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TEEM FOUNDATION GROUP LTD.

(浩 基 集 團 有 限 公 司) *

(Incorporated in Bermuda with limited liability)
(Stock Code: 628)

TERMINATION OF TARGET ACQUISITION AGREEMENT
AND
VERY SUBSTANTIAL ACQUISITION
AND
RESUMPTION OF TRADING

On 30 March 2006, Team Jade, a wholly owned subsidiary of the Company entered into the Target Acquisition Agreement to acquire from Rich Game, the then wholly-owned subsidiary of Sat Ieng, the entire issued share capital of the Target Company for a total consideration of HK\$539 million. Please refer to the Announcement for further details.

Due to the change of circumstances, the parties to the Target Acquisition Agreement had entered into a Deed of Cancellation on 28 August 2006 to terminate the Target Acquisition Agreement. On 28 August 2006, Team Jade entered into a New Target Acquisition Agreement to acquire from Rich Game, a company beneficially owned as to 51% and 49% by Global and Smart respectively, the entire issued share capital of the Target Company for a total consideration of HK\$539 million.

The consideration for the Acquisition shall be satisfied by Team Jade (1) paying the refundable deposit in a sum of HK\$160 million in the following manners: (i) as to HK\$20 million, upon signing of the New Target Acquisition Agreement; and (ii) as to HK\$140 million, within 30 days from the date of the New Target Acquisition Agreement; (2) procuring the Company to issue the Convertible Bond in a principal amount of HK\$134.4 million to Rich Game; and (3) procuring the Company to issue the First Promissory Notes in a principal amount of HK\$244.6 million to Rich Game.

The Target Company is an investment holding company. It owns 49% of the equity interest in Worth Perfect. The remaining 51% equity interest is owned by Richsense, a wholly-owned subsidiary of Rich Game, which was previously wholly-owned by Sat Ieng and is now beneficially owned as to 51% and 49% by Global and Smart respectively.

On 28 August 2006, a Deed of Termination was entered into among Worth Perfect, Sat Ieng and Mr. Phua, pursuant to which the Original Profit Agreement was terminated.

On 28 August 2006, Worth Perfect entered into the Sands Profit Agreement and Wynn Profit Agreement.

Pursuant to the Sands Profit Agreement, Worth Perfect as a purchaser entered into the Sands Profit Agreement with Global as a Vendor and Mr. Tang as a guarantor, pursuant to which Global has agreed to sell and/or assign and Mr. Tang has agreed to procure Global to sell and/or assign and Worth Perfect has agreed to purchase or accept the assignment of the Sands Profit, being 0.4% of the Rolling Turnover generated by Sat Ieng and/or its customers at Sands Macao Paiza Club gaming rooms pursuant to the Sands Junket Representative Agreement and such other VIP gaming rooms whereby Sat Ieng is a duly appointed junket representative or such other VIP gaming rooms whereby Sat Ieng can procure the sale/assignment of a percentage of Rolling Turnover generated by the duly appointed junket representatives, at a consideration of HK\$1.00. The Sands Profit Agreement is conditional upon Global having legally acquired the Sands Profit pursuant to the Sat Ieng Profit Agreement to be entered into among Sat Ieng, Global and Mr. Tang.

Pursuant to the Wynn Profit Agreement, Worth Perfect as a purchaser entered into the Wynn Profit Agreement with Smart as a Vendor and Mr. Scolari as a guarantor, pursuant to which Smart has agreed to sell and/or assign and Mr. Scolari has agreed to procure Smart to sell and/or assign and Worth Perfect has agreed to purchase or accept the assignment of the Wynn Profit, being 0.4% of the Rolling Turnover generated by Dore and/or its customers at Wynn Macau gaming rooms pursuant to the Wynn Junket Representative Agreement and such other VIP gaming rooms whereby Dore is a duly appointed junket representative or such other VIP gaming rooms whereby Dore can procure the sale/assignment of a percentage of Rolling Turnover generated by the duly appointed junket representatives, at a consideration of HK\$1.00.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Rich Game, Richsense, Sat Ieng, Global, Dore, Smart and their ultimate beneficial owners, Mr. Tang and Mr. Scolari, are Independent Third Parties. As the relevant ratios as referred to in Chapter 14 of the Listing Rules are more than 100%, the Acquisition constitutes a very substantial acquisition on the part of the Company under Chapter 14 of the Listing Rules.

Accordingly, the Acquisition is subject to, among other things, the approval by the Shareholders at the SGM. **As disclosed in the Announcement, Smart Town, holding approximately 30.79% of the shareholding in the Company, have financially assisted the Group in raising the refundable deposit of HK\$160 million. Such HK\$160 million is used as refundable deposit under the New Target Acquisition Agreement. Therefore, Smart Town, holding approximately 30.79% of the shareholding in the Company and having financially assisted the Group in the Acquisition, and Pan-Star Nominees Limited, holding 20% of the shareholding in the Company and being a party acting in concert with Smart Town under The Codes on Takeovers and Mergers in Hong Kong, their respective ultimate beneficial owners and their respective associates will abstain from voting for the relevant resolution at the SGM.** Thus, the vote of the Shareholders other than Smart Town, Pan-Star Nominees Limited, their respective ultimate beneficial owners and their respective associates taken at the SGM on the relevant resolution will be taken on a poll.

An independent financial adviser, Somerley Limited, has been appointed to advise the Shareholders as to the fairness and reasonableness of the New Target Acquisition Agreement. A circular containing, among other things, further information in respect of the Acquisition, a letter from the independent financial adviser, together with the notice of the SGM will be despatched to the Shareholders in accordance with the Listing Rules.

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 29 August 2006 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 19 September 2006.

TARGET ACQUISITION AGREEMENT, DEED OF TERMINATION AND REASONS FOR THE TERMINATION
OF TARGET ACQUISITION AGREEMENT
Target Acquisition Agreement

On 30 March 2006, the Target Acquisition Agreement was entered into among Team Jade, a wholly owned subsidiary of the Company, as a purchaser, Rich Game, the then wholly-owned subsidiary of Sat Ieng, as a vendor and warrantor and Sat Ieng as a warrantor in relation to the sale and purchase the entire issued share capital of the Target Company for a total consideration of HK\$539 million. The Target Acquisition Agreement has not been completed. Please refer to the Announcement for further details.

Deed of Cancellation

Due to the change of circumstances as mentioned below, the parties to the Target Acquisition Agreement had entered into a Deed of Cancellation on 28 August 2006 to terminate the Target Acquisition Agreement. Each of the parties thereto with immediate effect from the date of thereof releases and discharges the others from all past, present and future duties, obligations, claims and liabilities under the Target Acquisition Agreement.

Rich Game will return the deposit of HK\$160 million paid under the Target Acquisition Agreement, without interest, to Team Jade within 30 days from the date of the Deed of Cancellation. The convertible bond and the promissory notes payable under the Target Acquisition Agreement has not been issued to Rich Game.

Change of circumstances

There are two areas of change which has led to the change of the deal structure.

(1) Change of ownership of Sat Ieng from Mr. Phua to Mr. Tang

The Company understands that on 28 August 2006, Mr. Phua as a vendor and Mr. Tang as a purchaser entered into a conditional agreement for the sale and purchase of the entire issued share capital of Sat Ieng. As a result, a Deed of Termination was entered into among Worth Perfect, Sat Ieng and Mr. Phua, pursuant to which the Original Profit Agreement was terminated.

On 28 August 2006, Worth Perfect as a purchaser entered into the Sands Profit Agreement with Global as a Vendor and Mr. Tang as a guarantor, pursuant to which Global has agreed to sell and/or assign and Mr. Tang has agreed to procure Global to sell and/or assign and Worth Perfect has agreed to purchase or accept the assignment of the Sands Profit, being 0.4% of the Rolling Turnover generated by Sat Ieng and/or its customers at Sands Macao Paiza Club gaming rooms pursuant to Sands Junket Representative Agreement and such other VIP gaming rooms whereby Sat Ieng is a duly appointed junket representative or such other VIP gaming rooms whereby Sat Ieng can procure the sale/assignment of a percentage of Rolling Turnover generated by the duly appointed junket representatives, at a consideration of HK\$1.00. The Sands Profit Agreement is conditional upon Global having legally acquired the Sands Profit pursuant to the Sat Ieng Profit Agreement to be entered into among Sat Ieng, Global and Mr. Tang and the New Target Acquisition Agreement is conditional upon completion of the Sands Profit Agreement. The Sat Ieng Profit Agreement will be entered into among Sat Ieng, Global and Mr. Tang once the approval from the Macau Government in respect of the transfer of shares in Sat Ieng by Mr. Phua to Mr. Tang has been obtained. The Company has been informed that the application for the approval in respect of the change in shareholder of Sat Ieng has been lodged with the Macau Government and it is expected the approval can be obtained within one month from the date of application.

The Company understands that Mr. Phua decided to sell the shares of Sat Ieng to Mr. Tang as he intends to concentrate on his soccer gaming business in Vietnam.

(2) Injection of Wynn Profit Agreement to Worth Perfect

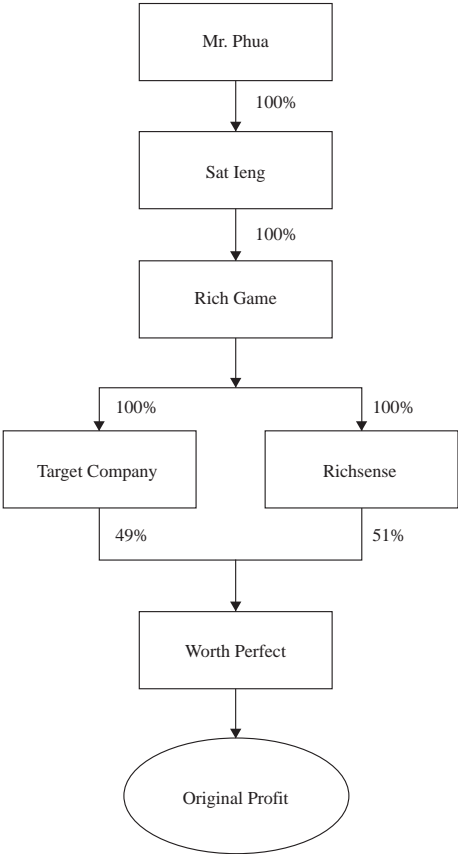
Due to the procurement of Mr. Tang, on 28 August 2006, Worth Perfect has entered into Wynn Profit Agreement, pursuant to which Smart has agreed to sell and/or assign and Mr. Scolari has agreed to procure Smart to sell and/or assign and Worth Perfect has agreed to purchase or accept the assignment of the Wynn Profit, being 0.4% of

the Rolling Turnover generated by Dore and/or its customers at Wynn Macau gaming rooms pursuant to the Wynn Junket Representative Agreement and such other VIP gaming rooms whereby Dore is a duly appointed junket representative or such other VIP gaming rooms whereby Dore can procure the sale/assignment of a percentage of Rolling Turnover generated by the duly appointed junket representatives, at a consideration of HK\$1.00. The Wynn Profit was acquired by Smart on the same date from Dore.

Change of shareholdings structure of relevant entities

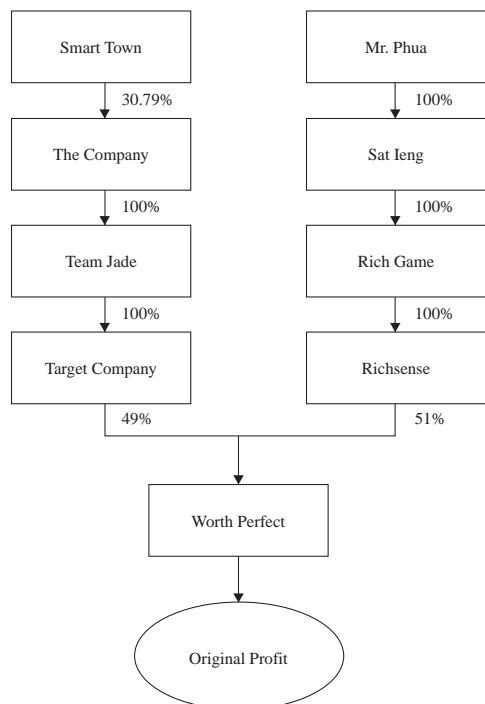
(1) Previous shareholdings structure of relevant entities

The diagram below shows the shareholding structure of the relevant entities immediately before completion of the Target Acquisition Agreement:



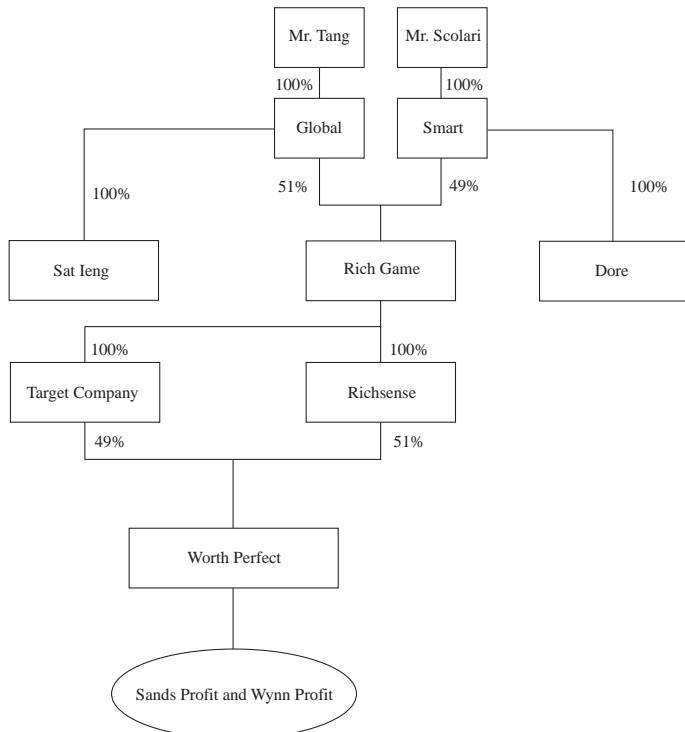
* For identification purpose only

The diagram below shows the shareholdings structure of the relevant entities immediately after completion of the Target Acquisition Agreement:

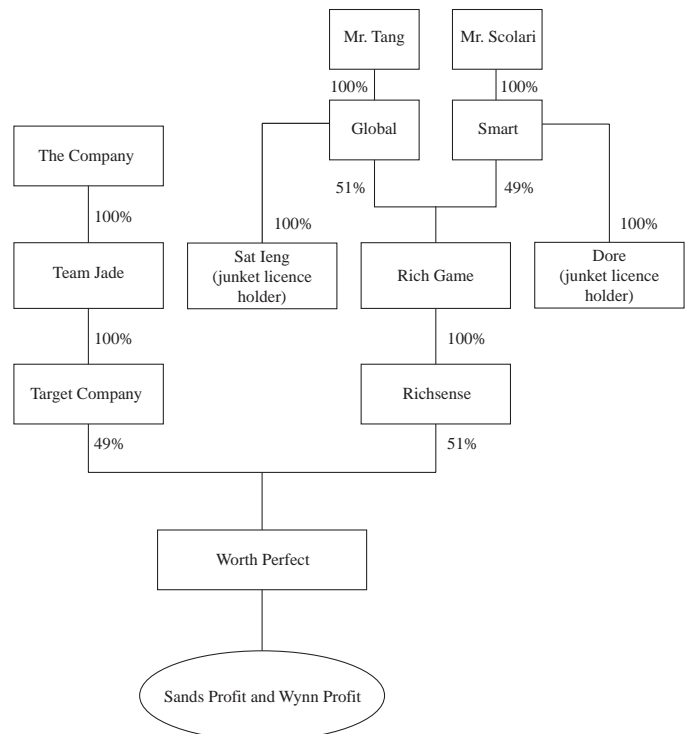


(2) *Present shareholdings structure of relevant entities*

The diagram below shows the shareholdings structure of the relevant entities immediately before completion of the New Target Acquisition Agreement:



The diagram below shows the shareholdings structure of the relevant entities immediately after completion of the New Target Acquisition Agreement:



As a result, the Target Acquisition Agreement was terminated. The New Target Acquisition Agreement was entered into among Team Jade, Rich Game, Global, Smart, Mr. Tang and Mr. Scolari.

THE NEW TARGET ACQUISITION AGREEMENT

Date: 28 August 2006

Parties:

Purchaser: Team Jade, a wholly owned subsidiary of the Company

Vendor: Rich Game

Warrantors: Rich Game, Global, Smart, Mr. Tang and Mr. Scolari

Rich Game is an investment holding company and is beneficially owned as to 51% shareholdings by Global and as to 49% shareholdings by Smart. Smart acquired the 49% interest in Rich Game on 28 August 2006.

Global is an investment holding company and is wholly-owned by Mr. Tang.

Smart is an investment holding company and is wholly-owned by Mr. Scolari.

Rich Game, Global, Smart and their ultimate beneficial owner, Mr. Tang and Mr. Scolari, are Independent Third Parties.

Assets to be acquired

Pursuant to the New Target Acquisition Agreement, Team Jade has agreed to acquire and Rich Game has agreed to sell and Global, Smart, Mr. Tang and Mr. Scolari have agreed to procure Rich Game to sell, as a legal and beneficial owner, the Sale Shares, being 100 shares of US\$1.00 each in the share capital of the Target Company, representing the entire issued share capital of the Target Company, free from any option, charge, lien, equity, encumbrance, rights of pre-emption or any other third party rights whatsoever and together with all rights attached to them at the date of Completion or subsequently becoming attached to them.

Consideration

The total consideration for the Sale Shares is HK\$539 million and shall be settled by Team Jade:

- paying the refundable deposit to Rich Game in a sum of HK\$160 million in the following manners:
 - as to HK\$20 million, upon signing of the New Target Acquisition Agreement; and
 - as to HK\$140 million, within 30 days from the date of the New Target Acquisition Agreement;
- procuring the Company to issue the Convertible Bond in a principal amount of HK\$134.4 million to Rich Game; and
- procuring the Company to issue the First Promissory Note I in a principal sum of HK\$61.6 million and the First Promissory Note II in a principal amount of HK\$183 million to Rich Game.

The Convertible Bond, First Promissory Note I and First Promissory Note II will be issued to Rich Game upon Completion.

As disclosed in the Announcement, Smart Town, a controlling Shareholder holding approximately 30.79% of the shareholding of the Company, has placed 162.72 million Shares at the Placing Price of HK\$1.00 per Placing Share to not less than six Placees through the Placing Agent pursuant to the Placing Agreement to finance the payment of refundable deposit of HK\$160 million to be made by Team Jade under the Target Acquisition Agreement. The HK\$160 million raised under the Placing Agreement has been paid as refundable deposit under the Target Acquisition Agreement. However, pursuant to the Deed of Cancellation, the refundable deposit of HK\$160 million will be returned to Team Jade within 30 days from the date of the Deed of Cancellation. The HK\$160 million raised under the Placing Agreement will be utilized to pay the refundable deposit under the New Target Acquisition Agreement. In return, the Company will issue the Second Promissory Note to Smart Town upon Completion. Please refer to the Announcement for further details concerning the Placing Agreement.

The consideration is determined after arm's length negotiation between Team Jade and Rich Game after considering the Profit Guarantees and that the Acquisition will (1) broaden the Group's revenue source; and (2) provide a substantial and stable income source to the Group in view of the acquisition of the Profits by Worth Perfect, an associated company of the Target Company, under the Sands Profit Agreement and Wynn Profit Agreement, the recent economic boom in Macau contributed by the loosening of travel restrictions of mainland Chinese visitors and the prospects of Macau's gaming business. Based on the statistics in relation to "Gross revenue from different gaming activities" as published in the official website of Gaming Inspection and Coordination Bureau of the Government of Macau, the revenue generated by the gaming activities is growing steadily at an average growth rate of approximately 23% each year for the period between 2001 and 2005, and the gaming revenue for the first half of 2006 amounted to MOP 25.49 billion. According to the annual results announcement of Las Vegas Sands Corp., dated 14 February 2006, Sands Macao, which is operated by Venetian Macau Limited, a subsidiary of Las Vegas Sands Corp., also recorded growth rate of approximately 133%, 61% and 23% for the 2nd, 3rd and 4th quarters respectively in the year 2005 in relation to its VIP chips Rolling Turnover.

As the terms of the New Target Acquisition Agreement are basically the same as the Target Acquisition Agreement in terms of kick off date (16 March 2006), that is, the date on which the Sands Profits commence to assign to Worth Perfect and Profit Guarantees with the exception of the principals being changed to two parties (instead of one), the Board considers that the same payment term is a fair reflection of the spirit of the arrangement and as such, has referred to and adopted the same payment structure.

Although the principals in the deal under the New Target Acquisition Agreement (that is Mr. Tang and Mr. Scolari) are different from that under the Target Acquisition Agreement (that is Mr. Phua), the Board anticipates that the deal is basically the same and is comfortable with the gaming experience of Mr. Tang and Mr. Scolari because:

- the structure of the deal and the Profit Guarantees are the same;
- both Mr. Tang and Mr. Scolari have experience in acting as overseas promoters for years (please refer to profile of Mr. Tang and Mr. Scolari under the section headed "Information on Sat Ieng, Dore, Mr. Tang and Mr. Scolari" in the Announcement);
- the junket business is not a one person show but involves promoters and agents/sub-agents. The person licensed to operate as a junket in Macau is licensed as a gaming promoter. As a gaming promoter, that entity is authorized to conduct junket or gaming promotion business in Macau. However, in order to go and bring players to the actual casinos, the gaming promoter will have individuals, including the agents, sub-agents and overseas promoters, who source players from all parts of the World. Mr. Tang has been and is still the overseas promoter of Sat Ieng and he has obtained the support from other agents and sub-agents of Sat Ieng; and
- there will be an additional contribution from Dore which is beneficially owned by Mr. Scolari and is one of only three junket representatives of the Wynn Macau and Wynn Macau is very prudent and selective in choosing junket representatives in the competitive environment of gaming industry in Macau.

Pursuant to the Deed of Guarantee, Mr. Tang, who will own the entire issued share capital of Sat Ieng upon completion of the agreement for the sale and purchase of the entire issued share capital of Sat Ieng, and Mr. Scolari, who owns the entire issued share capital of Smart have irrevocably and unconditionally, jointly and severally guaranteed to Worth Perfect that the Profits for the First Relevant Period and the Second Relevant Period shall not be less than HK\$150 million and HK\$250 million respectively. In the event the Profit Guarantees are not achieved, Mr. Tang and Mr. Scolari have jointly and severally undertaken to pay to Worth Perfect the difference between the actual Profits received and/or receivable by Worth Perfect for the relevant period and the guaranteed Profits for the same period within sixty days after the relevant period.

The guaranteed Profits of HK\$150 million for the First Relevant Period is determined with reference to the past performance of Sat Ieng, whose Rolling Turnover for the 17 months ended 31 July 2006 amounted to approximately HK\$48.48 billion (0.4% of which amounted to approximately HK\$194 million), the Sands Profit received since 16 March 2006 and the prospects of Dore and Wynn Macau. The guaranteed Profits of HK\$250 million for the Second Relevant Period is arrived at after considering the expected business growth of Sat Ieng and Dore, and the potential of Sat Ieng and Dore to be appointed as junket representatives in other VIP gaming rooms in Macau. The Second Profit Guarantee of not less than HK\$250 million for the Second Relevant Period represents a 16.66% discount to HK\$300 million (which is the double of the First Profit Guarantee) and 8.1% discount to the double of the pro-rata amount of the aggregate Rolling Turnover generated by Sat Ieng for 12 month period. As such, the Directors consider that the Second Profit Guarantee should be within the means of Sat Ieng controlled by Mr. Tang and Dore controlled by Mr. Scolari.

The Profit Guarantees are still enforceable even if the Junket Representative Agreements cannot be renewed during the relevant periods.

The requirement for the provision of profit guarantee is part of the commercial deal for the parties to enter into the New Target Acquisition Agreement. The Profits are arrived at after deducting the commission paid by Sat Ieng and Dore to their agents, who assist them in directing the customers to Sands Macao and Wynn Macau, administrative expenses incurred, including the salary payment, office rental, entertainment and traveling costs, and the tax payable to the Macau Government from the total amount of commission payable to Sat Ieng and Dore under the Sands Junket Representative Agreement and the Wynn Junket Representative Agreement. The payments of commission to the agents and the administrative expenses are on normal commercial terms. The services provided by Sat Ieng's and Dore's agents is to direct and introduce customers to Sat Ieng and Dore. The agents receive commission or fees from Sat Ieng and Dore, which are calculated at a rate on the Rolling Turnover generated by their respective customers. The rate as agreed between an agent and Sat Ieng or Dore is based on the number of customers introduced or directed, and the size, volume and frequency of betting made by its customers. The rate is fixed with reference to the market rate.

As Team Jade, which indirectly owns 49% of the shareholdings of Worth Perfect, is entitled to share 49% of the Profits, the total consideration of HK\$539 million represents approximately 7.3 times the 49% of the guaranteed Profits for the First Relevant Period, which is HK\$73.5 million and 4.4 times the 49% of the guaranteed Profits for the Second Relevant Period, which is HK\$122.5 million. The Directors have made reference to those price earning multiples when arriving at the consideration. Given those price earning multiples are relatively low, especially with reference to the price earning multiples of the companies engaging in gaming business, the Directors are of the view that the consideration is fair and reasonable.

Other important terms

To protect the Company, Rich Game has undertaken that:

- (1) the Convertible Bond in a principal sum of HK\$134.4 million and the First Promissory Note I in a principal sum of HK\$61.6 million will be held in escrow by the Company’s lawyers for the period commencing from Completion up to the date when Mr. Tang and Mr. Scolari fully pay the Profits guaranteed to Worth Perfect under the respective relevant periods and, if there is any shortfall between the Profits guaranteed and the Profits actually received and/or receivable by Worth Perfect during the respective relevant periods, the shortfall;
- (2) in the event that Mr. Tang and Mr. Scolaris fail to pay any shortfall between the Profits guaranteed and the Profits actually received and/or receivable by Worth Perfect during the respective relevant periods, Team Jade can deduct the shortfall from the outstanding sum under the Convertible Bond and from the outstanding sum under the First Promissory Note I;
- (3) the Convertible Bond shall not be converted into Shares for the period commencing from Completion up to the date when Mr. Tang and Mr. Scolari fully pays the Profits guaranteed to Worth Perfect under the respective relevant periods and, if there is any shortfall between the Profits guaranteed and the Profits actually received and/or receivable by Worth Perfect during the respective relevant periods, the shortfall; and
- (4) if the junket licence of Sat Ieng or Dore is cancelled, revoked, terminated, or is not renewed, or amended in a material and adverse manner to Sat Ieng or Dore (as the case may be) by the relevant authorities in Macau at any time before the maturity date of the First Promissory Notes, Rich Game shall return the First Promissory Notes to Team Jade and Team Jade shall not be obliged to pay any outstanding sum under the First Promissory Notes even if the Profits which has been received by the Group exceeds the amount of the total consideration of HK\$539 million at the time of the cancellation, revocation, termination, non-renewal of or adverse and material amendments made to the junket licence of Sat Ieng or the junket licence of Dore.

The Directors understand the importance of the Junket Representative Agreements in the Acquisition as they form part of the sources of the Profits. During the arm’s length negotiation, the Directors are given to understand that (1) the Junket Representative Agreements may be terminated at any time by either party to the Sands Junket Representative Agreement or the Wynn Junket Representative Agreement; (2) terms of each of the Junket Representative Agreements are substantially shorter than that of the Profit Agreements and may or may not be renewable upon expiry and (3) the Company is not a party to either of the Junket Representative Agreements and therefore it has no control on the termination and the renewal of the Junket Representative Agreements. Also, the Directors understand that the junket licences of Sat Ieng and Dore are subject to renewal annually by Macau Government.

In the event that the Junket Representative Agreements are terminated, or expired or the renewal of the Junket Representative Agreements fail, the Rolling Turnover generated by Sat Ieng and/or Dore (as the case may be) will no longer be the sources of the Profits that the Group is entitled to share and the Group will lose this part of the Profits. The Profits will only comprise the Rolling Turnover generated by Sat Ieng or Dore in such other VIP gaming rooms whereby Sat Ieng or Dore is a duly appointed junket representative or whereby either Sat Ieng or Dore can procure the sale/assignment of a percentage of Rolling Turnover generated by the duly appointed junket representatives. Currently, there is no other VIP gaming rooms which Sat Ieng or Dore is duly appointed as a junket representative or whereby either Sat Ieng or Dore can procure the sale/assignment of a percentage of Rolling Turnover generated by the duly appointed junket representatives.

As the Junket Representative Agreements are confidential documents, their major terms, including the length and the expiry dates of the Junket Representative Agreements, cannot be disclosed to the Directors. However, the Directors had conducted extensive research on junket business in Macau, including reviewing reports prepared by well-known investment banks in relation to Macau gaming business and making enquiries with the practitioners in the gaming industry, in order to understand the arrangement between the junket operators and the casino operators generally. The Directors understand that generally, the term of the agreement between the junket operator and the casino operator is tied with the term of the junket licence. Such kind of agreement will be revoked once the renewal of the junket licence fails.

Despite this, the Directors consider that the consideration is fair and reasonable given that the Company has reported loss for the past three financial years and that:

- (1) *Benefits of the Acquisition*

(a) The right to the Profits under the Profit Agreements are for an unlimited period of time, instead of a fixed period of time, and the sources of Profits are not just limited to the Rolling Turnover generated by Sat Ieng or Dore (as the case may be) pursuant to the respective Junket Representative Agreements but include all other VIP gaming rooms that Sat Ieng or Dore (as the case may be) is duly appointed as a junket representative or whereby either Sat Ieng or Dore can procure the sale/assignment of a percentage of Rolling Turnover generated by the duly appointed junket representatives. It enables the Company to continually enjoy the potential strong growth in Macau gaming business.

(b) There is no share of loss under the Profit Agreements as the Profits are simply based on 0.4% of the Rolling Turnover generated by Sat Ieng or Dore (as the case may be) regardless of the actual operating expenses incurred by Sat Ieng or Dore. This removes lots of uncertainties on the Company’s future profitability and reduces the risk of the Company.

(c) There is no immediate substantial cash outlay for the Acquisition as the First Promissory Notes are only payable in the tenth year (with the exception of the yearly interest of approximately HK\$12.23 million, which is calculated at an interest rate of 5% per annum on the principal sum of HK\$244.6 under the First Promissory Note). During the ten years, the Group can enjoy the flexibility in utilizing the cash flow, which would otherwise be paid to Rich Game if the payment is to be made immediately, and can participate in any other investment opportunities, if available.
- (2) *Mr. Tang’s and Mr. Scolari’s personal interest*

Mr. Tang’s and Mr. Scolari’s personal interest lie with the failure and success of Sat Ieng and Dore. Upon Completion, both Mr. Tang and Mr. Scolari still indirectly hold 51% equity interest in Worth Perfect. That means they still have substantial interests in Worth Perfect, the one holding the Profits which depends on the renewal of Sat Ieng’s and/or Dore’s junket licences and partially on the Rolling Turnover generated by Sat Ieng and/or Dore pursuant to the Sands Junket Representative Agreement and the Wynn Junket Representative Agreement.

In view of Mr. Tang’s and Mr. Scolari’s substantial interest in Worth Perfect, the Directors believe that, after Completion, Mr. Tang and Mr. Scolari will manage Sat Ieng and Dore in a prudent and efficient manner as their performance have direct impact on them. As such, the risks of non-renewal of the junket licenses of Sat Ieng and Dore, and Junket Representative Agreements upon expiry are minimized.

- (3) *Renewal of the Junket Representative Agreements*

According to the Profit Agreements, the Profits not only include the Rolling Turnover generated by Sat Ieng in Sands Macao’s Paiza Club gaming rooms and the Rolling Turnover generated by Dore in Wynn Macau VIP gaming rooms, but also include the Rolling Turnover generated by Sat Ieng and/or Dore in such other VIP gaming rooms whereby Sat Ieng or Dore is a duly appointed junket representative or whereby either Sat Ieng or Dore can procure the sale/assignment of a percentage of its Rolling Turnover generated by the duly appointed junket representatives. The Sands Junket Representative Agreement and the Wynn Junket Representative Agreement only form parts of the sources of the Profits in the long-term.

Also, it is normal in the business world that the agreement can be terminated by either party and is fixed for a period of time rather than lasting forever so that the parties to the agreement do not need to commit for a long business relationship in an ever changing business environment.

Having said that, the Directors confide that the Sands Junket Representative Agreement can be renewed upon expiry due to Sat Ieng’s well-established VIP client base, a proven track record with Sands Macao in 2005 and 2006, which were reflected in the Rolling Turnover generated by Sat Ieng for the 17 months ended 31 July 2006 amounting to approximately HK\$48.48 billion and confirmed by the Directors by reviewing the original junket representative settlement forms, the official invoices issued to Sat Ieng by Sands Macao evidencing the Rolling Turnover and the commission of Sat Ieng.

In respect of Wynn Junket Representative Agreement, the Directors understand that Dore is one of the only three junket representative appointed by Wynn Macau as at the date of this announcement under Wynn Macau’s stringent selective process. The appointment of Dore itself already evidences the abilities of Dore and Mr. Scolari as envisaged by Wynn Macau and the Company. As such, the Directors confide that the Wynn Junket Representative Agreement can be renewed.

- (4) *Renewal of junket licences*

As far as the Directors are aware, US operators, including Wynn Resorts (Macau) SA and Venetian Macau Limited, must conduct business under the same restrictions as they do in their country, in which they are required to conduct extensive checks on the junkets to ensure that they have sound financial background and have no linkage to organized crime. Dore has obtained its junket licence on 18 August 2006 and will be valid until 31 December 2006. The appointment of Dore a junket representative by Wynn Resorts (Macau) SA on 28 August 2006 evidences Dore’s and Mr. Scolari’s credentials. So far as Dore is aware, Dore is one of the only three junket representative appointed by Wynn Macau as at the date of this announcement. The Directors believe that the chance of non-renewal of Dore’s junket license on 31 December 2006 is highly unlikely.

Similarly, Venetian Macau Limited, the operator of Sands Macao, must also conduct extensive checks on the junkets to ensure that they have sound financial background and have no linkage to organized crime. Mr. Phua and Mr. Tang have expressed the change of ownership of Sat Ieng to Venetian Macau Limited and Venetian Macau Limited has no objection to the change. It evidences Mr. Tang’s credentials. The application of the change of ownership of Sat Ieng has been made to Macau Government. As part of the approval in respect of transfer of shares in Sat Ieng from Mr. Phua to Mr. Tang, Mr. Tang will be subject to the probity requirement prior to the granting of the approval by the Macau Government. Also, Sat Ieng is one of the first batch of junkets who obtained junket licences from Macau Government in 2005 and its junket licence has been renewed by the Macau Government on 12 December 2005, which is valid until 31 December 2006. The Directors believe that the application will be approved by Macau Government within a short period of time and the chance of non-renewal of Sat Ieng’s junket license on 31 December 2006 is highly unlikely.

- (5) *Profit Guarantees*

In any event, the Group will receive HK\$196 million for the first two years as Mr. Tang and Mr. Scolari have provided the Profit Guarantees of not less than HK\$400 million in aggregate to Worth Perfect for the relevant periods and guaranteed to pay any shortfall when the Profit Guarantees cannot be achieved. As the Group is entitled to 49% of the Profits through its 49% equity interest in Worth Perfect, it will receive HK\$196 million for the first two years in any event.

After balancing the risks as stated in the section headed “Risk Factors of the Junket Business” with the benefits of the Acquisition, including the Group’s perpetual rights to the Profits, no share of loss by the Group and the diversified source of the Profits under the Profit Agreements, the Directors consider that the consideration is fair and reasonable and the Acquisition is in the interest of the Company and the Shareholders as a whole. Further details in relation to the Directors’ view on the Junket Representative Agreements and the due diligence work conducted by the Directors will be disclosed in the circular.

The Board still considers that the New Target Acquisition Agreement is fair and reasonable in view of the change of ownership of Sat Ieng because:

- (a) Mr. Tang has over 15 years of experience in Asian gaming, including working as an oversea promoter for various casinos’ VIP lounges in Macau and a casino on cruise liner. He has been one of the major oversea promoters of Sat Ieng since February 2005. In addition, Sands Macao has no objection to the change of shareholding in Sat Ieng. Based on the above, the Directors believe that Mr. Tang has the ability to bring in sufficient customers for generating Rolling Turnover at the VIP room at Sands Macao operated by Sat Ieng;
- (b) According to the representation of Mr. Tang, he has already obtained the support from the other agents and sub-agents of Sat Ieng to continue to refer customers to the VIP room operated by Sat Ieng; and
- (c) There will be extra contribution to the Profits from Dore which is one of only three junket representatives appointed by the Wynn Resorts (Macau) S.A., a US operator who has a reputation of adopting a very stringent policy in short-listing/appointing junket representatives and having appointed the smallest numbers of junket representatives amongst the concessionaires. Also, the Directors believe that under the prevailing competitive environment in gaming industry in Macau, Wynn Resorts (Macau) S.A. is very selective in choosing junket representatives which must demonstrate their abilities to bring in customers and be in good standing in order not to risk its business in such competitive environment. Therefore, Dore, having been appointed by Wynn Resorts (Macau) S.A. is expected to be of high caliber and to have the ability to generate sufficient Rolling Turnover to Wynn (Macau) S.A.’s satisfaction.

As such, the Directors (including the independent non-executive Directors) consider the consideration for the Acquisition to be fair and reasonable. Please refer to the paragraph headed “Reasons for the Acquisition” for further details of the reasons for the Acquisition.

Conditions precedent

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

- (a) Team Jade being in its reasonable discretion satisfied with the results of the due diligence investigation in respect of the Target Group including but not limited to the affairs, business, assets, results, legal and financing structure of the Target Group (in particular, the Profit Agreements);
- (b) Team Jade having received to its reasonable satisfaction a Macanese legal opinion on the legality and validity of the Profit Agreements and the transaction contemplated thereunder;
- (c) no event having occurred since the date of the New Target Acquisition Agreement to Completion, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of the Target Group and such material adverse effect shall not have been caused;
- (d) the warranties given by Rich Game remaining true and accurate and not misleading at Completion as if repeated at Completion and at all times between the date of the New Target Acquisition Agreement and Completion;
- (e) the passing by the Shareholders at a SGM to be convened and held of an ordinary resolution to approve the New Target Acquisition Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bond and the First Promissory Notes to Rich Game;
- (f) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares;
- (g) if necessary, the Bermuda Monetary Authority granting consent to the allotment and issue of the Conversion Shares;
- (h) completion of the Sands Profit Agreement in accordance with its terms; and
- (i) completion of the Wynn Profit Agreement in accordance with its terms.

Conditions (a) to (d) are waivable by Team Jade under the New Target Acquisition Agreement. Team Jade has no current intention to waive any of the conditions above. In particular, having regarded the importance of the legality and validity of the Profit Agreements and the transactions contemplated thereunder, Team Jade has no intention to waive condition (b) above. Conditions (e) to (i) are incapable of being waived by Team Jade. The Company will issue an announcement and seek Independent Shareholders’ approval if any of the above conditions are to be waived.

Completion

Completion shall take place at 11:00 a.m. on the second Business Day after the last of the conditions of the New Target Acquisition Agreement having been fulfilled or waived or at such time as may be agreed between Rich Game and Team Jade.

The Company will issue the Convertible Bond and the First Promissory Notes to Rich Game upon Completion. Upon Completion, the Target Company will be accounted for as a wholly owned subsidiary of the Company and its financial results will be consolidated into the Group’s financial statements whereas Worth Perfect will become the associated company of the Company which will be accounted for using equity method in the consolidated financial statements of the Group.

Long-stop date

The Target Acquisition Agreement provides that should the satisfaction of all the above conditions, if not waived by Team Jade, not occur on or before 31 December 2006 or such other date as the parties thereto may agree, the New Target Acquisition Agreement shall terminate.

UNDERTAKINGS

On 28 August 2006, Mr. Tang and Mr. Scolari have separately given their written undertakings that they will not, within ten years from the signing of Sands Profit Agreement or Dore Profit Agreement (as the case may be), directly or indirectly transfer or otherwise dispose of or create any encumbrance or other rights in respect of any of the shares or directly or indirectly transfer or otherwise dispose of or create any encumbrance or other rights over any shares in any company controlled by them which is for the time being the beneficial owner of any of the shares of Sat Ieng or Dore (as the case may be) unless with the prior written consent given by Team Jade.

TERMS OF THE CONVERTIBLE BOND

The terms of the Convertible Bond have been negotiated on an arm’s length basis and the principal terms of which are summarised below:

Issuer

The Company

Principal amount

HK\$134.4 million

Interest

The Convertible Bond will carry interest at the rate of 5% per annum, payable annually in arrears.

Maturity

A fixed term of ten years from the date of issue of the Convertible Bond. Unless previously redeemed, converted or cancelled in accordance with the Instrument, the Company shall redeem the outstanding principal amount of the Convertible Bond on the maturity date.

Conversion

Provided that the percentage shareholding of the Company’s issued share capital held by the bondholder resulting from each conversion of the Convertible Bond by the bondholder does not exceed the following thresholds in the period specified below:

- (1) 6% of the issued share capital of the Company within the third year from the date of issue of the Convertible Bond;
- (2) 8% of the issued share capital of the Company within the fourth year from the date of issue of the Convertible Bond;
- (3) 10% of the issued share capital of the Company within the fifth year from the date of issue of the Convertible Bond;
- (4) 12% of the issued share capital of the Company within the sixth year from the date of issue of the Convertible Bond;
- (5) 14% of the issued share capital of the Company within the seventh year from the date of issue of the Convertible Bond;
- (6) 16% of the issued share capital of the Company within the eighth year from the date of issue of the Convertible Bond;
- (7) 18% of the issued share capital of the Company within the ninth year from the date of issue of the Convertible Bond; and
- (8) 20% of the issued share capital of the Company within the tenth year from the date of issue of the Convertible Bond;

the bondholder may at any time during the Conversion Period convert the whole or part (in multiples of HK\$1 million) of the principal amount of the Convertible Bond into new Shares at the Conversion Price.

Subject to the conditions provided in the Instrument, the Company may at any time during the Conversion Period by at least 7 days’ prior notice in writing request the bondholder to convert certain amount of the Convertible Bond as specified therein and the bondholder shall convert such amount of the Convertible Bond registered its names into Shares as so requested by the Company.

Conversion Price

The Conversion Price is HK\$1.00 per Conversion Share subject to adjustments.

The adjustments for Conversion Price include the followings:

- (i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve fund);
- (iii) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to Shareholders (in their capacity as such) or a grant by the Company to Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;
- (iv) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe new Shares being made by the Company to Shareholders (in their capacity as such);
- (v) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares and the total effective consideration per Share receivable for such securities is less than 80% of the market price on the date of announcement of the terms of the issue of such securities;
- (vi) an issue of Shares wholly for cash at a price per Share which is less than 80% of the market price on the date of announcement of the terms of such issue; and
- (vii) an issue of Shares for the acquisition of assets at a total effective consideration per Share which is less than 80% of the market price of the date of the announcement of the terms of such issue.

The Company will issue an announcement in respect of any adjustment made to the Conversion Price.

The Conversion Price represents (i) a discount of approximately 39% to the closing price of HK\$1.64 per Share as quoted on the Stock Exchange on 28 August 2006, being the date immediately prior to the date of the suspension of trading in the Shares; (ii) a discount of approximately 37.9% to the average of the closing prices of approximately HK\$1.61 per Share as quoted on the Stock Exchange for the last five trading days up to and including 28 August 2006, being the date immediately prior to the date of the suspension of trading in the Shares; (iii) a discount of approximately 35.5% to the average of the closing prices of HK\$1.55 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 28 August 2006, being the date immediately prior to the date of the suspension of trading in the Shares; and (iv) a premium of approximately 1,389.6% over the net asset value per Share of HK\$0.067 based on the audited consolidated accounts of the Group as at 31 March 2006.

The Conversion Price is arrived at after arm’s length negotiation between the parties and is based on the average closing price at HK\$1.50 for the last 30 trading days prior to the suspension and by taking into account the conversion price of the convertible bond under the transactions contemplated under the Target Acquisition Agreement.

The discount of the Conversion Price to the average closing price of the Shares for the last 30 trading days, i.e. HK\$1.5 is 33%. The Company has tried to bargain for a different Conversion Price but met with strong objection and was demanded to:

- (a) amend the total consideration, including change of payment structure for more convertible bonds to be issued; and/or
- (b) change the Profit Guarantees; and/or
- (c) uplift the Sands Profit retained by Worth Perfect since 16 March 2006 etc.

In view of the urgency in grasping the chance of acquiring the Wynn Profit and the consideration that the amendments of certain terms and/or conditions will trigger the amendments made to other terms and/or conditions, the Board and the Vendor finally compromise to stick with the original terms, including the conversion price of the Convertible Bond. The decision to stick with the terms of Target Acquisition Agreement is derived at after arm’s length negotiations. As the terms of the New Target Acquisition Agreement basically are the same as those of the Target Acquisition Agreement but the Company in return can be more certain about the outlook and the Profits as a result of the inclusion of Wynn Profit, an additional profit stream derived from another famous US casino operator in Macau, in the deal, the Directors consider that Conversion Price viewing with all other terms in the Acquisition as a whole is fair and reasonable.

Conversion Shares

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Bond in the aggregate principal amount of HK\$134.4 million at the Conversion Price by the bondholder, the Company will allot and issue an aggregate of 134.4 million new Shares, which is the maximum number of Shares to be issued, representing approximately (i) 20% of the existing issued share capital of the Company, and (ii) 16.67% of the issued share capital of the Company as enlarged by the exercise in full of the conversion rights attaching to the Convertible Bond. The Conversion Shares will be issued pursuant to the specific mandate to be sought at the SGM.

Early redemption

The Company may at any time before the maturity date, by serving at least seven (7) days’ prior written notice on the bondholder with the total amount proposed to be redeemed from the bondholder specified therein, redeem the bond (in whole or in part) at par.

Ranking

The Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with all existing Shares in issue on the date of allotment and issue of such Conversion Shares.

Status of the Convertible Bond

The Convertible Bond constitutes a direct, unconditional, unsubordinated and unsecured obligation of the Company and rank *pari passu* without any preference (with the exception as may be provided by applicable legislation) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.

Transferability

The bondholder may only assign or transfer the Convertible Bond to the transferee subject to the consent of the Company and when Mr. Tang and Mr. Scolari makes payment in full of:

- (a) the Profits under the First Profit Guarantee and, if there is any shortfall between the First Profit Guarantee and the Profits actually received and/or receivable by Worth Perfect during the First Relevant Period, the said shortfall; and
- (b) the Profits under the Second Profit Guarantee and, if there is any shortfall between the Second Profit Guarantee and the Profits actually received and/or receivable by Worth Perfect during the Second Relevant Period, the said shortfall.

Notwithstanding that, the bondholder shall be permitted at any time to transfer the Convertible Bond to a transferee who is a wholly-owned subsidiary of the bondholder or a holding company of the bondholder who owns the entire issued share capital of the bondholder provided that the Convertible Bond will be re-transferred to the bondholder immediately upon the transferee ceasing to be a wholly-owned subsidiary of the bondholder or a holding company of the bondholder who owns the entire issued share capital of the bondholder.

Voting rights

The Convertible Bond does not confer any voting rights at any meetings of the Company.

Cancellation of the Convertible Bond or deduction from the outstanding sum

The Company has right to cancel the Convertible Bond or deduct the shortfall from the outstanding sum under the Convertible Bond if Sat Ieng does not pay the shortfall between the Profit guaranteed and the Profits actually received and/or receivable by Worth Perfect during the relevant periods.

Application for listing

No application will be made by the Company for the listing of the Convertible Bond. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

TERMS OF FIRST PROMISSORY NOTE

The First Promissory Notes in a principal sum of HK\$244.6 million is used to settle part of the consideration under the New Target Acquisition Agreement. The First Promissory Notes are divided into First Promissory Note I in a principal sum of HK\$61.6 million and First Promissory Note II in a principal sum of HK\$183 million. The First Promissory Notes (including the First Promissory Note I and the First Promissory Note II) have been negotiated on an arm’s length basis and the principal terms of which are summarised below:

Terms of the First Promissory Note I

Parties

The Company as an issuer and Rich Game as a payee

Principal amount

HK\$61.6 million

Interest

The First Promissory Note I will carry interest at 5% per annum, payable annually in arrears by the Company.

Maturity

A fixed term of ten years from the date of issue of the First Promissory Note I.

If the Company defaults in repayment on the maturity date of any part of the principal sum, the Company shall pay interest on such overdue sum from the maturity date until payment in full (before and after judgment) at the rate of 10 per cent. per annum.

Early repayment

The Company could, at its option, repay the First Promissory Note I in whole or in part in multiples of HK\$1 million by giving ten Business Days’ prior written notice to Rich Game, from the date of issue of the First Promissory Note I up to the date immediately prior to the maturity date. There will not be any premium over or discount to the payment obligations under the First Promissory Note I for any early repayment.

Assignment

The First Promissory Note I may, subject to the ten Business Days’ prior written notice to the Company, be transferred or assigned by Rich Game to any person. The Company will issue an announcement and inform the Stock Exchange if the First Promissory Note I is transferred or assigned to the connected persons of the Company.

Return of the First Promissory Note I

If at any time before the maturity date the junket licence of Sat Ieng or the junket licence of Dore is cancelled, revoked, terminated or not renewed or amended in a material and adverse manner to Sat Ieng or Dore (as the case may be) by the relevant authorities in Macau, Rich Game shall return the First Promissory Note I to the Company and the Company shall not be obliged to pay any outstanding principal sum under the First Promissory Note I.

Terms of the First Promissory Note II

Parties

The Company as an issuer and Rich Game as a payee

Principal amount

HK\$183 million

Interest

The First Promissory Note II will carry interest at 5% per annum, payable annually in arrears by the Company.

Maturity

A fixed term of ten years from the date of issue of the First Promissory Note II.

If the Company defaults in repayment on the maturity date of any part of the principal sum, the Company shall pay interest on such overdue sum from the maturity date until payment in full (before and after judgment) at the rate of 10 per cent. per annum.

Early repayment

The Company could, at its option, repay the First Promissory Note II in whole or in part in multiples of HK\$1 million by giving ten Business Days’ prior written notice to Rich Game, from the date of issue of the First Promissory Note II up to the date immediately prior to the maturity date. There will not be any premium over or discount to the payment obligations under the First Promissory Note II for any early repayment.

Assignment

The First Promissory Note II may, subject to the ten Business Days’ prior written notice to the Company, be transferred or assigned by Rich Game to any person. The Company will issue an announcement and inform the Stock Exchange if the First Promissory Note II is transferred or assigned to the connected persons of the Company.

Return of the First Promissory Note II

If at any time before the maturity date the junket licence of Sat Ieng or the junket licence of Dore is cancelled, revoked, terminated or not renewed or amended in a material and adverse manner to Sat Ieng or Dore (as the case may be) by the relevant authorities in Macau, Rich Game shall return the First Promissory Note II to the Company and the Company shall not be obliged to pay any outstanding principal sum under the First Promissory Note II.

TERMS OF SECOND PROMISSORY NOTE

The terms of the Second Promissory Note, which is used to settle the loan of HK\$160 million granted to the Group by Smart Town for payment of refundable deposit of HK\$160 to be made by Team Jade to Rich Game under the New Target Acquisition Agreement, have been negotiated on an arm’s length basis and the principal terms of which are summarised below:

Parties

The Company as an issuer and Smart Town as a payee

Principal amount

HK\$160 million

Interest

The Second Promissory Note will not carry any interest.

Maturity

A fixed term of ten years from the date of issue of the Second Promissory Note.

However, the principal sum (whether in whole or in part) under the Second Promissory Note is repayable only after the principal sum under the First Promissory Notes is fully paid by the Company.

Except that the principal sum under the Second Promissory Note is not repayable on the maturity date due to the fact that the First Promissory Notes have not been fully settled by the Company, if the Company defaults in repayment on the maturity date of any part of the principal sum, the Company shall pay interest on such overdue sum from the maturity date until payment in full (before and after judgment) at the rate of 10 per cent. per annum.

Early repayment

Subject to the full repayment of the First Promissory Notes by the Company, the Company could, at its option, repay the Second Promissory Note in whole or in part in multiples of HK\$1 million by giving ten Business Days’ prior written notice to Smart Town, from the date of issue of the Second Promissory Note up to the date immediately prior to the maturity date. There will not be any premium over or discount to the payment obligations under the Second Promissory Note for any early repayment.

Assignment

The Second Promissory Note may, subject to ten Business Days’ prior written notice to the Company, be transferred or assigned by Smart Town to any person. The Company will issue an announcement and inform the Stock Exchange if the Second Promissory Note is transferred or assigned to the connected persons of the Company.

PAYMENT SCHEDULE OF THE FIRST PROMISSORY NOTES AND SECOND PROMISSORY NOTE

The Company does not have any current intention to repay the First Promissory Notes and Second Promissory Note.

CHANGES IN SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (1) before Completion; (2) immediately after Completion and after placing of the Placing Shares by Smart Town but before the conversion of Convertible Bond; and (3) after placing of the Placing Shares and immediately after issuance of Conversion Shares (assuming full conversion of the Conversion Bond):

	Before Completion and before placing of the Placing Shares by Smart Town		Immediately after Completion and after placing of the Placing Shares by Smart Town but before the conversion of Convertible Bond		After placing of the Placing Shares and immediately after issuance of Conversion Shares (assuming full conversion of the Convertible Bond)	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Smart Town (<i>Note 1</i>)	369,600,000	55.00	206,880,000	30.79	206,880,000	25.65
Pan-Star Nominees Limited (<i>Note 2</i>)	134,400,000	20.00	134,400,000	20.00	134,400,000	16.67
Rich Game	0	0.00	0	0.00	134,400,000	16.67
Public						
Placees (<i>Note 3</i>)	0	0.00	162,720,000	24.21	162,720,000	20.18
Existing public shareholders	168,000,000	25.00	168,000,000	25.00	168,000,000	20.83
Total:	<u>672,000,000</u>	<u>100.00</u>	<u>672,000,000</u>	<u>100.00</u>	<u>806,400,000</u>	<u>100.00</u>

Notes:

- Smart Town is 50% beneficially owned by Mr. Yeung Tony Ming Kwong and Mr. Liu Ching Hua, respectively. Smart Town became a Shareholder on 30 March 2004.
- Pan-Star Nominees Limited is 40%, 30% and 30% beneficially owned by Mr. Wei Ming, Mr. Tang Hin Keung, Alfred and Mr. Pun Yuen Sang, respectively. Pan-Star Nominees Limited had been the Shareholder since February 2002, which is before the Shares listed on the Stock Exchange in April 2002.
- All of the Placees are Independent Third Parties.

INFORMATION OF THE TARGET GROUP

Information of the Target Company

The Target Company was incorporated on 3 January 2006 and is an investment holding company.

The main asset of the Target Company is its 49% equity interest in Worth Perfect.

According to the audited accounts of the Target Company since its incorporation up to 30 June 2006, the Target Company recorded an audited profit before and after taxation and minority interests of HK\$16.89 million and the total assets of the Target Company as at 30 June 2006 was HK\$16.89 million.

Information of Worth Perfect

The Target Company owns 49% of the equity interest in Worth Perfect, a company incorporated in the British Virgin Islands on 3 January 2006. The remaining 51% equity interest of which is owned by Richsense, a wholly-owned subsidiary of Rich Game.

According to the audited accounts of Worth Perfect since its incorporation up to 30 June 2006, the Worth Perfect recorded an audited profit before and after taxation and minority interests of HK\$34.47 million and the total assets of the Target Company as at 30 June 2006 was HK\$34.47 million.

Other than the Profit Agreements, Worth Perfect does not have any assets or liabilities nor does it has any profit or loss recorded as at the date of the announcement.

The board of directors of Worth Perfect will have two directors. The Group, through the Target Company, and Richsense will each appoint one director to Worth Perfect. The Group will not have control over the management of Worth Perfect as it only owns 49% equity interests in Worth Perfect. As a passive investor, the Group will not engage in the operation of the junket business after completion of the Acquisition. However, the Company will request Sat Ieng and Dore from time to time to provide information concerning their operation of the junket business, including evidence concerning the actual Rolling Turnover generated by Sat Ieng and Dore.

On 28 August 2006, Worth Perfect as a purchaser entered into (1) the Sands Profit Agreement with Global as a vendor and Mr. Tang, the ultimate beneficial owner of Global, as a guarantor; and (2) the Wynn Profit Agreement with Smart as a vendor and Mr. Scolari, the ultimate beneficial owner of Dore and Smart, as a guarantor. The major terms of the Profit Agreements are set out as follows:

Sands Profit Agreement

The Sands Profit Agreement was entered into among Worth Perfect as a purchaser, Global as a vendor and Mr. Tang as a guarantor on 28 August 2006, pursuant to which Global has agreed to sell, as beneficial owner, and/or assign and Mr. Tang has agreed to procure Global to sell and/or assign to Worth Perfect absolutely Global’s right, title and interest and benefits in and to 100% of the Sands Profit at a consideration of HK\$1.00. The Sands Profit generated by Sat Ieng should be accounted for in the accounts of Worth Perfect upon the completion of the Sands Profit Agreement.

The completion of the Sands Profit Agreement is conditional upon, among other things, the following conditions having been fulfilled or waived (as the case may be):

- (a) Global having legally acquired the Sands Profit pursuant to the Sat Ieng Profit Agreement;
- (b) all relevant governmental approvals (if any) in relation to the transactions contemplated therein having been obtained including Mr. Tang having obtained government approval for the transfer of shares in Sat Ieng by Mr. Phua to him; and
- (c) the obtaining of all necessary Macau Government approval relating to the change of the ownership of Sat Ieng in respect of the junket licence of Sat Ieng.

Under the Sands Profit Agreement, Mr. Tang has undertaken to Worth Perfect that he will not at any time carry on the business of directing gaming patrons to casinos in Macau without the prior written approval from the shareholders of Worth Perfect. The approval of the shareholders of Worth Perfect can only be given by the unanimous consent of both the Target Company, which will be under the Group’s control upon Completion, and Richsense, which is under the control of Mr. Tang and Mr. Scolari.

The Sat Ieng Profit Agreement will be entered into among Sat Ieng, Global and Mr. Tang once the approval from the Macau Government in respect of the transfer of shares in Sat Ieng by Mr. Phua to Mr. Tang has been obtained. Under the Sat Ieng Profit Agreement, Sat Ieng will agree to sell, as beneficial owner, and/or assign and Mr. Tang will agree to procure Sat Ieng to sell and/or assign to Global absolutely Sat Ieng’s right, title and interest and benefits in and to 100% of the Sands Profit, at a consideration of HK\$1.00.

Wynn Profit Agreement

The Wynn Profit Agreement was entered into among Worth Perfect as a purchaser, Smart as a vendor and Mr. Scolari as a guarantor on 28 August 2006, pursuant to which Smart has agreed to sell, as beneficial owner, and/or assign and Mr. Scolari has agreed to procure Smart to sell and/or assign to Worth Perfect absolutely Smart’s right, title and interest and benefits in and to 100% of the Wynn Profit at a consideration of HK\$1.00.

Under the Wynn Profit Agreement, Mr. Scolari has undertaken to Worth Perfect that he will not at any time carry on the business of directing gaming patrons to casinos in Macau without the prior written approval from the shareholders of Worth Perfect. The approval of the shareholders of Worth Perfect can only be given by the unanimous consent of both the Target Company, which will be under the Group’s control upon Completion, and Richsense, which is under the control of Mr. Tang and Mr. Scolari.

The Wynn Profit Agreement has been completed on 5 September 2006 and the Wynn Profit should begin to be accounted for in the accounts of Worth Perfect since 5 September 2006. However, as Wynn Macau only commenced business on 6 September 2006, the actual intake of Wynn Profit only commenced on 6 September 2006.

The Wynn Profit is acquired by Smart from Dore under the Dore Profit Agreement. The Dore Profit Agreement was entered into among Smart as a purchaser, Dore as a vendor and Mr. Scolari as a guarantor on 28 August 2006, pursuant to which Dore has agreed to sell, as beneficial owner, and/or assign and Mr. Scolari has agreed to procure Dore to sell and/or assign to Smart absolutely Dore’s right, title and interest and benefits in and to 100% of the Wynn Profit at a consideration of HK\$1.00. The Dore Profit Agreement had been completed on 5 September 2006.

The acquisition of Sands Profit and Wynn Profit is ongoing. There is no expiry date of any of the Sands Profit Agreement, Wynn Profit Agreement, Sat Ieng Profit Agreement and Dore Profit Agreement.

The payment of Profits to Worth Perfect will be made in the following manners:

- 1. Sands Macao pays commissions to Sat Ieng on a monthly basis. Settlements of commissions completed within 5 days following the month end date. Commissions are deposited by Sands Macao directly into Sat Ieng’s front money account maintained by Sands Macao as Sat Ieng is the junket operator of Sands Macao.
- 2. In respect of the transfer of Sands Profit from Sat Ieng to Global, Sat Ieng will undertake to Global to pay Global 100% of the Sands Profit for each month within 15 days after the end of each calendar month under Sat Ieng Profit Agreement to be entered into among Sat Ieng, Global and Mr. Scolari.
- 3. According to the Sands Profit Agreement, Global has undertaken to Worth Perfect to pay Worth Perfect 100% of the Sands Profit for each month within 15 days after the end of each calendar month.
- 4. As advised by Dore, Wynn Macau shall pay commissions to Dore on a monthly basis.
- 5. According to Dore Profit Agreement, Dore has undertaken to Smart to pay Smart 100% of the Wynn Profit for each month within 15 days after the end of each calendar month.
- 6. According to Wynn Profit Agreement, Smart has undertaken to Worth Perfect to pay Worth Perfect 100% of the Wynn Profit for each month within 15 days after the end of each calendar month.

According to the terms of the Profit Agreements,

- 1. monthly junket representative settlement forms issued by Sands Macao and Wynn Macau are provided to Worth Perfect within 10 days after the end of each month; and
- 2. Sands Profit and Wynn Profit are paid to Worth Perfect within 15 days after the end of each month.

To ensure the correctness of the Sands Profit and Wynn Profit assigned, the Company and Worth Perfect will check the monthly junket representative settlement forms issued by Sands Macao and Wynn Macau against the amount of the Profits received by Worth Perfect from Global and Smart.

The Company will obtain the respective monthly junket representative settlement forms with proper signatories in signifying the consent by both the casinos and the respective gaming promoters for both Sands Macao and Wynn Macau, that is, Sat Ieng and Dore, in calculating the appropriate portion of commissions over the Rolling Turnover Sat Ieng and Dore are respectively entitled to and thus the Company can ascertain the appropriate amount of Profits that Worth Perfect is entitled to. The Company will also on and off conduct random physical checking in attending the “signing” timing of the respective gaming promoters with the casinos.

According to the Macau lawyer, the assignment of Sands Profit from Sat Ieng to Global and the assignment of Wynn Profit from Dore to Smart are not in contravention of any applicable laws in Macau, in particular the laws governing gambling and gaming promoter activities in Macau.

INFORMATION ON SAT IENG, DORE, MR. TANG AND MR. SCOLARI

Information on Sat Ieng and Mr. Tang

Sat Ieng is a company incorporated in Macau on 14 December 2004. On 28 August 2006, Mr. Phua as a vendor has entered into a conditional agreement with Mr. Tang as a purchaser in relation to the sale and purchase of the entire issued share capital of Sat Ieng.

Sat Ieng has been appointed by Sands Macao as a junket representative since 23 February 2005. Acting as a junket representative at Sands Macao is the only track record that Sat Ieng has in respect of its operation as a junket representative. Other than being a junket representative, Sat Ieng does not engage in any other business. The licence granted to Sat Ieng for acting as a junket operator is valid for one year and is renewable. Sat Ieng’s licence has been renewed on 12 December 2005 and is valid until 31 December 2006. In relation to the requirements for obtaining a junket licence from the Macau Government, the licence can only be granted when the applicant is found to comply with the probity requirements. If the applicant is a corporate gaming operator, the probity requirements also apply to its shareholder with 5% or more of the share capital and its key employees. The applicant, when submitted an application request, has to produce, among other things, a questionnaire to ascertain the probity of the applicant. To consider whether the applicant fulfill the probity requirement, the relevant authorities of the Macau Government will consider the information provided by the applicant in the questionnaire, including its corporate, business and financial information, information regarding its key employees and shareholders, judicial litigation and governmental investigation, bankruptcy and insolvency, its previous experience in junket business. The relevant authorities will also consider the information provided by the corporate applicant’s shareholder with 5% or more of the share capital and key employees, including their personal and family background, their financial information and civil proceedings or criminal investigation that they may involve. A licensed gaming promoter company may have agreements with more than one concessionaire and promote the casinos of more than one concessionaire under the laws of Macau.

As a junket representative, being an independent contractor responsible for soliciting customers to casino, Sat Ieng is primarily responsible for directing gaming customers to Sands Macao and using its best endeavors to actively promote Sands Macao to existing and potential customers. It receives a commission on the Rolling Turnover from Sands Macao. The net profit it receives, after deducting commission paid by it to its agents, administrative expenses and tax payable to the Macau Government, is over 0.4% of the Rolling Turnover. The Rolling Turnover generated by Sat Ieng for the 17 months ended 31 July 2006 amounted to approximately HK\$48.48 billion (0.4% of which amounted to approximately HK\$194 million). These figures are based on the monthly junket representative settlement forms, which are the official invoices issued to Sat Ieng by Sands Macao evidencing the Rolling Turnover and the commission of Sat Ieng. The Company has also cross-checked with the original monthly junket representative settlement forms to ensure the figures are true and correct.

The Directors consider the arrangement that the commission is only payable to Sat Ieng is fair and reasonable and in the interests of the Shareholders as a whole for the reasons that (1) Sat Ieng is the appointed junket representative under the Sands Junket Representative Agreement and therefore, it is fair that only Sat Ieng, the contracted party, is entitled to receive the commission from Sands Macao; and (2) it takes time for the Company to build up and establish its own junket business in view of its lack of know-how and prior experience in the operation of gaming business. Therefore, acquiring the Sands Profit generated by Sat Ieng, the one entitled to the commission is a better choice than engaging in the operation of gaming business by Company itself.

Mr. Tang has over 15 years of experience in Asian gaming, including working as an oversea promoter for various casinos’ VIP lounges in Macau and a casino on cruise liner, and organizing various Asian high rollers gaming tours to Las Vegas. Mr. Tang has been an oversea promoter of Sat Ieng since February 2005 and has junket experience in Asia. In addition, Mr. Tang engages in entertainment business in Mainland China and Taiwan.

Information on Dore and Mr. Scolari

Dore has been appointed by Wynn Macau as a junket representative on 28 August 2006. So far as Dore is aware, there are three junket representatives appointed by Wynn Macau and Dore is the first among the three. As Wynn Resorts (Macau) only commenced business on 6 September 2006, there is not yet any Rolling Turnover earned by Dore recorded.

Dore is a company incorporated in Macau on 12 July 2006 and is wholly-owned by Mr. Scolari. Mr. Scolari has over three years of experience in the gaming industry, including working as an oversea promoter for two casinos’ VIP lounges in Macau and organizing leisure tours for Asian high rollers to Europe and Asian gaming tours to Macau. He also has experience in junket representative business in Europe. In addition, Mr. Scolari has over twelve years of experience in the trading and marketing of electronic and computer related products in Europe and engaged in electronic and digital data transmission business in Hong Kong and Mainland China.

An overseas promoter is one that promotes junket business from locations outside of Macau. The words junket and promoter are generally used interchangeably. As the junket operation involves a network of agents, the junkets and promoters, therefore the experience of Mr. Tang and Mr. Scolari as oversea promoters are directly relevant to the operation of junket business as they are part of the network which comprises the operation of a gaming promoters/junket business.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Sat Ieng, Dore and their ultimate beneficial owner, Mr. Tang and Mr. Scolari, are Independent Third Parties and all of them are independent of and not connected with Mr. Yeung Tony Ming Kwong, Mr. Liu Ching Hua, Mr. Wei Ming, Mr. Tang Hin Keung, Alfred and Mr. Pun Yuen Sang and their respective associates.

REASONS FOR THE ACQUISITION

Team Jade is an investment holding company. The Group is principally engaged in the trading of timber logs, the provision and installation of fire-rated timber door sets, as well as the provision of interior decoration and renovation services and other carpentry works in Hong Kong.

Sat Ieng is among the first batch of junket representatives appointed by Sands Macao in February 2005. Sands Macao is operated by Venetian Macau Limited, a subsidiary of Las Vegas Corp., the securities of which are listed on the New York Stock Exchange. Based on the monthly junket representative settlement forms, which are the official invoices issued to Sat Ieng by Sands Macao evidencing the Rolling Turnover and the commission of Sat Ieng, the Rolling Turnover generated by Sat Ieng for the 17 months ended 31 July 2006 amounted to approximately HK\$48.48 billion.

As at the date of this announcement, Dore is one of the only three licensed junket representative appointed by Wynn Macau. Dore will operate 6 tables at the VIP club at Wynn Macau. Wynn Macau is owned by Wynn Resorts, Limited and commenced business on 6 September 2006.

Given that the Group has suffered losses in the past three consecutive financial years, the Board has been actively exploring suitable investment opportunities. The Directors believe that through the Acquisition, the Group can broaden its revenue sources and obtain a stable source of income.

Due to the loosening of travel restrictions of mainland Chinese visitors, there is recent economic boom in Macau. Also, the gaming activities of Macau are prosperous. Based on the statistics in relation to “Gross revenue from different gaming activities” as published in the official website of Gaming Inspection and Coordination Bureau of the Government of Macau, the revenue generated by the gaming activities is growing steadily at an average growth rate of approximately 23% each year for the period between 2001 and 2005, and the gaming revenue for the first half of 2006 amounted to MOP25.49 billion. According to the annual results announcement of Las Vegas Sands Corp. dated 14 February 2006, Sands Macao also recorded growth rate of approximately 133%, 61% and 23% for the 2nd, 3rd and 4th quarters respectively in the year 2005 in relation to its VIP chips Rolling Turnover.

In view of the acquisition of the Profits by Worth Perfect, an associated company of the Target Company, from Global and Smart under the Sands Profit Agreement and Wynn Profit Agreement respectively, the recent economy of Macau and the prospects of Macau’s gaming business, the Directors believe that the Acquisition provide the Group with substantial and steady income stream.

To ensure the Acquisition is fair and reasonable and in the interest of the Shareholders as a whole, (1) due diligence work has been done through reviewing the original junket representative settlement forms, the official invoices issued by Sands Macao to Sat Ieng evidencing the Rolling Turnover generated by Sat Ieng and its commission, to verify the Rolling Turnover generated by Sat Ieng for 17 months ended 31 July 2006 amounted to approximately HK\$194 million; (2) legal opinion has been sought to ensure that the gaming business participated by Sat Ieng and Dore is lawful; (3) favourable terms, including Profit Guarantees are also bargained from the counterparty so as to ensure a minimum of HK\$196 million can be received by the Group, which is fully secured by the Convertible Notes and the First Promissory Note 1; (4) the Directors have also made reference to the price earning multiples of approximately 7.3 times the 49% of the of the guaranteed Profits for the First Relevant Period, which is HK\$73.5 million and 4.4 times the 49% of the guaranteed Profits for the Second Relevant Period, which is HK\$122.5 million and consider that the price earning multiples are relatively low, especially with reference to the price earning multiples of other listed issuers engaging in gaming business; and (5) to protect the Company against the risk of the non-renewal of the junket licence of Sat Ieng and that of the junket licence of Dore, the Directors have negotiated for a term that in the event the junket licence of Sat Ieng or Dore is cancelled, revoked, terminated or is not renewed or amended in a material and adverse manner to Sat Ieng or Dore by the relevant authorities in Macau at any time before the maturity date of the First Promissory Notes, Rich Game shall return the First Promissory Notes to Team Jade and Team Jade shall not be obliged to pay any outstanding sum under the First Promissory Notes even if the Profits which have been received by the Group exceeds the amount of the total consideration of HK\$539 million at the time of the cancellation, revocation, termination or non-renewal of the junket licence of Sat Ieng or the junket licence of Dore. As such, the principal amount of the First Promissory Notes in a sum of HK\$244.6 million representing 45.4% of the consideration, together with the 36.4% of the consideration covered by the Profit Guarantees, cover over 80% of the consideration.

Taking into account the benefits of the Acquisition as described above, the Directors (including the independent non-executive Directors) are of the view that the Target Acquisition Agreement is entered into upon normal commercial terms following arm’s length negotiations between the parties, the terms of the Target Acquisition Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Moreover, the independent non-executive Directors had thorough understanding of the arrangement between the junket operators and the casino operators from the research result mentioned in the sub-section headed “Consideration” under the section headed “The New Target Acquisition Agreement”. They knew that the Group is entitled to 49% of the Profits due to the Group’s 49% equity interest in Worth Perfect, which holds the Profits. They also understand that the Profits are partially sourced from the Rolling Turnover generated by Sat Ieng and Dore pursuant to the Sands Junket Representative Agreement and Dore Junket Representative Agreement respectively. However, taking into account the benefits of the Acquisition and considering the transaction as a whole, the independent non-executive Directors were of the view that the Acquisition is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the relevant ratios as referred to in Chapter 14 of the Listing Rules are more than 100%, the Acquisition constitutes a very substantial acquisition on the part of the Company under Chapter 14 of the Listing Rules.

Accordingly, the Acquisition is subject to, among other things, the approval by the Shareholders at the SGM. **As disclosed in the Announcement, Smart Town, holding approximately 30.79% of the shareholding in the Company, have financially assisted the Group in raising the refundable deposit of HK\$160 million. Such HK\$160 million is used as refundable deposit under the New Target Acquisition Agreement. Therefore, Smart Town, holding approximately 30.79% of the shareholding in the Company and having financially assisted the Group in the Acquisition, and Pan-Star Nominees Limited, holding 20% of the shareholding in the Company and being a party acting in concert with Smart Town under The Codes on Takeovers and Mergers in Hong Kong, their respective ultimate beneficial owners and their respective associates will abstain from voting for the relevant resolution at the SGM.** Therefore, the vote of the Shareholders other than Smart Town, Pan-Star Nominees Limited, their respective ultimate beneficial owners and their respective associates taken at the SGM on the relevant resolution will be taken on a poll.

An independent financial adviser, Somerley Limited, has been appointed to advise the Shareholders as to the fairness and reasonableness of the New Target Acquisition Agreement. A circular containing, among other things, further information in respect of the Acquisition, a letter from the independent financial adviser, together with the notice of the SGM will be despatched to the Shareholders in accordance with the Listing Rules.

IMPLICATIONS UNDER THE LAWS OF HONG KONG AND THE LISTING RULES

After Completion, the Group, including the Target Company and Worth Perfect, will not engage in any gaming related activities.

Having duly considered the relevant laws of Hong Kong, including the Gambling Ordinance (Cap. 148), Crimes Ordinance (Cap. 200) and laws governing money laundering activities, Michael Li & Co., the Company’s legal advisers are of the view that:

- (1) the Company is not in breach of any applicable laws of Hong Kong as a result of the Acquisition; and
- (2) the junket business carried out by Sat Ieng and Dore does not contravene any applicable laws of Hong Kong.

Shareholders should be aware that under the guidelines issued by the Stock Exchange in relation to “Gambling activities undertaken by listing applicants and/or listed issuers” dated 11 March 2003, should the Group directly or indirectly be engaged in gambling activities and operation of such gambling activities (i) fail to comply with the applicable laws in the areas where such activities operate and/or (ii) contravene the Gambling Ordinance, the Company or its business may be considered unsuitable for listing under Rule 8.04 of the Listing Rules, the Stock Exchange may direct the Company to take remedial action, and/or may suspend dealings in, or may cancel the listing of, the Shares.

In relation to the prevention of the money laundering activities, as both Sat Ieng and Dore are respectively licensed to operate junket business and both Sands Macao and Wynn Macau are respectively licensed to operate gaming business by the relevant authorities in Macau and the amount of bet/Rolling Turnover on Sands Macao is properly registered by both Sat Ieng and Sands Macao, their gaming activities and businesses are subject to stringent control and regulation of the Macau Government. The Directors believe that the activities Sat Ieng, Sands Macao, Dore and Wynn Macau participate should be legal and lawful and thereby the income derived from these activities should also be lawful and proper because:

- (1)

Venetian Macau Limited (the operator of Sands Macao) and Wynn Resorts (Macau) SA (the operator of Wynn Macau) are the concessionaire licensees licensed by the Macau Government to carry out casino business in Macau;
- (2)

Sat Ieng and Dore are validly licensed to act as a junket operator in Macau, as evidenced in the “Licenca De Promotor De Jogo Pessoa Colectiva”;
- (3)

Worth Perfect is an investment company to receive the Sands Profit from Sat Ieng and Wynn Profit from Dore and it does not carry out any casino or gaming promotion activities in either Hong Kong or Macau. Therefore, the business activities of Worth Perfect will not constitute unlawful activities under the laws of Hong Kong and Macau;
- (4)

Youngrich is an investment company holding 49% issued shares of Worth Perfect. Youngrich does not carry out any casino and gaming promotion activities in either Hong Kong or Macau. Therefore, the business activities of Youngrich will not constitute unlawful activities under the laws of Hong Kong and Macau;
- (5)

Upon Completion, the Group holds the entire issued share capital of Youngrich and does not carry out any casino and gaming promotion activities in either Hong Kong or Macau. Therefore, the business activities of the Group will not constitute unlawful activities under the laws of Hong Kong and Macau; and
- (6)

the Company’s Hong Kong legal advisers, who had duly considered the relevant laws of Hong Kong, including the Gambling Ordinance (Cap. 148), Crimes Ordinance (Cap. 200) and laws governing money laundering activities, are of the view that:

(a)

the junket business carried out by Sat Ieng and Dore does not convene any applicable laws of Hong Kong; and

(b)

the Company is not in breach of any applicable laws of Hong Kong as a result of the Acquisition.
- (7)

the Company’s Macau legal advisers had advised that:

(a)

gaming activities of Sands Macau, Wynn Macau, Sat Ieng and Dore involved in Macau are legal and lawful under the relevant laws of Macau and are in compliance with the applicable laws in the areas where their respective gaming activities operate; and

(b)

the gaming promotion business carried out by Sat Ieng and Dore does not contravene any applicable laws in Macau.
- Apart from relying on such stringent official control, the Company will also use its best endeavours to procure that effective internal control systems in place to make sure that the dividend distributed from Worth Perfect is derived from proper source.
- In fact, the Company has issued its internal written policies to prevent money laundering, which has been communicated to the management and relevant staff in the Company. Basically, the Company has establish and maintain procedures to combat money laundering so as to enable suspicions of money laundering to be recognized and reported to the authorities and to produce its part of the audit trail to assist in official investigation. In particular, the Company:
1.

has procedures to verify the identity of new clients/counterparties;

2.

has record keeping procedures and will keep the relevant records, including account ledger records, a record of all internal reports to the money laundering reporting officer regarding suspected money laundering, a record of all investigations and other information taken into account by the money laundering reporting officer when deciding whether or not to report to the authority and a record of all reports to the authority regarding the suspected money laundering, for a certain period of time;

3.

has procedures for employees to report any suspicious transactions, normally, the employees have to report and discuss with the money laundering reporting officer any suspected transaction without delay;

4.

will ensure that employees are suitably trained and made aware of the reporting procedures and in the recognition and handling of suspicious transactions. Periodic training will be provided to the employees so as to regularly refresh their knowledge of combating money laundering; and

5.

has appointed a money laundering reporting officer. He will make further appropriate investigations into the suspected money laundering activities reported to him by the employees and will report the same to the relevant authorities, including the Hong Kong Monetary Authority and co-operate with them.
- The Company will cross-check the Sands Profit received or receivable with the original monthly junket representative settlement forms issued by Sands Macao to Sat Ieng. The Company will also cross-check the Wynn Profit received or receivable with the original documents issued by Wynn Macau recording the Rolling Turnover generated by Dore. Further, the Company will from time to time obtain direct confirmations in respect of the Rolling Turnover generated by Sat Ieng from Sands Macao and in respect of the Rolling Turnover generated by Dore from Wynn Macau.
- As an additional safeguard, the money remitted will also be routed through licensed Hong Kong banks which would exercise another level of anti-money laundering control.
- Sat Ieng has also implemented its internal control procedures and regulations in assisting Sands Macao to detect suspicious transactions in combating the money laundering. The measures include the followings:
1.

Customer due diligence

Sat Ieng does not keep anonymous accounts or accounts in obviously fictitious names. It undertakes customer due diligence measures, including identifying and verifying the identity of their customers by using reliable, independent source documents, data or information like official identification documents such as passport and identification card before or during the course of establishing a business relationship with the customer.

2.

New and developing technologies that favour anonymity

Sat Ieng pays attention to any money laundering threats that may arise from any new and developing technologies that favour anonymity and, if necessary, to prevent their use in money laundering schemes.

3.

Record keeping

Sat Ieng maintains, for at least seven years, all necessary records on transactions to enable them to comply swiftly with information requests from the competent authorities. Such record must be sufficient to permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of criminal activity.

Sat Ieng also keeps records on the identification data obtained through the customer due diligence process and will make available to domestic competent authorities upon appropriate authorities.

4.

Reporting of suspicious transactions

Sat Ieng pays attention to all settlement of unusually large sums and all unusual patterns of transactions which have no apparent economic or visible lawful purpose. If Sat Ieng suspects or has reasonable grounds to suspect that money that it deals with when providing its settlement services are the proceeds of a criminal activity, or is related to terrorist financing, or otherwise is linked to or related to, or is to be used for terrorism, it will report promptly its suspicions to competent authorities.
- Dore will also have similar internal control procedures and regulations in assisting Wynn Macau to detect suspicious transactions in combating the money laundering. So far as Dore is aware, Wynn Macau has created its own corporate investigation team for the purpose of anti-money laundering.
- RISK FACTORS OF JUNKET BUSINESS
- The following are the risk factors in relation to the junket business operated by Sat Ieng and Dore:
- (1)

The provision of junket business is competitive in general. There is no guarantee that the targeted customers of Sat Ieng or Dore will not be lured away by other junket operators.

(2)

The Rolling Turnover generated by Sat Ieng operating as a junket representative in Sands Macao relies on, among other factors, the attractiveness of Sands Macao to the prospective customers, Sat Ieng’s ability to procure customers to Sands Macao, annual renewal of the gaming licence of Sat Ieng by the Macau Government, tenure of Sat Ieng acting as junket representative for Sands Macao under the Junket Representative Agreement. There is no assurance that Sands Macao is always attractive. In the event that Sat Ieng ceases to be committed to the junket business or cease to be appointed as junket representative by Sands Macao, the junket business, and thereby the Sands Profit to be paid to Worth Perfect, may be adversely affected. Moreover, if Sat Ieng fails to obtain the renewal of its gaming licence from the Macau Government, it can no longer operate its junket business and no Sands Profit can be paid to Worth Perfect as a result. The same risks are applicable to the junket business carried out by Dore.

(3)

In the event that Sands Macao or Wynn Macau becomes the target for carrying out money laundering, the Rolling Turnover generated by Sat Ieng or Dore may be affected and/or interrupted.

(4)

The operation of the junket business by Sat Ieng or Dore is subject to the ability of Sat Ieng or Dore in obtaining their respective renewed licence from the Macau Government each year.

(5)

The availability of the Profits relating to the Rolling Turnover generated by Sat Ieng at Sands Macao’s Paiza Club gaming rooms pursuant to the Sands Junket Representative Agreement and the Rolling Turnover generated by Dore at Wynn Macau gaming rooms pursuant to Wynn Junket Representative Agreement heavily depends on the subsistence of the respective Junket Representative Agreements and on whether the respective Junket Representative Agreements can be successfully renewed. The Junket Representative Agreements may or may not be renewed by Sands Macao or Wynn Macau at the expiry of the term of the respective Junket Representative Agreements. In general, the term of agreement between the junket operator and the casino operator is tied with the terms of the junket licence. Therefore, the term of the Junket Representative Agreements can also be tied with the terms of respective junket licences of Sat Ieng and Dore, which are valid for one year.
- (6)

As parts of the Profits are sourced from Rolling Turnover generated by Sat Ieng and Dore pursuant to the respective Junket Representative Agreements, **there is a risk that those parts of the Profits will cease to be sources of the Profits if the Junket Representative Agreements expire or the junket licences of Sat Ieng or Dore cannot be renewed.**
- SUSPENSION AND RESUMPTION OF TRADING
- At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 29 August 2006 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 19 September 2006.
- DEFINITIONS
- In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:
- | | |
|------------------------------------|--|
| “Acquisition” | the proposed acquisition of the Sale Shares on the terms contained in the New Target Acquisition Agreement |
| “Announcement” | an announcement dated 6 April 2006 in respect of the Target Acquisition Agreement and the transactions contemplated thereunder |
| “associates” | has the same meaning ascribed to such term under the Listing Rules |
| “Board” | board of the Directors |
| “Business Day” | a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours |
| “Company” | Teem Foundation Group Ltd., a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange |
| “Completion” | completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the New Target Acquisition Agreement |
| “Connected Person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Convertible Bond” | a convertible bond in the principal amount of HK\$134.4 million, to be issued by the Company in favour of Rich Game |
| “Conversion Period” | the period commencing from the date when Mr. Tang and Mr. Scolari makes payment in full of: <div><div>(1)</div><div>the Profits guaranteed under the First Profit Guarantee and, if there is any shortfall between the Profits guaranteed under the First Profit Guarantee and the Profits actually received and/or receivable by Worth Perfect during the First Relevant Period, the said shortfall; and</div></div> <div><div>(2)</div><div>the Profits guaranteed under the Second Profit Guarantee and, if there is any shortfall between the Profits guaranteed under the Second Profit Guarantee and the Profits actually received and/or receivable by Worth Perfect during the Second Relevant Period, the said shortfall,</div></div> up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the maturity date |
| “Conversion Price” | the initial conversion price of HK\$1.00 per Conversion Share, subject to adjustments, pursuant to the terms of the Convertible Bond |
| “Conversion Shares” | the Shares to be issued upon the exercise of the conversion rights in respect of the Convertible Bond |
| “Deed of Cancellation” | a deed of cancellation dated 28 August 2006 and entered into among Team Jade, Rich Game and Sat Ieng, pursuant to which the Target Acquisition Agreement was terminated |
| “Deed of Guarantee” | a deed of guarantee dated 28 August 2006 and executed by Mr. Tang and Mr. Scolari in favor of Worth Perfect in respect of the Profit Guarantees |
| “Deed of Termination” | a deed of termination dated 28 August 2006 and entered into among Worth Perfect, Sat Ieng and Mr. Phua, pursuant to which the Original Profit Agreement was terminated |
| “Director(s)” | director(s) of the Company |
| “Dore” | Dore Entretenimento Sociedade Unipessoal Limitada, a company incorporated in Macau, which is wholly-owned by Mr. Scolari and is principally engaged in the junket representative business, an Independent Third Party |
| “Dore Profit Agreement” | the agreement dated 28 August 2006 entered into among Smart as a purchaser, Dore as a vendor and Mr. Scolari as a guarantor relating to the sale and purchase of a 100% interest in the Wynn Profit |
| “First Profit Guarantee” | the guarantee provided by Mr. Tang and Mr. Scolari under the Deed of Guarantee that the Profits for the First Relevant Period will not be less than HK\$150 million |
| “First Promissory Notes” | the promissory notes to be executed by the Company in favour of Rich Game for the purpose of settling partially the consideration for the Sale Shares under the New Target Acquisition Agreement, including First Promissory Note I and First Promissory Note II |
| “First Promissory Note I” | the promissory note in a principal sum of HK\$61.6 million |
| “First Promissory Note II” | the promissory note in a principal sum of HK\$183 million |
| “First Relevant Period” | the period of one year commencing from 16 March 2006 in respect of the First Profit Guarantee under the Deed of Guarantee |
| “Global” | Global Rainbow Ltd., a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Mr. Tang |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with any director, chief executive or substantial Shareholders of the Company and its subsidiaries or any of their respective associate |
| “Instrument” | an instrument constituting the Convertible Bond |
| “Junket Representative Agreements” | Sands Junket Representative Agreement and Wynn Junket Representative Agreement |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Macau” | Macau Special Administrative Region of the PRC |
| “MOP” | Patacas, the lawful currency of Macau |
| “Mr. Phua” | Mr. Phua Wei Seng, an Independent Third Party |
| “Mr. Tang” | Mr. Tang Chien Chang, an Independent Third Party |
| “Mr. Scolari” | Mr. Jean, Christophe Scolari, an Independent Third Party |
| “New Target Acquisition Agreement” | the conditional sale and purchase agreement dated 28 August 2006 entered into among Team Jade as a purchaser, Rich Game as a vendor and warrantor and Global, Smart, Mr. Tang and Mr. Scolarias warrantor relating to the sale and purchase of the Sale Shares |
| “Non-negotiable Chips” | also known as rolling chips or dead chips. These chips cannot be converted into negotiable chips nor can they be redeemed for other goods and services. These chips can only be bet in destined area of the casino. If the customer loses, these chips go to the casino. If the customer wins, he or she is paid the winnings and the amount bet in negotiable chips. The design of these chips are different from the negotiable chips and hence, the dealers and the cashiers of the casino can readily recognize them from negotiable chips |
| “Original Profit” | 0.4% of the Rolling Turnover generated by Sat Ieng and/or its customers at Sands Macao’s Paiza Club gaming rooms pursuant to the Sands Junket Representative Agreement and such other VIP gaming rooms whereby Sat Ieng is a duly appointed junket representative |
| “Original Profit Agreement” | the agreement dated 13 March 2006 entered into among Worth Perfect as a purchaser, Sat Ieng as a vendor and Mr. Phua Wei Seng as a guarantor relating to the sale and purchase of a 100% interest in the Original Profit |
| “Placee” | any individual, institutional or other professional investor procured by the Placing Agent to purchase any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement; |
| “Placing Agent” | Pacific Foundation Securities Limited, a company incorporated in Hong Kong and permitted to engage in types 1 and 9 (dealing in securities and asset management) of the regulated activities as defined in the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong and an Independent Third Party, a placing agent under the Placing Agreement |
| “Placing Agreement” | a placing agreement dated 16 March 2006 entered into between Smart Town and the Placing Agent, pursuant to which Smart Town had agreed to appoint the latter as its placing agent for the purpose of procuring the Placees to purchase the Placing Shares at the Placing Price on a fully underwritten basis, as supplemented by a deed of variation dated 31 March 2006 and entered into between Smart Town and the Placing Agent |

“Placing Price”	the price of HK\$1.00 per Placing Share
“Placing Shares”	162.72 million Shares
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau of the PRC and Taiwan
“Profits”	the Sands Profit and the Wynn Profit
“Profit Agreements”	the Sands Profit Agreement and the Wynn Profit Agreement
“Profit Guarantees”	the profit guarantees provided by Mr. Tang and Mr. Scolari under the Deed of Guarantee that Profits for the First Relevant Period and the Second Relevant Period will not be less than HK\$150 million and HK\$250 million respectively
“Richsense”	Richsense Limited, a company incorporated in the British Virgin Islands which is an investment holding company and is a wholly-owned subsidiary of Rich Game, an Independent Third Party
“Rich Game”	Rich Game Capital Inc., an investment holding company incorporated in the British Virgin Islands and which was a wholly-owned subsidiary of Sat Ieng, an Independent Third Party and is now beneficially owned as to 51% and 49% by Global and Smart respectively, both of whom are Independent Third Party
“Rolling Turnover”	the value of Non-negotiable Chips acquired by Sat Ieng or Dore on behalf of its customers less the value of Non-negotiable Chips redeemed by Sat Ieng or Dore on behalf of its customers
“Sands Junket Representative Agreement”	the junket representative agreement dated 27 January 2006 entered into between Venetian Macau Limited, an Independent Third Party and Sat Ieng
“Sands Macao”	Sands Macao, a one million-square-foot casino and entertainment complex located in Largo de Monte Carlo, No. 203, Macau and operated by Venetian Macau Limited, a developer of multiple casino hotel resort properties in Macau and is a subsidiary of Las Vegas Sands Corp., the securities of which are listed on the New York Stock Exchange and is a hotel and gaming company
“Sands Macao’s Paiza Club gaming rooms”	the gaming rooms, including the one operated by Sat Ieng in which there are currently eight gaming tables, inside the Paiza Club of Sands Macao, a club which offers to the VIP customers services and amenities including luxurious VIP suites, spa facilities, private VIP gaming room facilities and theatre
“Sands Profit”	0.4% of the Rolling Turnover generated by Sat Ieng and/or its customers at Sands Macao’s Paiza Club gaming rooms pursuant to the Sands Junket Representative Agreement and such other VIP gaming rooms whereby Sat Ieng is a duly appointed junket representative or such other VIP gaming rooms whereby Sat Ieng can procure the sale/assignment of a percentage of its Rolling Turnover generated by the duly appointed junket representatives
“Sands Profit Agreement”	the conditional agreement dated 28 August 2006 entered into among Worth Perfect as a purchaser, Global as a vendor and Mr. Tang as a guarantor relating to the sale and purchase of a 100% interest in the Sands Profit
“Sale Shares”	100 ordinary shares, being the entire issued share capital of the Target Company
“Sat Ieng”	Sat Ieng Sociedade Unipessoal Limitada, a company incorporated in Macau, which is wholly-owned by Mr. Phua Wei Seng, who has entered into an conditional agreement with Mr. Tang for the sale of the entire issued share capital of Sat Ieng to Mr. Tang and is principally engaged in the junket representative business, an Independent Third Party
“Sat Ieng Profit Agreement”	the agreement to be entered into among Global as a purchaser, Sat Ieng as a vendor and Mr. Tang as a guarantor relating to the sale and purchase of a 100% interest in the Sands Profit
“Second Profit Guarantee”	the guarantee provided by Mr. Tang and Mr. Scolari under the Deed of Guarantee that the Profits for the Second Relevant Period will not be less than HK\$250 million
“Second Relevant Period”	the period of one year commencing from the first date after the First Relevant Period in respect of the Second Profit Guarantee under the Deed of Guarantee
“Second Promissory Note”	the promissory note in a principal sum of HK\$160 million to be executed by the Company in the favour of Smart Town
“SFC”	the Securities and Futures Commission of Hong Kong
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Acquisition and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Smart”	Smart Gallant Limited, a company incorporated in the British Virgin Islands and is a wholly-owned by Mr. Scolari
“Smart Town”	Smart Town Holdings Limited, an investment holding company incorporated in the British Virgin Islands and the controlling Shareholders interested in approximately 30.79% of the issued share capital of the Company as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Acquisition Agreement”	the conditional sale and purchase agreement dated 30 March 2006 entered into among Team Jade as a purchaser, Rich Game as a vendor and warrantor and Sat Ieng as a warrantor relating to the sale and purchase of the Sale Shares
“Target Company”	Youngrich Limited, a company incorporated in the British Virgin Islands
“Target Group”	the Target Company, its subsidiaries and associates from time to time (including Worth Perfect)
“Team Jade”	Team Jade Enterprises Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company, the purchaser under the New Target Acquisition Agreement
“Worth Perfect”	Worth Perfect International Limited, a company incorporated in the British Virgin Islands and the shares of which are owned as to 49% and 51% by the Target Company and Richsense respectively as at the date of this announcement
“Wynn Macau”	Wynn Macau, a luxury hotel and destination casino resort located at Rua Cidade de Sintra, NAPE, Macau and operated by Wynn Resorts (Macau) S.A.. Wynn Macau features 600 luxurious guest rooms and suites; approximately 100,000 square foot of gaming area with 200 tables and 380 slots in first phase; and six gourmet restaurants; and a spa and entertainment venues. Wynn Resorts (Macau) S.A. is a subsidiary of Wynn Resorts, Limited, the securities of which is traded on the Nasdaq stock exchange and is a hotel and gaming company
“Wynn Junket Representative Agreement”	the junket representative agreement entered into between Wynn Resorts (Macau) SA dated 28 August 2006, an Independent Third Party and Dore
“Wynn Profit”	0.4% of the Rolling Turnover generated by Dore and/or its customers at Wynn Macau gaming rooms pursuant to Wynn Junket Representative Agreement and such other VIP gaming rooms whereby Dore is a duly appointed junket representative or such other VIP gaming rooms whereby Dore can procure the sale/assignment of a percentage of Rolling Turnover generated by the duly appointed junket representatives
“Wynn Profit Agreement”	the agreement dated 28 August 2006 entered into among Worth Perfect as a purchaser, Smart as a vendor and Mr. Scolari as a guarantor relating to the sale and purchase of a 100% interest in the Wynn Profit
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“US\$”	United States of America dollars
“%”	per cent.

By Order of the Board
Teem Foundation Group Ltd.
Lum Chor Wah, Richard
Chairman

Hong Kong, 18 September 2006

As at the date of this announcement, the Board comprises Mr. Lum Chor Wah, Richard, Mr. Pun Yuen Sang and Mr. Tang Hin Keung, Alfred who are executive Directors; Mr. Leung Chi Hung, Mr. Tsui Robert Che Kwong and Mr. Lam Allan Shu Cheuk who are independent non-executive Directors.