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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **SHANGHAI MING YUAN HOLDINGS LIMITED**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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SHANGHAI MING YUAN HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

DISCLOSEABLE TRANSACTION

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF FIELDCROWN INVESTMENTS LIMITED INVOLVING THE POSSIBLE ISSUE OF CONVERTIBLE NOTE

Financial Adviser

Henco & Associates
Henco Capital Limited

30 December, 2002

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DEFINITIONS

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

“Acquisition”	the acquisition by Fun Area from the Vendor of the entire issued share capital of Fieldcrown pursuant to the Share Transfer Agreement
“Company”	Shanghai Ming Yuan Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the Share Transfer Agreement
“Conversion Shares”	new Shares which may fall to be issued upon conversion of the principal amount of the Convertible Note
“Convertible Note”	the convertible note in the principal amount of HK\$33,000,000 to be issued by the Company to the Vendor pursuant to the Share Transfer Agreement
“Directors”	the directors of the Company
“Fieldcrown”	Fieldcrown Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Fun Area”	Fun Area Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment Property”	level 2 and level 3, East Phase, New Century Plaza, 48 Xing Yi Lu, Chang Ning Qu, Shanghai, PRC
“Latest Practicable Date”	24 December 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Noteholder(s)”	the holder of the Convertible Note
“PRC”	the People’s Republic of China
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance, Chapter 396 of the Laws of Hong Kong
“Share Transfer Agreement”	the agreement dated 12 December 2002 entered into between Fun Area as purchaser and the Vendor as vendor in relation to the sale and purchase of the entire issued share capital of Fieldcrown
“Shares”	ordinary shares of HK\$0.25 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Zhou Li Qun, an independent third party not connected with the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries, or an associate of any of them (as defined in the Listing Rules)
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong

In this circular, all amounts in Renminbi were translated into Hong Kong dollars at an exchange rate of HK\$1.00 : RMB1.06 for indication only.

LETTER FROM THE BOARD

SHANGHAI MING YUAN HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Executive Directors:

Mr. Yao Yuan (*Chairman*)
Mr. Chien Hoe Yong
Mr. Wu Jun

Registered office:

Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

Independent non-executive Directors:

Ms. Chiang Su Hui, Susie
Mr. Lam Lee G.
Mr. Yap Kah On

Head office and

principle place of business:
Suite 2903, Tower II
Lippo Centre
89 Queensway
Hong Kong

30 December 2002

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF FIELDCROWN INVESTMENTS LIMITED INVOLVING THE POSSIBLE ISSUE OF CONVERTIBLE NOTE

INTRODUCTION

On 13 December 2002, the board of Directors announced that Fun Area, a wholly-owned subsidiary of the Company entered into the Share Transfer Agreement with the Vendor on 12 December 2002, whereby Fun Area agreed to purchase and the Vendor agreed to sell 1 ordinary share of US\$1.00 in Fieldcrown, representing the entire issued share capital of Fieldcrown.

The consideration for the Acquisition is HK\$38,000,000, which is satisfied by a refundable deposit of HK\$5,000,000 in cash, which was financed by internal resources of the

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Company, and payable on the signing of the Share Transfer Agreement and the remaining balance of HK\$33,000,000 shall be satisfied in full on Completion by either:

- (i) cash, which is to be financed by internal resources of the Company; or
- (ii) the issue by the Company of the Convertible Note to the Vendor and/or its nominee(s).

The Vendor is an independent third party not connected with the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries, or an associate of any of them (as defined in the Listing Rules). Upon Completion and upon full conversion of the Convertible Note, the Vendor will not become a substantial shareholder of the Company.

Henco Capital Limited is appointed as the financial adviser to the Company in relation to the Acquisition.

The purpose of this circular is to provide you with further information regarding the Acquisition.

THE ACQUISITION

Parties

Vendor: Zhou Li Qun, an independent third party not connected with the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries, or an associate of any of them (as defined in the Listing Rules)

Purchaser: Fun Area, a wholly-owned subsidiary of the Company

Date of the Share Transfer Agreement

12 December 2002

Terms of the Share Transfer Agreement

Fun Area agreed to purchase and the Vendor agreed to sell its beneficially owned 1 ordinary share of US\$1.00 in Fieldcrown, representing the entire issued share capital of Fieldcrown, pursuant to the terms and conditions of the Share Transfer Agreement.

The Company has no interest in Fieldcrown prior to the Acquisition. Upon Completion, the Company will own 100% entire issued share capital of Fieldcrown.

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Consideration

The consideration for the Acquisition is HK\$38,000,000, which is satisfied by a refundable deposit of HK\$5,000,000 in cash, which was financed by internal resources of the Company, and payable on the signing of the Share Transfer Agreement and the remaining balance of HK\$33,000,000 shall be satisfied in full on Completion by either:

- (i) cash, which is to be financed by internal resources of the Company; or
- (ii) the issue by the Company of the Convertible Note to the Vendor and/or its nominee(s).

Such consideration was determined based on arm's length negotiation between Fun Area and the Vendor. The Directors consider that the terms of the Acquisition including the consideration for the Acquisition to be fair and reasonable.

The refundable deposit of HK\$5,000,000 will be refunded in full to the Company if the Vendor fails to perform all the conditions set out under the Share Transfer Agreement on or before Completion. As agreed and stated in the Share Transfer Agreement, in case that the Vendor has fulfilled all the conditions as set out in the Share Transfer Agreement but refuses to perform the Share Transfer Agreement with Fun Area on or before the Completion, a further HK\$5,000,000 will be payable to Fun Area by the Vendor as penalty payment. The refundable deposit of HK\$5,000,000 payable upon signing of the Share Transfer Agreement was paid by Fun Area to the Vendor on 13 December 2002 as agreed between Fun Area and the Vendor.

Conditions

Completion of the Acquisition is conditional upon satisfaction of certain conditions, among other things, including:

1. Fun Area being satisfied with the due diligence exercise to be conducted on Fieldcrown; and
2. the Investment Property, which is currently 100% owned by the Vendor, has been properly and validly transferred to Fieldcrown and all necessary approvals and consents from all relevant governmental regulatory or other authorities relating thereto have been obtained and not having been revoked.

In the event that Fun Area decides to satisfy the remaining balance of the consideration of the Acquisition by the issue of the Convertible Note by the Company, Completion will also

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be subject to the following conditions being satisfied on or before Completion (or such later date as may be agreed in writing between the parties thereto):

1. the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares; and
2. if necessary, the Bermuda Monetary Authority consenting to the issue of the Conversion Shares.

Completion

Completion of the Acquisition will take place within 7 business days following the fulfilment of all of the conditions referred to in the paragraph headed “Conditions” above provided that such date is not later than 30 January 2003. If the conditions are not satisfied on or before the date specified above or waived at the discretion of Fun Area (or such later date as the Vendor and Fun Area may agree in writing), the Share Transfer Agreement shall lapse. Further announcement will be made by the Company on Completion or when the Share Transfer Agreement lapses, which is expected to be on or around 30 January 2003.

CONVERSION SHARES

The Conversion Shares, if issue, shall rank *pari passu* in all respect with the Shares in issue at the relevant date of issue, including rights as to dividends and voting. The Directors will allot and issue the Conversion Shares pursuant to a general mandate duly granted and approved by the shareholders of the Company at the annual general meeting of the Company held on 28 May 2002.

The conversion price per Conversion Share will be determined by the Company at Completion but will not be less than HK\$1.00. Conversion price is preliminarily proposed to be arrived at with reference to the market price of the existing issued Shares but precise basis has yet to be determined.

The Conversion Shares (assuming conversion in full of the Convertible Note with a maximum of 33,000,000 Conversion Shares to be issued and that up to the date of Completion, there will be no change in the total number of issued Shares) represents approximately 7.86% of the total number of existing issued Shares and approximately 7.3% of the total number of issued Shares as enlarged by the issue of the Conversion Shares.

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PRINCIPAL TERMS OF THE CONVERTIBLE NOTE

Issuer

The Company

Principal amount

The principal amount of the Convertible Note will be HK\$33,000,000.

Interest

Best lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited as at the date of Completion.

Maturity date

Two years from the date of issue of the Convertible Note.

Conversion rights

The Noteholder will have the right to convert up to 50% (in an amount or integral multiple of HK\$1,000,000) of the principal amount of the Convertible Note represented by the Convertible Note into Conversion Shares at any time during the period 6 months after Completion up to 12 months after Completion and the remaining outstanding principal amount of the Convertible Note after 12 months up to seven business days before the maturity date at the conversion price per Conversion Share which is not less than HK\$1.00 per Conversion Share (subject to adjustment). The conversion price of HK\$1.00 per Conversion Share represents a premium of approximately 2.0% to the closing price of HK\$0.98 per Share quoted on the Stock Exchange on 11 December 2002 while represents a premium of approximately 5.7% to the average closing price of approximately HK\$0.946 per Share for the 10 trading days up to and including 10 December 2002.

The outstanding principal amount of the Convertible Note not converted into Conversion Shares will be repaid by the Company together with interest thereon on maturity date.

Redemption

The Convertible Note is not redeemable at the option of the Noteholder. The Company shall have the right to redeem any portion of the Convertible Note outstanding at par in its sole and absolute discretion at any time prior to the maturity date.

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Voting rights of the Noteholder

The Noteholder will not be entitled to receive notices to attend or vote at any meeting of the Company by reason only of it being the Noteholder.

Transferability

The Convertible Note may not be assigned or transferred without the prior written consent of the Company. The Company has undertaken to inform the Stock Exchange as soon as practicable when it comes to its notice that any of the Convertible Note is proposed to be transferred to or dealt with by a connected person (as defined in the Listing Rules) of the Company.

Listing

No listing of the Convertible Note will be sought on the Stock Exchange or any other stock exchanges.

LISTING APPLICATION

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares if the Company decides to issue the Convertible Note.

INFORMATION ON FIELDCROWN

Fieldcrown is an investment holding company incorporated in the British Virgin Islands which will hold the entire 100% equity interest in the Investment Property (which consist of level 2 and level 3, East Phase, New Century Plaza, 48 Xing Yi Lu, Chang Ning Qu, Shanghai, PRC) on or before Completion.

Fieldcrown has not prepared any audited or unaudited management accounts since its incorporation on 27 September 2002. Based on the valuation conducted by an independent valuer, Shanghai Shen Fang Real Estate Appraiser Co. Ltd., on 30 September 2002, the Investment Property is valued at RMB43,750,000 (equivalent to approximately HK\$41,273,585). The consideration payable by Fun Area to the Vendor in respect of the Acquisition represents a discount of 7.93% to the value of the Investment Property by reference to the said valuation report.

The Vendor is an independent third party not connected with the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries, or an associate of any of them (as defined in the Listing Rules).

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the property trading and investment. The Directors consider that the Acquisition is in line with the Group's business strategy with a positive effect on the consolidated net asset value of the Group, and will allow the Group to further diversify its investment in the PRC. The board of Directors and the independent non-executive Directors are of the view that the terms of the Share Transfer Agreement are fair and reasonable as far as its shareholders of the Company are concerned and that the Acquisition is in the interest of the Company.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below shows the shareholding structure of the Company in the event that the Company decides to issue the Convertible Note (and assuming the Convertible Note is converted in full):

	As at the date of the Latest Practicable Date		Upon conversion of the Convertible Note in full	
	<i>Number of issued Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Ming Yuan Investments Group Limited	312,624,443	74.5	312,624,443	69.1
Vendor	0	0	33,000,000	7.3
Public shareholders	<u>106,994,803</u>	<u>25.5</u>	<u>106,994,803</u>	<u>23.6</u>
	<u><u>419,619,246</u></u>	<u><u>100</u></u>	<u><u>452,619,246</u></u>	<u><u>100</u></u>

GENERAL

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. Your attention is drawn to the information set out in the appendix to this circular.

Yours faithfully,
By Order of the Board
Shanghai Ming Yuan Holdings Limited
Yao Yuan
Chairman

RESPONSIBILITY STATEMENT

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

DISCLOSURE OF INTERESTS**Interests of Directors**

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company and its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including the interests which they were deemed or taken to have under section 31 of or Part I of the Schedule to the SDI Ordinance) or which were required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Director of Listed Companies contained in the Listing Rules, were as follow:

Interests in the Shares

Name of Director	Number of Shares held			Other Interest	Percentage of total issued Shares	Number of share options held (Note 2)
	Personal Interests	Family interest	Corporate interests			
Mr. Yao Yuan	-	-	312,624,443 (Note 1)	-	74.5	-
Mr. Chien Hoe Yong	-	-	-	-	-	-
Mr. Wu Jun	-	-	-	-	-	-

Notes:

1. These Shares are held by Ming Yuan Investments Group Limited, a company which Mr. Yao Yuan owns 50% of its entire issued share capital.
2. There is no outstanding option of the Company as at the Latest Practicable Date.

Saved as disclosed herein, as at the Latest Practicable Date, none of the Directors had any interest in the share capital of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including the interests which they were deemed or taken to have under section 31 of or Part I of the Schedule to the SDI Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which were required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed herein, the Directors and the chief executive of the Company were not aware of any person, who was, directly or indirectly, interested in 10% or more of the nominal value of the issued share capital of the Company or any of its subsidiaries as at the Latest Practicable Date apart from the following:

Name	Attributable number of Shares	Percentage of issued Shares
Ming Yuan Investments Group Limited (<i>Note 1</i>)	312,624,443	74.5%
Mr. Yao Yuan (<i>Note 2</i>)	312,624,443	74.5%
Mr. Iu Chung (<i>Note 3</i>)	312,624,443	74.5%

Notes:

1. Ming Yuan Investments Group Limited, a company which Mr. Yao Yuan and Mr. Iu Chung own 50% of its entire issued share capital respectively.
2. These Shares are attributable to Mr. Yao Yuan in respect of his 50% interest in Ming Yuan Investments Group Limited.
3. These Shares are attributable to Mr. Iu Chung in respect of his 50% interest in Ming Yuan Investments Group Limited.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation.

LITIGATION

None of the members of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors or the Company to be pending or threatened by or against any member of the Group.

MISCELLANEOUS

- (a) The English text of this circular shall prevail over the Chinese text.
- (b) The registered office of the Company is at Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda. The share registrars of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) Mr. Poon Kwong Wai, Kenny, fellow member of Hong Kong Society of Accountants and The Association of Chartered Certified Accounts, is the chief financial officer and secretary of the Company.