relevant Events, without prejudice to its rights in respect of any other LWD MTQ Termination Events.

### **Security**

The LWD MTQ Agreements were secured by the following LWD MTQ Security Documents, being documents relating to the interests of LWD and its subsidiaries, as well as Honest Link and its subsidiaries:

- (i) the First LWD Share Mortgage;
- (ii) the First Liu Wan Investment Share Mortgage;

- (iii) the First LWD Accounts Charge;
- (iv) the First Liu Wan Investment Account Charge;
- (v) the First LWD Security Assignment;
- (vi) the First Liu Wan Investment Security Assignment;
- (vii) the First Personal Guarantee;
- (viii) the First Corporate Guarantee;
- (ix) the Second LWD Accounts Charge;
- (x) the Second Liu Wan Investment Account Charge;
- (xi) the Second LWD Share Mortgage;
- (xii) the Second Liu Wan Investment Share Mortgage;
- (xiii) the Second LWD Security Assignment;
- (xiv) the Second Liu Wan Investment Security Assignment;
- (xv) the Dongjing Guarantee;
- (xvi) the Dongjing Account Charge;
- (xvii) the Dongjing Security Assignment;
- (xviii) the Dongjing Share Mortgage;
- (xix) the Dongjing Subordination Deed;
- (xx) the Second Corporate Guarantee; and
- (xxi) the Second Personal Guarantee.

### **Release and discharge of security**

Pursuant to the Letter Agreement, notwithstanding the terms of the LWD MTQ Agreements, upon payment and discharge in full of all amounts provided for in the Letter Agreement and all other LWD MTQ Secured Obligations, the Purchaser shall release the security granted pursuant to the LWD MTQ Agreements subject to the terms thereof.

### **Listing Rules implications in relation to the Continuing Connected Transactions**

Upon Completion, the Purchaser shall become a 30% shareholder of Listar and thus regarded as a connected person of the Company under the Listing Rules. Accordingly, the facilities in the aggregate principal amount of US\$327,598,000 extended to the Group by the Purchaser pursuant to the LWD MTQ Agreements as secured by the LWD MTQ Security Documents (which have been in place since 2009) shall constitute continuing connected

transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.41 of the Listing Rules, the Continuing Connected Transactions are subject to reporting, annual review and disclosure requirements. Upon any variation or renewal of any agreement contemplated under the Continuing Connected Transactions, the Company must comply in full with all applicable reporting, annual review, disclosure and independent shareholders' approval requirements in respect of all continuing connected transactions effected after such variation or renewal.

The Directors (excluding Mr. Yu by reason of him being a party to the First Personal Guarantee and the Second Personal Guarantee guaranteeing the Group's obligations under the LWD MTQ Transaction Documents, but including the independent non-executive Directors) are of the view that the terms of the Continuing Connected Transactions (including the amount of the Murabaha Profit) are on normal commercial terms based on arm's length negotiations between the Group and the Purchaser which are no less favourable to the Group than those from independent third parties given the circumstances. The Murabaha Profit was calculated at the rate of 12% Internal Rate of Return which was determined by arms' length negotiations by referring to the market lending rates offered to the property developers in the PRC and Hong Kong. Such Directors also consider the terms of the Continuing Connected Transactions are fair and reasonable, and are in the interests of the Company and the Independent Shareholders as a whole. Mr. Yu has abstained from voting at the relevant Board meeting approving the Continuing Connected Transactions.

## **GENERAL**

The SGM will be convened and held for (i) the Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the Independent Shareholders to consider, and if thought fit, to approve the Connected Transactions. As at the date of this announcement, the Purchaser does not hold any Share. Mr. Yu, the chairman of the Company, an executive Director and the Controlling Shareholder, is a party to the First Personal Guarantee and the Second Personal Guarantee, which were executed to secure the LWD MTQ Secured Obligations. Since the entire amount of the Consideration will be used to repay equivalent sum under the LWD MTQ Agreements by way of set-off, Mr. Yu is considered to be interested in the Disposal and the Connected Transactions. Accordingly, he shall abstain from voting on the relevant resolutions to approve the Disposal and the Connected Transactions at the SGM. Save for the aforesaid, no Shareholder is required to abstain from voting on the resolutions to be proposed at the SGM.

A circular containing, among other things, further information on the Disposal and the Connected Transactions, financial information relating to the Group, the letter of recommendation from the Independent Board Committee and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Connected Transactions as well as the notice of SGM will be despatched to the Shareholders on or before 21 November 2012.

## DEFINITIONS

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

“Acquired Interests”	the Sale Shares and the Shareholder Loan
“Adjustment Amount”	an amount equal to the difference between the Target Distribution Amount and the Effective Distribution Amount in each Interim Profit Periods after taking into account the Excess Cash
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business day”	a day, other than a Saturday, Sunday and a day on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m., on which licensed banks in Hong Kong are open for general banking business throughout their normal business hours
“Call Option”	the option to be granted by the Purchaser to the Vendor requiring the Purchaser to sell the Option Assets to the Vendor pursuant to the Option Agreement
“Call Option Exercise Notice”	a written notice to be issued by the Vendor to the Purchaser in relation to the exercise of the Call Option
“Call Option Exercise Period”	the period commencing on the Commencement Date and expiring on the date falling twenty-four (24) months after the Commencement Date, which shall lapse upon the occurrence of a termination event
“Commencement Date”	the date falling thirty-six (36) months after the Completion Date
“Company”	Nan Hai Corporation Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange (Stock Code: 680)
“Completion”	completion of the Disposal in accordance with the Sale and Purchase Agreement
“Completion Date”	14 December 2012 (or such other business day as may be mutually agreed between the Vendor and the Purchaser in writing)
“connected persons”	has the meaning ascribed to it under Rule 1.01 and as extended by Rule 14A.11 of the Listing Rules

“Connected Transactions”	the connected transactions contemplated by the Option Agreement, the Shareholders Agreement and the Deed of Covenant as secured by the Security Documents (other than the Personal Guarantee)
“Consideration”	the aggregate consideration for the Disposal, being US\$160,380,314
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the LWD MTQ Agreements as secured by the LWD MTQ Security Documents
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Corporate Guarantee”	the guarantee to be granted by the Company in favour of the Purchaser on the Completion Date to secure the Secured Obligations
“Deed of Covenant”	the deed of covenant to be entered into between the Vendor, the Purchaser and Listar on the Completion Date in relation to certain obligations to be undertaken by the Vendor as regards the Listar Group after Completion
“Deferred Sale Price”	together, the Purchase Price and the Murabaha Profit
“Director(s)”	the director(s) of the Company
“Disposal”	disposal of the Acquired Interests by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement
“Dongjing Account Charge”	the account charge dated 22 July 2011 entered into between Honest Link and the Purchaser in relation to the charge on Honest Link’s bank account to secure the LWD MTQ Secured Obligations
“Dongjing Guarantee”	the corporate guarantee dated 22 July 2011 granted by Honest Link in favour of the Purchaser to secure the LWD MTQ Secured Obligations
“Dongjing Security Assignment”	the security assignment in relation to the shareholder’s advances from Honest Link to the Project Company dated 22 July 2011 entered into between Honest Link and the Purchaser to secure the LWD MTQ Secured Obligations
“Dongjing Security Documents”	the Dongjing Account Charge, the Dongjing Guarantee, the Dongjing Security Assignment, the Dongjing Share Mortgage and the Dongjing Subordination Deed

“Dongjing Share Mortgage”	the share mortgage dated 22 July 2011 entered into between Listar, Honest Link and the Purchaser in relation to the mortgage of the entire issued share capital of Honest Link to secure the LWD MTQ Secured Obligations
“Dongjing Subordination Deed”	the subordination deed dated 22 July 2011 entered into between Honest Link, Listar and the Purchaser in relation to the indebtedness due to Listar from Honest Link
“Effective Distribution Amount”	the Interim Profit payable to the Purchaser on such Distribution Date before application of the Excess Cash
“Excess Cash”	the aggregate of all payments received by the Purchaser from Listar and/or the Vendor in all the previous Interim Profit Periods in excess of the aggregate of: (i) the Interim Profit distribution payable by Listar to the Purchaser; and (ii) the Adjustment Amount (if any) payable by the Vendor to the Purchaser in all the previous Interim Profit Periods
“First Corporate Guarantee”	the guarantee dated 3 August 2009 granted by the Company in favour of the Purchaser to secure the First LWD MTQ Secured Obligations
“First Liu Wan Investment Account Charge”	the account charge dated 3 August 2009 entered into between Liu Wan Investment and the Purchaser in relation to the charge on Liu Wan Investment’s bank account to secure the First LWD MTQ Secured Obligations
“First Liu Wan Investment Security Assignment”	the security assignment in relation to the shareholder’s advances from Liu Wan Investment to Nanhai Yitian dated 3 August 2009 entered into between Liu Wan Investment and the Purchaser to secure the First LWD MTQ Secured Obligations
“First Liu Wan Investment Share Mortgage”	the share mortgage dated 3 August 2009 entered into between LWD, the Purchaser and Liu Wan Investment in relation to the mortgage of the entire issued share capital of Liu Wan Investment to secure the First LWD MTQ Secured Obligations
“First LWD Accounts Charge”	the accounts charge dated 3 August 2009 entered into between LWD and the Purchaser in relation to the charge on LWD’s bank accounts to secure the First LWD MTQ Secured Obligations

“First LWD MTQ Agreement”	the Murabaha-Tawarruq Agreement dated 3 August 2009 entered into between the Purchaser and LWD (as amended and supplemented by a supplemental agreement dated 22 July 2011 and further amended and supplemented by the Letter Agreement) in relation to a financing of up to US\$275,000,000 granted by the Purchaser to LWD
“First LWD MTQ Secured Obligations”	all monies and liabilities, whether actual or contingent, which are now or at any time hereafter may be or may become due or owing by LWD or any other LWD MTQ Obligor to the Purchaser under or pursuant to the First LWD MTQ Agreement or any other relevant LWD MTQ Transaction Documents including but not limited to the Deferred Sale Price (including the Murabaha Profit) and whether or not in connection with the Deferred Sale Price, any and all profit margin, fees, costs, expenses or indemnity amounts
“First LWD Security Assignment”	the security assignment in relation to the shareholder’s advances from LWD to Liu Wan Investment and Nanhai Yitian dated 3 August 2009 entered into between LWD and the Purchaser to secure the First LWD MTQ Secured Obligations
“First LWD Share Mortgage”	the share mortgage dated 3 August 2009 entered into between the Vendor, LWD and the Purchaser in relation to the mortgage of the entire issued share capital of LWD to secure the First LWD MTQ Secured Obligations
“First Personal Guarantee”	the guarantee dated 3 August 2009 granted by Mr. Yu in favour of the Purchaser to secure the First LWD MTQ Secured Obligations
“First Sale Agency Agreement”	the sale agency agreement dated 3 August 2009 entered into between LWD and the Purchaser
“Group”	the Company and its subsidiaries
“Guangzhou Freeman”	廣州自由人男子籃球俱樂部股份有限公司 (Guangzhou Freeman Basketball Club Company Limited), a limited liability company established in the PRC and a wholly-owned subsidiary of the Project Company as at the date of this announcement
“HLDL Accounts Charge”	the accounts charge to be entered into between Honest Link and the Purchaser on the Completion Date in relation to the charge on Honest Link’s bank accounts to secure the Secured Obligations

“HLDL Share Mortgage”	the share mortgage to be entered into between Listar, Honest Link and the Purchaser on the Completion Date in relation to the mortgage of the entire issued share capital of Honest Link to secure the Secured Obligations
“Honest Link”	Honest Link Development Limited (興漢發展有限公司), a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Listar as at the date of this announcement
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors established for the purpose of providing recommendations to the Independent Shareholders in respect of the Connected Transactions
“Independent Financial Adviser”	Odysseus Capital Asia Limited, a corporation licensed to conduct type 6 regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which is the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Connected Transactions
“Independent Shareholders”	Shareholder(s) other than Mr. Yu, the Purchaser and their respective associates
“Interim Profit Periods”	each successive period commencing on the date of the Deed of Covenant or a Distribution Date (as the case may be) and ending on the next Distribution Date
“Internal Rate of Return”	the discount rate expressed as a percentage per annum which will render the sum of the net present values of each cash flow received or paid by the Purchaser (including the Consideration and all other cash flow received (including proceeds from any disposal of any part of the Acquired Interests) or paid relating to the Acquired Interests) in respect of its investment in the Acquired Interests equal to zero. For this purpose, (i) any future positive cash flow to the Purchaser which has not been received by the Purchaser shall be disregarded; and (ii) any positive cash flow received by the Purchaser on account of settlement of the LWD MTQ Secured Obligations shall be disregarded
“Jingyitian”	深圳市金益田實業發展有限公司 (Shenzhen City Jingyitian Industrial Development Company Limited), a limited liability company established in the PRC and a wholly-owned subsidiary of Nanhai Yitian as at the date of this announcement



“Letter Agreement”	the letter agreement dated 26 October 2012 from the Vendor and LWD to the Purchaser supplementing certain terms of the LWD MTQ Agreements
“Listar”	Listar Properties Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor as at the date of this announcement
“Listar Group”	Listar and its subsidiaries
“Listar Security Documents”	the Vendor Account Charge, the HLDL Accounts Charge, the Security Assignment (Vendor Rights), the Security Assignment (Vendor Shareholder Loan), the Security Assignment (Listar Shareholder Loan), the Security Assignment (HLDL Shareholder Loan), the Listar Share Mortgage and the HLDL Share Mortgage
“Listar Share Mortgage”	the share mortgage to be entered into between the Vendor, Listar and the Purchaser on the Completion Date in relation to the mortgage of the Vendor’s interest in the issued share capital of Listar to secure the Second Obligations
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Liu Wan Investment”	Liu Wan Investment Company Limited (六灣投資有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of LWD as at the date of this announcement
“Liu Wan Investment Account Charge”	an account charge to be entered into between Liu Wan Investment and the Purchaser on the Completion Date in relation to the charge on Liu Wan Investment’s bank account to secure the Secured Obligations
“Liu Wan Investment Security Assignment”	the security assignment in relation to the shareholder’s advances from Liu Wan Investment to Nanhai Yitian to be entered into between Liu Wan Investment and the Purchaser on the Completion Date to secure the Secured Obligations
“Liu Wan Investment Share Mortgage”	the share mortgage to be entered into between LWD, Liu Wan Investment and the Purchaser on the Completion Date in relation to the mortgage of the entire issued share capital of Liu Wan Investment to secure the Secured Obligations
“Long Stop Date”	31 December 2012 or such later date as is designated by the Purchaser by written notice to the Vendor

“LWD”	Liu Wan Development (BVI) Company Limited (六灣開發(BVI)有限公司), a limited liability company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Vendor as at the date of this announcement
“LWD Accounts Charge”	an accounts charge to be entered into between LWD and the Purchaser on the Completion Date in relation to the charge on LWD’s bank accounts to secure the Secured Obligations
“LWD MTQ Agreements”	the First LWD MTQ Agreement and the Second LWD MTQ Agreement
“LWD MTQ Obligors”	LWD, the Vendor, Liu Wan Investment, the Company, Mr. Yu, Honest Link, Listar and any other person (other than the Purchaser) who is a party to a LWD MTQ Transaction Documents
“LWD MTQ Secured Obligations”	the First LWD MTQ Secured Obligations and the Second LWD MTQ Secured Obligations
“LWD MTQ Security Documents”	the First LWD Share Mortgage, the Second LWD Share Mortgage, the First Liu Wan Investment Share Mortgage, the Second Liu Wan Investment Share Mortgage, the First LWD Accounts Charge, the Second LWD Accounts Charge, the First Liu Wan Investment Account Charge, the Second Liu Wan Investment Account Charge, the First LWD Security Assignment, the Second LWD Security Assignment, the First Liu Wan Investment Security Assignment, the Second Liu Wan Investment Security Assignment, the First Personal Guarantee, the Second Personal Guarantee, the First Corporate Guarantee, the Second Corporate Guarantee and the Dongjing Security Documents
“LWD MTQ Transaction Documents”	the LWD MTQ Agreements, the LWD MTQ Security Documents, the First Sale Agency Agreement and the Second Sale Agency Agreement
“LWD Security Assignment”	the security assignment in relation to the shareholder’s advances from LWD to Liu Wan Investment and Nanhai Yitian to be entered into between LWD and the Purchaser on the Completion Date to secure the Secured Obligations
“LWD Security Documents”	the LWD Share Mortgage, the Liu Wan Investment Share Mortgage, the LWD Security Assignment, the Liu Wan Investment Security Assignment, the LWD Accounts Charge and the Liu Wan Investment Account Charge

“LWD Share Mortgage”	the share mortgage to be entered into between the Vendor, LWD and the Purchaser on the Completion Date in relation to the mortgage of the entire issued share capital of LWD to secure the Secured Obligations
“Minimum IRR”	an Internal Rate of Return equal to 12% per annum
“Mr. Yu”	Mr. Yu Pun Hoi, the chairman of the Company, an executive Director and the Controlling Shareholder
“Murabaha Profit”	has the meaning ascribed to the term as set out in the paragraph headed “The facilities” under the section headed “Continuing Connected Transactions” of this announcement
“Nanhai Yitian”	深圳南海益田置業有限公司 (Shenzhen Nanhai Yitian Realty Company Limited), a sino-foreign co-operative joint venture established in the PRC and a subsidiary of Liu Wan Investment as at the date of this announcement
“Obligors”	the Vendor, Listar, the Company, Mr. Yu, Honest Link, LWD (in its capacity as such under the Transaction Documents to which it is a party only, excluding its capacity under the LWD MTQ Transaction Documents), Liu Wan Investment and any other person (other than the Purchaser) who is a party to a Transaction Document
“Option Agreement”	the option agreement to be entered into between the Vendor and the Purchaser upon Completion in relation to the grant of the Put Option and the Call Option
“Option Assets”	the Option Shares and the Option Loan
“Option Loan”	the outstanding shareholder’s loan due and owing from Listar to the Purchaser as at the Completion Date or in the event of any repayment by Listar or disposal of any part by the Purchaser in accordance with the Shareholders Agreement, the balance thereof from time to time
“Option Shares”	the 6,000,000 shares of US\$1.00 each in the capital of Listar acquired by the Purchaser pursuant to the Sale and Purchase Agreement or, if the Purchaser has disposed of any such shares in accordance with the Shareholders Agreement, the balance thereof
“Personal Guarantee”	the guarantee to be granted by Mr. Yu in favour of the Purchaser on the Completion Date to secure obligations of the Obligors under the Transaction Documents

“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Project”	the property development project namely “Free Man Garden” on the Site by the Project Company
“Project Company”	廣州東鏡新城房地產有限公司 (Guangzhou Dongjing Xincheng Properties Co., Ltd.), a sino-foreign co-operative joint venture established in the PRC
“Purchase Price”	has the meaning ascribed to the term as set out in the paragraph headed “The facilities” under the section headed “Continuing Connected Transactions” of this announcement
“Purchaser”	Baitak Asian Shenzhen Peninsula Co., Ltd
“Put Option”	the option to be granted by the Vendor to the Purchaser requiring the Vendor to purchase the Option Assets from the Purchaser pursuant to the Option Agreement
“Put Option Exercise Notice”	a written notice to be issued by the Purchaser to the Vendor in relation to the exercise of the Put Option
“Put Option Exercise Period”	the period commencing on (i) the Commencement Date and expiring on the date falling twenty-four (24) months after the Commencement Date; or (ii) in the case of occurrence of any termination event, the date on which such termination event occurs and expiring on the date on which the Put Option would have expired should no such termination event occur
“Relevant Acquisition”	has the meaning ascribed to the term in the paragraph headed “Repayment” under the section headed “Continuing Connected Transactions” of this announcement
“Relevant Events”	LWD’s failure to pay instalments of the Deferred Sale Price due on 31 December 2011, 31 March 2012, 30 June 2012 and 30 September 2012 respectively
“Sale and Purchase Agreement”	the sale and purchase agreement dated 31 October 2012 entered into between the Vendor, Listar and the Purchaser in relation to the Disposal
“Sale Shares”	6,000,000 shares of US\$1.00 each in the capital of Listar held by the Vendor as at the date of this announcement
“Second Corporate Guarantee”	the guarantee dated 22 July 2011 granted by the Company in favour of the Purchaser to secure the Second LWD MTQ Secured Obligations

“Second Liu Wan Investment Account Charge”	the account charge dated 22 July 2011 entered into between Liu Wan Investment and the Purchaser in relation to Liu Wan Investment’s bank account to secure the Second LWD MTQ Secured Obligations
“Second Liu Wan Investment Security Assignment”	the security assignment in relation to the shareholder’s advances from Liu Wan Investment to Nanhai Yitian dated 22 July 2011 entered into between Liu Wan Investment and the Purchaser to secure the Second LWD MTQ Secured Obligations
“Second Liu Wan Investment Share Mortgage”	the share mortgage dated 22 July 2011 entered into between LWD, the Purchaser and Liu Wan Investment in relation to the mortgage of the entire issued share capital of Liu Wan Investment to secure the Second LWD MTQ Secured Obligations
“Second LWD Accounts Charge”	the accounts charge dated 22 July 2011 entered into between LWD and the Purchaser in relation to the charge on LWD’s bank accounts to secure the Second LWD MTQ Secured Obligations
“Second LWD MTQ Agreement”	the Murabaha-Tawarruq Agreement dated 22 July 2011 entered into between the Purchaser and LWD (as amended and supplemented by the Letter Agreement) in relation to a financing of up to US\$52,598,000 granted by the Purchaser to LWD
“Second LWD MTQ Secured Obligations”	all monies and liabilities, whether actual or contingent, which are now or at any time hereafter may be or may become due or owing by LWD or any other LWD MTQ Obligor to the Purchaser under or pursuant to the Second LWD MTQ Agreement or any other relevant LWD MTQ Transaction Documents including but not limited to the Deferred Sale Price (including the Murabaha Profit) and whether or not in connection with the Deferred Sale Price, any and all profit margin, fees, costs, expenses or indemnity amounts
“Second LWD Security Assignment”	the security assignment in relation to the shareholder’s advances from LWD to Liu Wan Investment and Nanhai Yitian dated 22 July 2011 entered into between LWD and the Purchaser to secure the Second LWD MTQ Secured Obligations
“Second LWD Share Mortgage”	the share mortgage dated 22 July 2011 entered into between the Vendor, LWD and the Purchaser in relation to the mortgage of the entire issued share capital of LWD to secure the Second LWD MTQ Secured Obligations

“Second Personal Guarantee”	the guarantee dated 22 July 2011 granted by Mr. Yu in favour of the Purchaser to secure the Second LWD MTQ Secured Obligations
“Second Sale Agency Agreement”	the sale agency agreement dated 22 July 2011 entered into between LWD and the Purchaser
“Secured Obligations”	all present and future indebtedness, obligations and liabilities (whether actual or contingent and whether owed on a joint and several basis), which are or maybe or may become due or owing by the Vendor or any other Obligor (except for Mr. Yu) to the Purchaser under or pursuant to the Sale and Purchase Agreement or any other Transaction Documents (other than the Personal Guarantee)
“Security Assignment (HLDL Shareholder Loan)”	the security assignment to be entered into between Honest Link and the Purchaser on the Completion Date in relation to the shareholder’s loan(s) due and owing to Honest Link from the Project Company in order to secure the Secured Obligations
“Security Assignment (Listar Shareholder Loan)”	the security assignment to be entered into between Listar and the Purchaser on the Completion Date in relation to the shareholder loan(s) due and owing to Listar from Honest Link in order to secure the Secured Obligations
“Security Assignment (Vendor Rights)”	the security assignment to be entered into between the Vendor and the Purchaser on the Completion Date in relation to the rights and interest of the Vendor in the Sale and Purchase Agreement, the Shareholders Agreement and the Deed of Covenant in order to secure the Secured Obligations
“Security Assignment (Vendor Shareholder Loan)”	the security assignment to be entered into between the Vendor and the Purchaser on the Completion Date in relation to the shareholder’s loan(s) due and owing to the Vendor from Listar in order to secure the Secured Obligations
“Security Documents”	the Corporate Guarantee, the Personal Guarantee, the Listar Security Documents and the LWD Security Documents
“Settlement Agreement”	the settlement agreement to be entered into between the Vendor, LWD and the Purchaser in respect of settlement of certain LWD MTQ Secured Obligations by way of set-off of the Purchaser’s obligations to pay the Consideration at Completion under the Sale and Purchase Agreement

“SGM”	the special general meeting of the Company to be convened and held for (i) the Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the Independent Shareholders to consider, and if thought fit, to approve the Connected Transactions
“Share(s)”	share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholders Agreement”	the shareholders’ agreement to be entered into between the Vendor, Listar and the Purchaser on the Completion Date in respect of their rights and obligations in Listar
“Shareholder Loan”	30% of the aggregate outstanding amount of shareholder’s loan owing by Listar to the Vendor as at the Completion Date
“Site”	all that piece of land situated at Xinhua County, Huadu District, Guangzhou of the PRC with gross floor area of approximately 1,036,000 sq.m. in aggregate
“sq.m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Distribution Amount”	the target amount of distribution for the Purchaser on that Distribution Date calculated on the amount of US\$160,380,314 at the profit rate of 12% per annum during the Interim Profit Periods ending on the day immediately preceding to that Distribution Date on the basis of the actual number of days elapsed and a year of 360 days
“Transaction Document(s)”	the Sale and Purchase Agreement, the Option Agreement, the Shareholders Agreement, the Deed of Covenant, the Settlement Agreement and the Security Documents
“US”	the United States of America
“Vendor”	Nan Hai Development Limited (南海發展有限公司), a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company as at the date of this announcement
“Vendor Account Charge”	the account charge to be entered into between the Vendor and the Purchaser on the Completion Date in relation to the charge on the Vendor’s bank account to secure the Secured Obligations

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	US dollar, the lawful currency of the US
“%”	per cent.

*For the purpose of this announcement, unless otherwise indicated, the exchange rates of RMB0.820 = HK\$1, US\$1 = HK\$7.758 and RMB6.300 = US\$1 have been used for currency translation, where applicable. Such exchange rates are for the purpose of illustration only and do not constitute a representation that any amounts in HK\$, RMB or US\$ have been, could have been or may be converted at such or any other rates.*

On behalf of the Board  
**Nan Hai Corporation Limited**  
**Chen Dan**  
*Director*

Hong Kong, 31 October 2012

*As at the date of this announcement, the directors of the Company are:*

<i>Executive Directors:</i>	<i>Non-executive Directors:</i>	<i>Independent non-executive Directors:</i>
Mr. Yu Pun Hoi	Mr. Wang Gang	Mr. Huang Yaowen
Ms. Chen Dan	Mr. Lam Bing Kwan	Prof. Jiang Ping
Ms. Liu Rong		Mr. Lau Yip Leung