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If you have sold or transferred all your shares in Chinese Estates Holdings Limited, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

DISCLOSEABLE TRANSACTION

**ACQUISITION OF 70.01% EQUITY INTEREST IN
MOON OCEAN LTD.**

20th January, 2006

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DEFINITIONS

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

“Acquisition”	acquisition of the Sale Shares, being 70.01% of the issued share capital of Moon Ocean
“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 Moon Ocean Non-voting Deferred Shares as at the Latest Practicable Date
“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”	completion of the Sale and Purchase Agreement in accordance with the terms thereof which took place on 5th January, 2006
“connected person(s)”	has the same meaning ascribed to it in the Listing Rules
“Consideration”	the consideration of HK\$1 million for the Acquisition, determined in accordance with the provisions of the Sale and Purchase 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, which was released pursuant to the Deeds of Release
“Deeds of Release”	the deeds of unconditional release of the charges, mortgages, assignments and other security interests created under the Debenture and the Mortgage executed by the Lender in favour of the Purchaser on 5th January, 2006
“Director(s)”	director(s) of the Company from time to time
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Third Party(ies)”	(a) person(s) or company(ies) which is (are) not (a) connected person(s) of the Company and is (are) 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 the section headed “Letter from the Board”
“Land Agreements”	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
“Latest Practicable Date”	16th January, 2006, being the latest practicable date prior to the issue of this circular for ascertaining certain information contained herein
“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, so far as the Directors are aware, 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 which was fully repaid on 9th January, 2006
“Loan Agreement”	the loan agreement and supplemental agreement executed by Moon Ocean and the Lender in respect of the Loan, which was terminated on 9th January, 2006
“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

DEFINITIONS

“Moon Ocean Board”	the board of directors of Moon Ocean from time to time subsequent to Completion
“Moon Ocean Non-voting Deferred Shares”	non-voting deferred shares of US\$1.00 each in the issued share capital of Moon Ocean
“Moon Ocean Shares”	ordinary shares of US\$1.00 each in the issued share capital of Moon Ocean
“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, which was released pursuant to the Deeds of Release
“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 Moon Ocean Shares, representing 70.01% of the existing issued share capital of Moon Ocean which were sold by the Vendor to the Purchaser pursuant to the terms and conditions contained in the Sale and Purchase Agreement
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shares”	ordinary shares of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Shareholders’ Agreement”	the shareholders’ agreement entered into between the Purchaser, Best Express and Moon Ocean on 5th January, 2006
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it in the Listing Rules
“substantial shareholder(s)”	has the same meaning ascribed to it in the Listing Rules

DEFINITIONS

“Success Fee”	the success fee in an aggregate amount of HK\$199 million payable by the Purchaser to Best Express in the manner stated in clause (c) of the paragraph headed “Shareholders’ Agreement” in the section headed “Letter from the Board”
“Transaction”	the transactions contemplated under the Sale and Purchase Agreement and the Shareholders’ Agreement
“Vendor”	Easy Action Limited, a company incorporated in the British Virgin Islands with limited liability 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.

Note: For the purpose of this circular and for reference only, unless otherwise specified, the conversion of Hong Kong dollars to Macau dollars is based on the exchange rate of HK\$1.00=MOP\$1.03. Such conversion should not be construed as a representation that the amount in question has been, could have been or could be converted at any particular rate or at all.

LETTER FROM THE BOARD



CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

Executive Directors:

Thomas Lau, Luen-hung (*Chairman*)
Joseph Lau, Luen-hung (*Chief Executive Officer*)

Non-executive Director:

Amy Lau, Yuk-wai

Independent Non-executive Directors:

Koon, Wing-yee
Cheng, Kwee
Chan, Kwok-wai

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal Office in Hong Kong:

26th Floor
MassMutual Tower
38 Gloucester Road
Wanchai
Hong Kong

20th January, 2006

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

ACQUISITION OF 70.01% EQUITY INTEREST IN MOON OCEAN LTD.

INTRODUCTION

On 30th December, 2005, the Company announced that on the same day, 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 conditionally agreed to purchase the Sale Shares from the Vendor. Completion took place on 5th January, 2006.

Further details of the Acquisition and the Shareholders' Agreement can be found in the sections headed "The Sale and Purchase Agreement" and "Shareholders' Agreement" respectively.

The Transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. This circular provides you with further details of the Transaction.

LETTER FROM THE BOARD

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 Latest Practicable Date, the Vendor and its ultimate beneficial owner are Independent Third Parties.

Transaction:

The Purchaser conditionally agreed to purchase and the Vendor 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 transfer to Moon Ocean of the rights arising from the land lease concession of and in the Land.

Consideration and terms of payment:

The consideration for the Sale Shares is HK\$1 million, which was paid in full in cash by the Purchaser to the solicitors for the Vendor in escrow upon signing of the Sale and Purchase Agreement and was released to the Vendor on Completion. 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 to office tower, apartment-style hotel and residential blocks.

Conditions precedent and Completion:

The conditions precedent set out in the Sale and Purchase Agreement which are summarized below (apart from conditions (c)(i) and (ii) below, which were waived in accordance with its terms) were satisfied and Completion took place on 5th January, 2006 upon written agreement between the parties thereto. Under such written agreement, conditions (c)(i) and (ii) below were waived by the Purchaser subject to the Vendor's undertaking (which was also provided by the Vendor under such written agreement) that (i) the Macau legal opinion as mentioned in (c)(i) below be provided to the Purchaser within 21 business days (as defined in the Sale and Purchase Agreement) from the date of Completion and (ii) the British Virgin Islands legal opinion as mentioned in (c)(ii) below be provided to the Purchaser within 14 business days (as defined in the Sale and Purchase Agreement) from the date of Completion). As at the Latest Practicable Date, the Macau legal opinion had been provided to the Purchaser and it is expected that the British Virgin Islands legal opinion would be provided to the Purchaser in due course.

The conditions precedent mentioned above are:

LETTER FROM THE BOARD

- (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 form and substance reasonably satisfactory to the Purchaser, 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 to guarantee Moon Ocean's obligations under the Loan Agreement, in the form set out in the Sale and Purchase Agreement within 7 days after the date of Completion.

SHAREHOLDERS' AGREEMENT

On 5th January, 2006, the Purchaser entered into the Shareholders' Agreement with Moon Ocean and Best Express. The principal terms and the status of the Shareholders' Agreement as at the Latest Practicable Date 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.

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(b) The businesses 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 businesses 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) the 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 Best Express (a) continuing to provide the liaison and follow-up works mentioned in (ii) above subsequent to the Shareholders' Agreement, (b) taking all necessary steps for the conversion of the 2,999 Moon Ocean Shares beneficially held by Best Express into 2,999 Moon Ocean Non-voting Deferred Shares as soon as practicable after the payment of the first instalment of HK\$149 million of the Success Fee as mentioned below; and (c) 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 the Success Fee to Best Express, of which HK\$149 million shall be payable within 7 business days after the date of the Shareholders' Agreement and the second instalment of HK\$50 million shall be payable within 3 months after the due date of the payment of the first instalment of HK\$149 million of the Success Fee as mentioned above.

Under the Shareholders' Agreement, the first instalment of HK\$149 million of the Success Fee was payable by the Purchaser to Best Express within 7 business days (as defined in the Shareholders' Agreement) after the date of the Shareholders' Agreement (i.e. 5th January, 2006). However, at the written request of Best Express, only HK\$99 million of the first instalment was paid to Best Express on 5th January, 2006. Upon further written instructions from Best Express, the remaining HK\$50 million of the first instalment of the Success Fee was paid to Best Express on 16th January, 2006. The second instalment of HK\$50 million of the Success Fee shall be payable within 3 months after the payment of HK\$99 million on 5th January, 2006.

The first instalment of HK\$149 million of the Success Fee was, and the second instalment of HK\$50 million of the Success Fee will be, financed by the internal resources of the Group. The Success Fee which is payable to Best Express in consideration of Best Express fulfilling its obligations under the Shareholders' Agreement (as mentioned in (c)(iii) above), was commercially acceptable to the Purchaser, having taken into account that since Best Express has agreed to defer its

LETTER FROM THE BOARD

rights to share in the accumulated distributable profits of Moon Ocean up to the sum of HK\$1,000,333,445 (as mentioned in (d) below), the Purchaser in effect has acquired the right to receive the pro-rata portion of that part of distributable profits of Moon Ocean, if any, which would otherwise be payable on the Moon Ocean Shares held by Best Express (i.e. 29.99%) up to the amount of approximately HK\$300 million.

(d) Variation of class rights

On the day of the payment of the first instalment of HK\$149 million of the Success Fee 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 Moon Ocean Shares beneficially held by Best Express be converted into 2,999 Moon Ocean Non-voting Deferred Shares as soon as practicable, and the memorandum and articles of association of Moon Ocean shall be amended accordingly.

Pursuant to the articles of association of Moon Ocean as amended by such resolutions of Moon Ocean Shareholders, holders of the Moon Ocean Non-voting Deferred Shares (i) will have no right to receive notice of or to attend or vote at any meeting of Moon Ocean Shareholders, (ii) will only have the right to share with the holders of the Moon Ocean 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 Moon Ocean Shares (**"Distribution Amount"**)), and (iii) will have no right to receive together with holders of the Moon Ocean Shares on a pro-rata basis 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 Moon Ocean Shares.

Conversion of the 2,999 Moon Ocean Shares then beneficially held by Best Express into 2,999 Moon Ocean Non-voting Deferred Shares took effect on 5th January, 2006.

(e) Funding of Moon Ocean

- (i) The Purchaser shall be responsible for financing and/or arranging the financing of 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 of Moon Ocean) 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.

LETTER FROM THE BOARD

(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 of Moon Ocean or advance of Moon Ocean Shareholder's loan save and except for paying up the Moon Ocean Shares held by it, which have been fully paid up as at the Latest Practicable Date.

(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 Moon Ocean Shares and Moon Ocean 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 of Moon Ocean

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 as set out in the Shareholders' Agreement.

A transfer of Moon Ocean 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, as at the Latest Practicable Date, (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.

On 5th January, 2006, upon payment by the Purchaser to Best Express the sum of HK\$99 million, being part of the first instalment of HK\$149 million of the Success Fee, the 2,999 Moon Ocean Shares then beneficially held by Best Express were converted into 2,999 Moon Ocean Non-voting Deferred Shares. The remaining HK\$50 million of the first instalment of the Success Fee was paid on 16th January, 2006.

As at the Latest Practicable Date, the issued share capital of Moon Ocean was owned as to 70.01% by the Purchaser and 29.99% by Best Express with all the Moon Ocean Shares held by the Purchaser and all the Moon Ocean Non-voting Deferred Shares held by Best Express.

LETTER FROM THE BOARD

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 Lot 1C, Lot 2, Lot 3, Lot 4 and Lot 5 (Parcel 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 approximately MOP\$1,368 million (approximately HK\$1,328 million) of which approximately MOP\$684 million (approximately HK\$664 million) has been paid. The remaining unpaid sum of approximately 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 had previously 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 was secured by the Debenture and the Mortgage, both of which were released pursuant to the Deeds of Release dated 5th January, 2006. On 9th January, 2006, the amount of approximately HK\$733 million, being the outstanding principal amount of the Loan of approximately HK\$718 million and interest thereon of approximately HK\$15 million, was fully repaid to the Lender from internal resources of the Group and the Loan Agreement was terminated and as such, CEL did not execute the corporate guarantee as originally contemplated.

As at the Latest Practicable Date, the investment cost of Moon Ocean in respect of the Macau Project was approximately HK\$733 million, comprising (i) approximately MOP\$684 million (approximately HK\$664 million) being the paid portion of the cost of the Land, and (ii) approximately HK\$69 million, being the professional fees and interests capitalized. Furthermore, as at the Latest Practicable Date, the financial obligations of the Group in respect of the Macau Project pursuant to the Transaction was approximately HK\$1,597 million, after taking into account (aa) the funding requirement of Moon Ocean of approximately HK\$1,397 million being the investment cost of Moon Ocean of approximately HK\$733 million and the capital commitment of approximately MOP\$684 million (approximately HK\$664 million) being the unpaid portion of the cost of the Land, (bb) HK\$1 million being the Consideration, and (cc) HK\$199 million being the Success Fee mentioned above. Moon Ocean may require additional funds to finance the Macau Project and if it is unable to raise sufficient external financing, the Group may need to make further contribution to Moon Ocean. However, as at the Latest Practicable Date, as there was no concrete development plan, the amount of any further contribution of the Group could not be ascertained at this stage.

LETTER FROM THE BOARD

The Group's financial obligations of approximately HK\$1,597 million in the Transaction represent an accommodation value of the development of the Land of approximately HK\$4,069 per sq.m or approximately HK\$378 per square feet based on the gross floor area of approximately 392,505 sq.m of the Land. With reference to the current accommodation value of land in Hong Kong and a preliminary verbal indication of the value of the Land at approximately HK\$1,700 million by a professional valuer on 29th December, 2005, the Directors (including the independent non-executive Directors) considered that the Transaction was in the commercial interest of the Group.

The final valuation of the Land carried out by the same professional valuer during December 2005 assessed the value of the Land as at 30th December, 2005 at approximately HK\$1,700 million and the accommodation value of the Land was therefore approximately HK\$4,331 per sq.m or approximately HK\$402 per square feet. Such valuation was performed by the valuer based on the existing state of the Land and the value was arrived at by using a direct comparison method of transacted land prices and also by making reference to the relevant sales of, residential, office, hotel, industrial and retail in the property market in Macau. So far as the Directors are aware, the professional valuer is an Independent Third Party.

As at the Latest Practicable Date, all the Moon Ocean Shares were held by the Purchaser and all the Moon Ocean Non-voting Deferred Shares were held by Best Express. Since holders of Moon Ocean Non-voting Deferred Shares (i) have no voting rights, (ii) have deferred rights to distributable profits of Moon Ocean, and (iii) have deferred rights to receive a return of assets on winding up of Moon Ocean, as at the Latest Practicable Date, apart from the deferred rights of holders of Moon Ocean Non-voting Deferred Shares to distributable profits of Moon Ocean as referred to above, the Company substantially owned 100% economic interest in Moon Ocean and its subsidiaries. As such and as the Land was valued at approximately HK\$1,700 million, the Directors considered that the financial obligations of the Group under the Transaction of approximately HK\$1,597 million was fair and reasonable.

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 approximately HK\$37,000 and the unaudited consolidated net asset value of Moon Ocean as at 29th December, 2005 was approximately HK\$41,000. As at 29th December, 2005, the major assets of Moon Ocean and its subsidiaries were the deposit paid for the Land and the major liabilities were the Loan from the Lender.

INFORMATION ON THE VENDOR AND BEST EXPRESS

As informed by the Vendor and Best Express, the sole business of both the Vendor and Best Express is the holding of the shares of Moon Ocean. So far as the Directors are aware, the Vendor, Best Express and the Lender are not related parties.

INFORMATION ON THE GROUP

The principal activities of the Group are property development and trading, property leasing, money lending, securities investment, investment holding and brokerage.

REASONS FOR, AND BENEFITS OF, THE TRANSACTION

Recognising the long-term prospects of the property market in Macau, the Transaction 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.

LETTER FROM THE BOARD

Having taken into account the valuation of the Land and other factors mentioned above, 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 repayment of the Loan, are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE TRANSACTION

As at the Latest Practicable Date, Moon Ocean was owned as to 70.01% by the Purchaser and 29.99% by Best Express with all the Moon Ocean Shares held by the Purchaser and all the Moon Ocean Non-voting Deferred Shares held by Best Express. As such, Moon Ocean and its subsidiaries have become non wholly-owned subsidiaries of the Company and their results will be consolidated in the accounts of the Company.

Following Completion, repayment of the Loan and full payment of the Success Fee, the total amount of deposit paid by the Group will increase by approximately HK\$933 million (which comprises (i) approximately HK\$733 million, being the shareholders' loan advanced by the Purchaser's fellow subsidiary to Moon Ocean for the repayment of the outstanding principal amount of the Loan and interests thereon repaid to the Lender on 9th January, 2006 (which was applied in paying the first portion of the cost of the Land, professional fees and interests), (ii) HK\$1 million, being the Consideration, and (iii) HK\$199 million, being the Success Fee). As a result, the Group's cash or cash equivalent will decrease by approximately HK\$933 million. As at the Latest Practicable Date, the capital commitment of the Group in respect of the Macau Project was the remaining unpaid portion of the cost of the Land of approximately MOP\$684 million (approximately HK\$664 million). It is expected that the Transaction do not have any significant effect on the earnings of the Group immediately.

DISCLOSEABLE TRANSACTION

As the consideration ratio in respect of the Transaction exceeds 5% but is less than 25% determined in accordance with Rule 14.07(4) of the Listing Rules, accordingly, the Transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

ADDITIONAL INFORMATION

Additional information is also set out in the Appendix to this circular for your information.

Yours faithfully,
On behalf of the Board
Thomas Lau, Luen-hung
Chairman

1. RESPONSIBILITY

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement contained herein misleading.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors, chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long Positions

(a) The Company

Name of Director	Capacity	Number of Shares	Percentage of issued share capital
Joseph Lau, Luen-hung ("Mr. Joseph Lau")	Other interests	275,143,456 ^(Note 1)	13.17%
	Other interests	1,000,000,000 ^(Note 2)	47.88%
		<u>1,275,143,456</u>	<u>61.05%</u>
Thomas Lau, Luen-hung ("Mr. Thomas Lau")	Other interests	<u>199,207,187</u> ^(Note 3)	<u>9.53%</u>

Notes:

- These Shares were indirectly owned by a discretionary trust of which Mr. Joseph Lau was the founder and certain family members of Mr. Joseph Lau were eligible beneficiaries.
- These Shares were held by a unit trust of which Mr. Joseph Lau was one of the unit holders. The rest of the units in the unit trust were held by a discretionary trust of which Mr. Joseph Lau was the founder and certain family members of Mr. Joseph Lau were eligible beneficiaries.
- These Shares were indirectly owned by a discretionary trust of which Mr. Thomas Lau and his certain family members were eligible beneficiaries.

(b) Associated Corporations

Name of company	Name of Director	Capacity	Number of shares	Percentage of issued share capital
Chi Cheung Investment Company, Limited (“Chi Cheung”)	Mr. Joseph Lau	Interest in controlled corporation	209,931,186 ^(Note 1)	61.96%
G-Prop (Holdings) Limited (“G-Prop”)	Mr. Joseph Lau	Interest in controlled corporation	397,858,761 ^(Note 2)	50.10%

Notes:

- Mr. Joseph Lau by virtue of his 61.05% interest in the issued share capital of the Company as disclosed in paragraph (a) above, was deemed to be interested in 209,931,186 shares of Chi Cheung held directly by Billion Up Limited, a wholly-owned subsidiary of Lucky Years Ltd. which in turn was the wholly-owned subsidiary of the Company.
- Mr. Joseph Lau by virtue of his 61.05% interest in the issued share capital of the Company as disclosed in paragraph (a) above, was deemed to be interested in 397,858,761 shares of G-Prop under the provisions of the SFO. The Company was interested in 397,858,761 shares of G-Prop of which 170,000,000 shares, 113,818,911 shares, 37,162,165 shares and 76,877,685 shares were issued shares respectively held by Million Point Limited (“Million Point”), Paul Y. Holdings Company Limited (“Paul Y”), Great Empire International Ltd. (“Great Empire”) and Luckpoint Investment Limited (“Luckpoint”).

The Company was deemed to be interested in the 170,000,000 shares of G-Prop by virtue of the SFO as the Company owned the entire issued share capital of Chinese Estates, Limited, which owned the entire issued share capital of Cosmos Success Limited, which in turn owned the entire issued share capital of Million Point.

The Company was also deemed to be interested in the 113,818,911 shares of G-Prop by virtue of the SFO as the Company owned the entire issued share capital of Paul Y.

The Company was also deemed to be interested in the 37,162,165 shares of G-Prop by virtue of the SFO as the Company owned the entire issued share capital of Paul Y, which owned the entire issued share capital of Goldstance Group Limited, which in turn owned the entire issued share capital of Great Empire.

The Company was also deemed to be interested in the 76,877,685 shares of G-Prop by virtue of the SFO as the Company owned the entire issued share capital of China Entertainment and Land Investment Company, Limited, which in turn owned the entire issued share capital of Luckpoint.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to the Company and the Stock Exchange.

3. SHAREHOLDERS' INTERESTS

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than a Director or the chief executive of the Company) had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long Positions

(a) The Company

Name of shareholder	Capacity	Number of Shares	Percentage of issued share capital
GZ Trust Corporation	Trustee and beneficiary of a trust	1,000,000,000 ^(Note 1)	47.88%
	Trustee and interest in controlled corporation	275,143,456 ^(Note 2)	13.17%
		1,275,143,456	61.05%
Global King Ltd.	Trustee	1,000,000,000 ^(Note 1)	47.88%
Joseph Lau Luen Hung Investments Limited	Beneficial owner	275,143,456 ^(Note 2)	13.17%
Ip, Sok-wun	Founder of discretionary trust	199,207,187 ^(Note 3)	9.53%
J. P. Morgan Trust Company (Bahamas) Limited	Trustee and interest in controlled corporation	199,207,187 ^(Note 4)	9.53%
Sunny Trend Limited	Beneficial owner	199,207,187 ^(Note 4)	9.53%
Li Ka-shing	Founder of discretionary trusts and interest of controlled corporations	174,660,000 ^(Notes 5 & 6)	8.36%
Li Ka-Shing Unity Trustcorp Limited	Trustee and beneficiary of a trust	174,660,000 ^(Notes 5 & 6)	8.36%

Name of shareholder	Capacity	Number of Shares	Percentage of issued share capital
Li Ka-Shing Unity Trustee Corporation Limited	Trustee and beneficiary of a trust	174,660,000 <i>(Notes 5 & 6)</i>	8.36%
Li Ka-Shing Unity Trustee Company Limited	Trustee	174,660,000 <i>(Notes 5 & 6)</i>	8.36%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	174,660,000 <i>(Notes 5 & 6)</i>	8.36%
Hutchison Whampoa Limited	Interest of controlled corporations	174,660,000 <i>(Note 5)</i>	8.36%
Hutchison International Limited	Interest of a controlled corporation	174,660,000 <i>(Note 5)</i>	8.36%
Primetek Holdings Limited	Beneficial owner	174,660,000 <i>(Note 5)</i>	8.36%

Notes:

- GZ Trust Corporation as trustee of a discretionary trust held units in a unit trust of which Global King Ltd. was the trustee and therefore was regarded as interested in the same parcel of Shares held by Global King Ltd. These Shares were the same parcel of 1,000,000,000 Shares referred to in "Other Interests" of Mr. Joseph Lau under the section headed "Directors' Interests" as disclosed in paragraph 2(a) above. Mr. Joseph Lau is a director of Global King Ltd.
- GZ Trust Corporation as trustee of another discretionary trust held the entire issued share capital of Joseph Lau Luen Hung Investments Limited and therefore was regarded as interested in the same parcel of Shares held by Joseph Lau Luen Hung Investments Limited. These Shares were the same parcel of 275,143,456 Shares referred to in "Other Interests" of Mr. Joseph Lau under the section headed "Directors' Interests" as disclosed in paragraph 2(a) above. Mr. Joseph Lau is a director of Joseph Lau Luen Hung Investments Limited.
- These Shares were indirectly owned by a discretionary trust of which Ms. Ip, Sok-wun was the founder. These Shares were the same parcel of Shares referred to in "Other Interests" of Mr. Thomas Lau under the section headed "Directors' Interests" as disclosed in paragraph 2(a) above.
- J. P. Morgan Trust Company (Bahamas) Limited as trustee of a discretionary trust owned the entire issued share capital of Sunny Trend Limited. By virtue of the SFO, J. P. Morgan Trust Company (Bahamas) Limited was deemed to have interest in the 199,207,187 Shares held by Sunny Trend Limited. These Shares were the same parcel of Shares referred to in "Other Interests" of Mr. Thomas Lau under the section headed "Directors' Interests" as disclosed in paragraph 2(a) above and note 3 hereof. Mr. Thomas Lau is a director of Sunny Trend Limited.
- Primetek Holdings Limited ("Primetek") is a wholly-owned subsidiary of Hutchison International Limited ("HIL"), which in turn is a wholly-owned subsidiary of Hutchison Whampoa Limited ("HWL"). By virtue of the SFO, HWL and HIL are deemed to be interested in the 174,660,000 Shares held by Primetek.

6. Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing, Mr. Li Tzar-kuoi, Victor and Mr. Li Tzar-kai, Richard is interested in one-third of the entire issued share capital, owns the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited (“TUT1”). TUT1 as trustee of The Li Ka-Shing Unity Trust (“UT1”), together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited (“CKH”). Subsidiaries of CKH are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of HWL.

In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited (“TDT1”) as trustee of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and Li Ka-Shing Unity Trustcorp Limited (“TDT2”) as trustee of another discretionary trust (“DT2”). Each of TDT1 and TDT2 holds units in UT1.

By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of DT1 and DT2 for the purpose of the SFO, TDT1, TDT2, TUT1 and CKH was deemed to be interested in the 174,660,000 Shares held by Primetek.

(b) Subsidiaries of the Company

Name of subsidiary	Name of shareholder	Percentage of issued share capital
Dollar Union Limited	Steamroller Limited	25%
Modern City Investment Limited	Rothschild Investments Limited	25%
Conduit Road Development Limited	Rush Will Limited	30%
Konshing Enterprises Limited	Earlway International & Development Ltd.	49%
G-Prop (Holdings) Limited (“G-Prop”)	Hutchison International Limited ^(Note)	12.70%

Note: These shares comprised 62,899,924 shares beneficially owned by Hutchison International Limited (“HIL”) and 37,987,988 shares beneficially owned by Koga Limited (“Koga”).

HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited (“HWL”). By virtue of the SFO, HWL was deemed to be interested in the same parcel of such 62,899,924 shares which HIL was interested in.

Koga is a wholly-owned subsidiary of Cheung Kong Infrastructure (BVI) Limited, which in turn is a wholly-owned subsidiary of Cheung Kong Infrastructure Holdings Limited. Cheung Kong Infrastructure Holdings Limited is a subsidiary of Hutchison Infrastructure Holdings Limited, which in turn is a wholly-owned subsidiary of HIL. By virtue of the SFO, each of HIL and HWL was deemed to be interested in the same parcels of such 37,987,988 shares which Koga was interested in.

Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing, Mr. Li Tzar-kuoi, Victor and Mr. Li Tzar-kai, Richard was interested in one-third of the entire issued share capital, owned the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited (“TUT1”). TUT1 as trustee of The Li Ka-Shing Unity Trust (“UT1”), together with certain companies

which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of Cheung Kong (Holdings) Limited (“CKH”). Certain subsidiaries of CKH were entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of HWL. In addition, Li Ka-Shing Unity Holdings Limited also owned the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited (“TDT1”) as trustee of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and Li Ka-Shing Unity Trustcorp Limited (“TDT2”) as trustee of another discretionary trust (“DT2”). Each of TDT1 and TDT2 holds units in UT1. Mr. Li Ka-shing was the settlor of each of DT1 and DT2 and may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO. By virtue of the SFO, each of Mr. Li Ka-shing, TDT1, TDT2, TUT1 and CKH was deemed to be interested in the 100,887,912 shares in G-Prop which HWL was interested in.

So far as is known to any Director or chief executive of the Company, save as disclosed above, as at the Latest Practicable Date, no persons (other than a Director or the chief executive of the Company) has an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. COMPETING BUSINESS

Both of the executive Directors have personal interests in private companies engaged in property development and investment in Hong Kong, securities investment and money lending. As such, they were regarded as being interested in such businesses, which compete or may compete with the Group. Nevertheless, given the size of such investments when compared with the size of operations and the investment portfolio of the Group, investments in such ventures were considered immaterial as compared with the business interests of the Company. Given that the businesses of the Group and the private companies are independently operated by different management teams, the Directors consider that the Company is capable of carrying on its business independently of and at arm’s length from these competing businesses. Both of the executive Directors do not currently have any intention to inject such interests into the Group.

6. MATERIAL LITIGATION

So far as is known to the Directors, as at the Latest Practicable Date, there was no litigation or claims of material importance pending or threatened against any member of the Group.

7. MISCELLANEOUS

- (a) Mr. Lam Kwong-wai, fellow member of The Association of Chartered Certified Accountants (FCCA), is the company secretary and qualified accountant of the Company.

- (b) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and the principal office of the Company is at 26th Floor, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong.
- (c) The branch share registrar and the transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.