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CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

ANNOUNCEMENT DISCLOSEABLE TRANSACTION

The Board announces that on 30th December, 2005, the Purchaser, an indirect wholly-owned subsidiary of the Company and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to purchase from the Vendor 70.01% interest in Moon Ocean for a total cash consideration of HK\$1 million. Subject to Completion, CEL will guarantee the obligations of Moon Ocean up to the HK\$750 million loan obtained by Moon Ocean pursuant to the Corporate Guarantee. In consideration of Best Express continuing to provide works in respect of regulatory, procedural and compliance matters relating to the acquisition and the development of the Land and subject to the conversion of the 2,999 Shares beneficially held by Best Express being converted into 2,999 Non-voting Deferred Shares in accordance with the Shareholders' Agreement, pursuant to which all the Shares will be held by the Purchaser and all the Non-voting Deferred Shares will be held by Best Express, the Purchaser shall pay total success fee of HK\$199 million by two instalments to Best Express.

Moon Ocean has entered into certain agreements in connection with the acquisition of the Land.

The Transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular containing, amongst other things, further details of the Transaction will be despatched to the Shareholders as soon as practicable.

THE SALE AND PURCHASE AGREEMENT

Date: 30th December, 2005

Parties:

Vendor: Easy Action Limited

Purchaser: Union Team Limited

To the best of the knowledge, information and belief of the Directors, as at the date of this announcement, the Vendor and its ultimate beneficial owner are Independent Third Parties.

Transaction:

The Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares subject to and in accordance with the terms and conditions of the Sale and Purchase Agreement.

The Sale Shares represent 70.01% of the existing issued share capital of Moon Ocean. The remaining 29.99% shareholding in Moon Ocean is held by Best Express, an Independent Third Party. Moon Ocean has entered into certain agreements in connection with the acquisition of the Land.

Consideration and Terms of Payment:

The consideration for the Sale Shares is HK\$1 million, which has been paid in full in cash by the Purchaser to the solicitors for the Vendor in escrow upon signing of the Sale and Purchase Agreement. Subject to, and upon Completion, the Consideration will be released to the Vendor. The Consideration was financed by the internal resources of the Group. The Consideration was agreed after arm's length negotiations between the Vendor and the Purchaser and the Consideration proposed by the Vendor was commercially acceptable by the Purchaser taking into account the development potential of the Land.

Conditions precedent and Completion:

Completion is conditional upon the following conditions: –

- (a) the Purchaser having completed its legal, financial, tax and other due diligence investigation of Moon Ocean and its subsidiaries and the Land and the results of such due diligence investigation being satisfactory to the Purchaser in its sole discretion;
- (b) subject to the reasonable conditions as may be required by the Lender and agreed by the Purchaser, the Lender having consented and/or undertaken to (i) the sale of the Sale Shares, (ii) the execution of the Deeds of Release on or before the date of Completion, and (iii) continue making available the Loan to Moon Ocean until 15th October, 2006;
- (c)
 - (i) legal opinion(s) being duly issued by legal practitioner(s) in Macau, in form and substance reasonably satisfactory to the Purchaser, in respect of the Land; and
 - (ii) legal opinion(s) being duly issued by legal practitioner(s) in the British Virgin Islands, in respect of (I) the due execution by the Vendor of the Sale and Purchase Agreement and all documents pursuant to the Sale and Purchase Agreement, and (II) the due execution, the validity and effectiveness of the transfer of the Sale Shares to the Purchaser pursuant to the Sale and Purchase Agreement;
- (d) Best Express and Moon Ocean having agreed to sign the Shareholders' Agreement on or before the date of Completion;
- (e) the Purchaser and the Company having obtained all necessary governmental and regulatory approvals for or in respect of the transactions contemplated by the Sale and Purchase Agreement on terms satisfactory to the Purchaser and the Company and such approvals remaining in full force and effect;
- (f) no statute, regulation or decision having been proposed, enacted or taken by any governmental or official authority which would prohibit, restrict or materially delay the purchase and transfer to the Purchaser of the Sale Shares or the operation of Moon Ocean before Completion; and
- (g) CEL having undertaken in writing to execute in favour of the Lender the Corporate Guarantee in the form set out in the Sale and Purchase Agreement within 7 days after the date of Completion.

If any of the above conditions have not been satisfied (or waived in respect of any or all of conditions (a) to (f) by the Purchaser or waived in respect of condition (g) by the Vendor) within 9 months from the date of the Sale and Purchase Agreement, the Sale and Purchase Agreement shall automatically lapse on that date and be of no further effect (save for clauses relating to definitions, confidentiality and miscellaneous matters cited in the Sale and Purchase Agreement), whereupon the Consideration paid by the Purchaser to the solicitors of the Vendor and all interest accrued thereon (if any) shall be returned to the Purchaser forthwith.

Subject to the fulfillment (or, if applicable, waiver) of the conditions precedent mentioned above, Completion shall take place on the earlier of (a) the date falling 30 days after the date of the Sale and Purchase Agreement and (b) the date falling 2 business days after the conditions referred to above have been fulfilled, or such other date as may be agreed by the parties to the Sale and Purchase Agreement in writing from time to time.

SHAREHOLDERS' AGREEMENT

Upon Completion, the Purchaser will enter into the Shareholders' Agreement with Moon Ocean and Best Express. The principal terms of the Shareholders' Agreement are summarized below:

(a) Directors of Moon Ocean

The Moon Ocean Board shall consist of no more than 5 directors, of whom no more than 4 directors will be nominated by the Purchaser and no more than 1 director will be nominated by Best Express. The chairman of the Moon Ocean Board shall be one of the directors nominated by the Purchaser.

(b) The business of Moon Ocean and its subsidiaries

During the continuance of the Shareholders' Agreement, the businesses of Moon Ocean shall be acquisition and development of the Land, sale and/or leasing and management of the completed properties on the Land.

(c) Shareholders' obligations in relation to the business of Moon Ocean and its subsidiaries

- (i) The Purchaser shall be responsible for the management and supervision of the development of the Land.
- (ii) Best Express has been and shall be responsible for all regulatory, procedural and compliance matters relating to the acquisition and development of the Land, including but not limited to, the liaison and follow-up with the banks, the relevant government departments and regulatory bodies for (a) the issue of a bank guarantee in respect of payment of the balance of the purchase price of the Land; (b) authorisation by the Macau Government of the transfer of the rights arising from the land lease concession of and in the Land to Moon Ocean; (c) the registration of Moon Ocean as the legal owner of the Land with the Real Estate Registry of Macau; and (d) all matters in relation to or incidental to the development of the Land in such manner as the Purchaser may request.
- (iii) In consideration of (a) Best Express continuing to provide the liaison and follow-up works mentioned in (ii) above subsequent to the Shareholders' Agreement; (b) Best Express taking all necessary steps for the conversion of the 2,999 Shares beneficially held by Best Express into 2,999 Non-voting Deferred Shares as soon as practicable as the payment of the first instalment of HK\$149 million as mentioned herein; and (c) Best Express agreeing to sign the resolutions of Moon Ocean Shareholders as referred to in (d) below such that, inter alia, its rights to distributable profits and other distributions of Moon Ocean are deferred, the Purchaser shall pay a success fee in the aggregate amount of HK\$199 million to Best Express, of which HK\$149 million shall be payable within 7 business days after the date of the Shareholders' Agreement and the remaining HK\$50 million shall be payable within 3 months after the due date of the payment of the first instalment of HK\$149 million as mentioned herein. The success fee will be financed by internal resources of the Group and was determined pursuant to the fee quote for the works performed by Best Express being commercially acceptable to the Purchaser.

(d) Variation of class rights

On the day of the payment of the first HK\$149 million of the success fee as mentioned in (c)(iii) above by the Purchaser to Best Express, the Moon Ocean Shareholders shall irrevocably and unconditionally sign, date and procure the filing with the Registrar of Companies in the British Virgin Islands resolutions of Moon Ocean Shareholders in the form set out in the Shareholders' Agreement and shall take all necessary steps so that the 2,999 Shares beneficially held by Best Express shall be converted into 2,999 Non-voting Deferred Shares as soon as practicable, and the articles of association of Moon Ocean shall be amended accordingly.

Pursuant to such resolutions of Moon Ocean Shareholders, the articles of association of Moon Ocean will be amended such that holders of the Non-voting Deferred Shares (i) will have no right to receive notice of or to attend and vote at any meeting of Moon Ocean Shareholders, (ii) will only have the right to share with the holders of the Shares in the part of the accumulated distributable profits of Moon Ocean exceeding the amount of HK\$1,000,333,445 (any accumulated distributable profits up to such amount shall be distributed among the holders of the Shares ("Distribution Amount")), and (iii) will have no right to receive together with holders of the Shares on a pro-rata basis on a return of assets on winding up or otherwise of Moon Ocean in the first part of the assets amounting to HK\$1,000,333,445 or such lesser amount after deduction of any part of the Distribution Amount distributed to the holders of the Shares.

Since Best Express will agree to defer its rights to share in the accumulated distributable profits of Moon Ocean up to the sum of HK\$1,000,333,445, the Purchaser will in effect take up the pro-rata portion of such distributable profits of Moon Ocean otherwise payable on the Shares held by Best Express after the Completion (i.e. 29.99%) up to the amount of approximately HK\$300 million in consideration of the success fee of HK\$199 million.

(e) Funding of Moon Ocean

- (i) The Purchaser shall be responsible for financing and/or arranging the financing of the capital and the working capital requirements of Moon Ocean and its subsidiaries.
- (ii) If security shall be required by any financial institutions or external financing sources providing loans to Moon Ocean and/or its subsidiaries, the Moon Ocean Shareholders shall provide and/or procure Moon Ocean to provide such security (including but not limited to their Shares) upon request of such lenders and shall execute such security documents as required by such lenders.
- (iii) In case of a Moon Ocean Shareholder contributing funds by way of a Moon Ocean Shareholder's loan to finance the operation of the business of Moon Ocean and its subsidiaries, Moon Ocean shall enter into a definitive agreement in relation thereto with such Moon Ocean Shareholder and interest shall accrue on such Moon Ocean Shareholder's loan at such a rate as the Moon Ocean Board and such Moon Ocean Shareholder shall agree.
- (iv) Best Express shall have no obligations to contribute any funds to Moon Ocean or its subsidiaries whether by way of subscription of further Shares or advance of Moon Ocean Shareholder's loan or to provide guarantee to the lenders for the benefit of Moon Ocean.

(f) Dividend policy

Any distribution of profit which Moon Ocean may determine to distribute in respect of any financial year shall be subject to all applicable law and the articles of association of Moon Ocean (including the class rights of the holders of Shares and Non-voting Deferred Shares as set out therein).

(g) Pre Emption Rights

Where a Moon Ocean Shareholder wishes to transfer any of its shares of Moon Ocean, the other Moon Ocean Shareholders shall have a pre emption right to buy such shares of Moon Ocean.

(h) Transfer of Shares

Each of the Moon Ocean Shareholders has undertaken to the other Moon Ocean Shareholders and to Moon Ocean that it shall not transfer or otherwise dispose of any shares of Moon Ocean or of any interest in or option over any shares of Moon Ocean otherwise than in accordance with the Shareholders' Agreement and the articles of association of Moon Ocean and unless and until the proposed transferee, issuee or allottee (who itself is not then a Moon Ocean Shareholder) executes and becomes bound by a deed of accession in the form set out in the Shareholders' Agreement.

A transfer of Shares by the Purchaser to a company which is an affiliate of the Purchaser is not subject to the pre emption right mentioned above or consent or approval of other Moon Ocean Shareholders.

INFORMATION ON MOON OCEAN

Moon Ocean is a company incorporated in the British Virgin Islands with limited liability on 25th May, 2005 and has two wholly-owned subsidiaries which were newly established in July and November 2005 respectively, particulars of which are (i) Grand Silver Limited, a company incorporated in the British Virgin Islands and its major business being the developer of the Land and (ii) Silver Jade Limitada, a company incorporated in Macau and a dormant company. Moon Ocean is currently owned as to 70.01% by the Vendor and 29.99% by Best Express.

In October 2005, Moon Ocean entered into the Land Agreements with parties which are Independent Third Parties, for the transfer to Moon Ocean of the rights arising from the land lease concession of and in the Land. Completion of the Land Agreements is expected to proceed on or before 15th February, 2006. The Land, which consists of 5 parcels of land adjacent to one and others, has an aggregate area of approximately 78,700 sq.m and is located adjacent to the Macau International Airport at Avenida Wai Long, Taipa, Macau, with particulars set out as below:

Lot Numbers: respectively Lote 1C, Lote 2, Lote 3, Lote 4 and Lote 5 (Parcelas 5A-5B)

Site Area: respectively 4,012 sq.m, 13,425 sq.m, 18,707 sq.m, 8,750 sq.m and 33,848 sq.m

Total gross floor area: approximately 392,505 sq.m
Present site condition: Vacant with no concrete development plan at present
Intended usage of the Land: office tower, apartment-style hotel and residential blocks

The cost of the Land was MOP\$1,368 million (approximately HK\$1,328 million) of which MOP\$684 million (approximately HK\$664 million) has been paid. The remaining unpaid sum of MOP\$684 million (approximately HK\$664 million) shall be financed by the internal resources of the Group and/or external funding or financing of the Group.

To finance the Macau Project, Moon Ocean has obtained a loan facility of up to HK\$750 million pursuant to the Loan Agreement (the terms of which were on normal commercial terms) which is secured by the Debenture and the Mortgage, both of which are to be released upon Completion and replaced by the Corporate Guarantee after the Completion. As at the date of this announcement, the outstanding loan principal balance is approximately HK\$717.9 million.

Currently, the funding of Moon Ocean is expected not to exceed approximately HK\$1,414 million, which takes into account (i) MOP\$684 million (approximately HK\$664 million), being the remaining unpaid cost of the Land and (ii) HK\$750 million being the loan obtained by Moon Ocean, the obligations of which will be guaranteed by CEL pursuant to the Corporate Guarantee. The financial obligations of the Group in respect of the Transaction will be approximately HK\$1,614 million, after taking into account (aa) the funding requirement of Moon Ocean of approximately HK\$1,414 million, (bb) HK\$1 million being the Consideration, and (cc) HK\$199 million being the success fee payable by the Purchaser to Best Express.

The Group's financial obligations of HK\$1,614 million in the Transaction represent an accommodation value of the development of the Land of HK\$4,112 per sq.m or HK\$382 per square feet based on the gross floor area of 392,505 sq.m of the Land which the Directors consider to be in the commercial interest of the Group with reference to the accommodation value of land in Hong Kong.

Immediately after the Completion, Moon Ocean will be owned as to 70.01% by the Purchaser and 29.99% by Best Express. Upon the conversion of the 2,999 Shares beneficially held by Best Express being converted into 2,999 Non-voting Deferred Shares in accordance with the Shareholders' Agreement, all the Shares will be held by the Purchaser and all the Non-voting Deferred Shares will be held by Best Express. As such, Moon Ocean and its subsidiaries will become non wholly-owned subsidiaries of the Company and their results will be consolidated in the accounts of the Company.

According to the unaudited consolidated management accounts of Moon Ocean from 25th May, 2005 being the date of incorporation of Moon Ocean to 29th December, 2005, the unaudited consolidated net loss before and after taxation of Moon Ocean were both HK\$37,000 and the unaudited consolidated net asset value of Moon Ocean as of 29th December, 2005 was HK\$41,000. The major assets of Moon Ocean and its subsidiaries are the deposit paid for the Land and the major liabilities are the Loan from the Lender.

REASONS FOR, AND BENEFITS OF, THE TRANSACTION

Recognising the long-term prospects of the property market in Macau, the acquisition of the 70.01% interest in Moon Ocean will enable the Group to enter the Macau property market and benefit the business development of the Group in the future. The Transaction is a continuation of the Group's principal activities with business partners.

The Directors (including the independent non-executive Directors) consider that the terms of the Transaction, including but not limited to the Sale and Purchase Agreement, the Shareholders' Agreement and the Corporate Guarantee, are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

GENERAL INFORMATION

The Group is principally engaged in property development and trading, property leasing, money lending, securities investment and brokerage.

The sole business of both the Vendor and Best Express is the holding of the Shares in Moon Ocean. So far as the Directors are aware, the Vendor, Best Express and the Lender are not related parties.

The Transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular containing, amongst other things, further details of the Transaction will be despatched to the Shareholders as soon as reasonably practicable.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below:

“Best Express”	Best Express Holdings Limited, a company incorporated in the British Virgin Islands and beneficially owned by an Independent Third Party and the registered shareholder of 2,999 Shares as at the date of the Sale and Purchase Agreement
“Board”	the board of Directors of the Company
“CEL”	Chinese Estates, Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Company”	Chinese Estates Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	subject to the conditions precedent set out in the Sale and Purchase Agreement having been fulfilled (or waived by the parties thereto in accordance with its terms), completion of the Transaction in accordance with the Sale and Purchase Agreement
“connected person(s)”	has the same meaning ascribed to it in the Listing Rules
“Consideration”	the consideration of HK\$1 million for the sale and purchase of the Sale Shares, determined in accordance with the provisions of the Sale and Purchase Agreement
“Corporate Guarantee”	the deed of guarantee to be executed by CEL in favour of the Lender to guarantee Moon Ocean’s obligations under the Loan Agreement
“Debenture”	the debenture as amended and supplemented by the supplemental agreement to the Loan Agreement and the confirmation deed executed by Moon Ocean in favour of the Lender in respect of the Loan
“Deeds of Release”	the deeds of unconditional release of the charges, mortgages, assignments and other security interests created under the Debenture and the Mortgage to be executed by the Lender in favour of the Purchaser on Completion
“Director(s)”	director(s) of the Company from time to time
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	a person or company which is not a connected person of the Company and is independent of and not connected with the Company or any Director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates (within the meaning under the Listing Rules)
“Land”	5 parcels of land in Macau, particulars of which are set out in the paragraph headed “Information on Moon Ocean” in this announcement
“Land Agreements”	the 5 agreements signed on 15th October, 2005 between Moon Ocean and other parties thereto with regard to the transfer of the rights arising from the land lease concession of and in the Land to Moon Ocean

“Lender”	the lender, a special purpose vehicle incorporated in the British Virgin Islands for the purpose of providing a loan facility of up to HK\$750 million to Moon Ocean under the Loan Agreement, an Independent Third Party and is not a related party of Best Express nor the Vendor
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan facility of up to HK\$750 million borrowed by Moon Ocean from the Lender pursuant to the Loan Agreement
“Loan Agreement”	the loan agreement and supplemental agreement executed by Moon Ocean and the Lender in respect of the Loan
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Macau Project”	the acquisition of the Land pursuant to the Land Agreements and the development thereof in accordance with the Macau laws and regulations
“Moon Ocean”	Moon Ocean Ltd., a company incorporated in the British Virgin Islands with limited liability
“Moon Ocean Board”	the board of directors of Moon Ocean from time to time subsequent to Completion
“Moon Ocean Shareholder(s)”	holder(s) of shares in Moon Ocean
“Mortgage”	the share mortgage as amended and supplemented by two share mortgage confirmation deeds executed by the Vendor and Best Express in favour of the Lender in respect of the Loan
“Non-voting Deferred Shares”	non-voting deferred shares of US\$1 each in the issued share capital of Moon Ocean
“Purchaser”	Union Team Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the conditional sale and purchase agreement in respect of the Sale Shares dated 30th December, 2005 entered into between the Vendor and the Purchaser
“Sale Shares”	7,001 Shares, representing 70.01% of the issued share capital of Moon Ocean which are to be sold by the Vendor to the Purchaser pursuant to the terms contained in the Sale and Purchase Agreement
“Shares”	ordinary shares of US\$1 each in the issued share capital of Moon Ocean
“Shareholder(s)”	shareholder(s) of the Company
“Shareholders’ Agreement”	the shareholders’ agreement which shall be entered into between the Purchaser, Best Express and Moon Ocean on Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it in the Listing Rules
“Transaction”	the transactions contemplated under the Sale and Purchase Agreement and the Shareholders’ Agreement
“Vendor”	Easy Action Limited, a limited company incorporated in the British Virgin Islands and an Independent Third Party

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“MOP\$”	Macau dollars, the lawful currency of Macau
“US\$”	United States dollars, the lawful currency of the United States of America
“sq.m”	square metres
“%”	per cent.

Unless otherwise specified, for the purpose of this announcement, the exchange rate between HK\$ and MOP\$ is calculated at HK\$1.00 = MOP\$1.03.

By Order of the Board
Lam, Kwong-wai
Company Secretary

Hong Kong, 30th December, 2005

As at the date of this announcement, the Board comprises Mr. Thomas Lau, Luen-hung and Mr. Joseph Lau, Luen-hung as Executive Directors; Ms. Amy Lau, Yuk-wai as Non-executive Director and Mr. Koon, Wing-ye, Mr. Cheng, Kwee and Mr. Chan, Kwok-wai as Independent Non-executive Directors.

Website: <http://www.chineseestates.com>

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