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

If you have sold or transferred all your Shares, you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

MAJOR AND CONNECTED TRANSACTIONS

DISPOSAL OF SUBSIDIARIES AND

NOTICE OF SPECIAL GENERAL MEETING

Financial adviser to the Company



**Independent financial adviser to
the Independent Board Committee and the Independent Shareholders**



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Board is set out on pages 15 to 41 of this circular. A letter from the Independent Board Committee is set out on pages IBC-1 to IBC-2 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-22 of this circular.

A notice convening the SGM to be held at Falcon Room, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 10 October 2014 at 10:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. If you are not able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

23 September 2014

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DEFINITIONS

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

“Appeals”	the appeals lodged by Moon Ocean to the Court of Second Instance of Macau against the Decision and the Second Decision on 14 September 2012 and 15 May 2013 respectively
“Announcement”	the announcement of the Company dated 2 September 2014 for the Disposal Transactions
“associate(s)”	having the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Brass Ring”	Brass Ring Limited, a company incorporated in BVI and an indirect wholly-owned subsidiary of the Company
“Business Day(s)”	a day (other than a Saturday or a Sunday) on which banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“CE Finance”	Chinese Estates and Finance, Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“CE Guarantees”	any guarantee, surety, security or indemnity given by any member of the Group (excluding the Silvercord Target Companies) in respect of the obligations or liabilities of any of the Silvercord Target Companies
“CEL”	Chinese Estates, Limited, a company incorporated in Hong Kong and a direct wholly-owned subsidiary of the Company
“CE (Macau)”	Chinese Estates (Macau) Limited, a company incorporated in Macau and an indirect wholly-owned subsidiary of the Company
“Claim(s)”	any claim (whether in contract, tort or otherwise) by One Midland, its nominee(s) and/or Mr. Lau for the losses, damages, liabilities, costs, expenses and/or interests suffered or incurred by it in respect of a breach by Data Dynasty, the Company or any other member of the Group before completion of the Moon Ocean SP Agreement of any of the warranties or any other terms, provisions and covenants under the Moon Ocean SP Agreement, the sale loan assignment and the deed of indemnity or in relation to the transactions contemplated thereunder

DEFINITIONS

“Claim Proceeds”	the total amount of all damages, compensation, refund or other monies received by any of Moon Ocean Target Companies from all claims made against third parties in relation to the Macau Land, the Development, the Decision or the Second Decision
“close associate(s)”	has the meaning ascribed to it in the Listing Rules
“Coast Field”	Coast Field Ltd., a company incorporated in BVI and wholly-owned by Mr. Lau indirectly
“Company”	Chinese Estates Holdings Limited (Stock Code: 127), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Compensation Upside Sharing”	<p>an additional sum (if a positive figure) of 20% of:</p> <ul style="list-style-type: none">(i) the Claim Proceeds <u>less</u>(ii) the aggregate amount of:<ul style="list-style-type: none">(a) the total amount of the Moon Ocean Consideration (less all sums recovered from Claims as at the Compensation Upside Sharing Determination Date);(b) the Moon Ocean Post-Completion Costs;(c) the total amount of interest and other costs incurred for the purpose of funding or attributable to any matter whatsoever in relation to the Macau Land or the Development; and(d) the total amount of all tax incurred or paid by any of the Moon Ocean Target Companies after the Moon Ocean Completion Date in relation to the Macau Land and the Development (including without limitation any tax liabilities incurred as a result of the profits derived from the Claim Proceeds)
“Compensation Upside Sharing Determination Date”	each date of receipt of any Claim Proceeds

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“Conditions Precedent”	the conditions precedent to the completion of each of the SP Agreements as set out in the section headed “The Conditions Precedent of the SP Agreements” under the letter from the Board of this circular
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Data Dynasty”	Data Dynasty Limited, a company incorporated in BVI and an indirect wholly-owned subsidiary of the Company
“Decision”	has the meaning ascribed thereto in the announcement of the Company dated 28 August 2012
“Development”	the property development known as “La Scala” to be developed on the Macau Land
“Development Upside Sharing”	<p>an additional sum (if a positive figure) of 20% of:</p> <ul style="list-style-type: none">(i) the total amount of the Sale Proceeds plus Claim Proceeds <u>less</u>(ii) the aggregate sum of:<ul style="list-style-type: none">(a) the total amount of the Moon Ocean Consideration (less all sums recovered from Claims as at the Development Upside Sharing Determination Date);(b) the total amount of the costs and expenses incurred or paid by Moon Ocean or any of the Moon Ocean Target Companies after completion of the Moon Ocean SP Agreement up to the Development Upside Sharing Determination Date in relation or attributable to the acquisition, development, maintenance, sale or disposal of the Macau Land or the Development or any part thereof;(c) the total amount of interest and other costs incurred for the purpose of funding or attributable to any matter whatsoever in relation to the Macau Land or the Development; and

DEFINITIONS

- (d) the total amount of all tax incurred or paid by Moon Ocean or any of the Moon Ocean Target Companies after the Moon Ocean Completion Date in relation to the acquisition, development, maintenance, sale and disposal of the Development or any units therein and for this purpose, such tax liability shall be calculated as if the unsold units of the Development had been sold at the relevant current market value thereof on the Development Upside Sharing Determination Date

“Development Upside Sharing Determination Date”	in relation to each phase of the Development, the first anniversary of the date on which all construction and fitting out works for such phase of the Development have been completed and all units of such phase of the Development are ready for handover to purchasers, and all governmental approvals or permits (if any) for the occupation of the units of such phase of the Development have been obtained
“Director(s)”	the director(s) of the Company
“Disposal Transactions”	the transactions contemplated under the SP Agreements
“Evergo Property Management (Macau)”	Evergo Property Management (Macau) Limited, a company incorporated in Macau and an indirect wholly-owned subsidiary of the Company
“Fly High Target”	Fly High Target Limited, a company incorporated in BVI and wholly-owned by Mr. Lau indirectly
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the SP Agreements and the Disposal Transactions
“Grand Silver”	Grand Silver Limited (carrying on business in Hong Kong as Grand Silver Capital Limited), a company incorporated in BVI and an indirect wholly-owned subsidiary of the Company
“Grand Total”	Grand Total Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries

DEFINITIONS

“HIBOR”	in relation to any date, the applicable screen rate as of 11:00 a.m. (Hong Kong time) on the last Business Day of the calendar month in which such date falls for the offering of deposits in Hong Kong dollars and for a period of one month
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huge Top”	Huge Top Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Independent Board Committee”	the Board committee comprising all independent non-executive Directors, namely Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun, which has been established by the Board for the purpose of advising the Independent Shareholders in relation to the SP Agreements and the Disposal Transactions
“Independent Property Valuer”	B.I. Appraisals Limited
“Independent Shareholders”	Shareholders other than Shareholders who have a material interest in the Disposal Transactions (including Mr. Lau and his associate(s))
“Independent Shareholders’ Approval”	approval by the Independent Shareholders at the SGM in respect of the SP Agreements and the Disposal Transactions
“Latest Practicable Date”	17 September 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Luck Business”	Luck Business Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Macau”	the Macau Special Administrative Region of the PRC

DEFINITIONS

“Macau Land”	the five plots of land adjacent to the Macau International Airport (according to the Group’s record, formerly known as Lots 1C; 2; 3; 4 and 5 (parcels 5A, 5B and C), Avenida Wai Long, Taipa, Macau, which were registered in the Macau Land Registry under Nos. 22993, 22991, 22995, 22990 and 22989 and later revised as Lots 1C1; 1C2; 1C3; 2a; 2b; 2d; 3; 4a; 4b; 5a1; 5a2; 5a3; 5b1; 5b2; 5b3; 5b4; 5b5; 5b6; A3a; A3b; A4a; A4b; E1a; E1b; E2 and E3 which are registered in the Macau Land Registry under No. 22989 as per the 2011 Revision (as defined in the announcement of the Company dated 5 September 2012))
“Macau Legal Opinion”	has the meaning ascribed to it in the Company’s 2013 annual report
“Mark Best”	Mark Best Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Megafortune”	Megafortune Incorporated, a company incorporated in BVI and an indirect wholly-owned subsidiary of the Company
“Moon Ocean”	Moon Ocean Ltd., a company incorporated in BVI and an indirect wholly-owned subsidiary of the Company
“Moon Ocean Completion Accounts”	the unaudited consolidated statement of comprehensive income of the Moon Ocean Target Companies for the period from 1 January 2014 and ending on the Moon Ocean Completion Date and the unaudited consolidated statement of financial position of the Moon Ocean Target Companies as at the Moon Ocean Completion Date, each prepared in accordance with HKFRS
“Moon Ocean Completion Date”	any Business Day falling within one-month after the Conditions Precedent under the Moon Ocean SP Agreement are satisfied as shall be agreed between Data Dynasty and One Midland for the purpose of completion of the Moon Ocean SP Agreement, or failing agreement, the last Business Day during the aforesaid one-month period
“Moon Ocean Consideration”	the aggregate consideration for the purchase of the Moon Ocean Sale Share and the Moon Ocean Sale Loan pursuant to the Moon Ocean SP Agreement

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“Moon Ocean Deposits”	the aggregate amounts equivalent to (i) the Moon Ocean Special Dividend (if approval from the Board has been obtained) receivable by Global King (PTC) Ltd. and Joseph Lau Luen Hung Investments Limited as Shareholders; and (ii) any additional deposits of any amount on top of the aforesaid amount of dividends and distribution, to be paid by One Midland to Data Dynasty pursuant to the Moon Ocean SP Agreement prior to completion thereof
“Moon Ocean Dividend Entitlements”	the entitlements to the Moon Ocean Special Dividend by certain Shareholders whom have executed and delivered to Data Dynasty and the Company the Moon Ocean Letter of Payment Direction
“Moon Ocean Letter of Payment Direction”	a letter of payment direction regarding the entitlements to the Moon Ocean Special Dividend by certain Shareholders
“Moon Ocean Long Stop Date”	31 January 2015 or such other date as may be agreed between Data Dynasty and One Midland pursuant to the Moon Ocean SP Agreement
“Moon Ocean Post-Completion Costs”	the total amount of all costs and expenses incurred by Moon Ocean Target Companies after the Moon Ocean Completion Date up to the Compensation Upside Sharing Determination Date in relation to the Macau Land and the Development (including without limitation all professional fees relating to the Appeals, all professional fees, refund, damages and compensation in relation to any promissory sale agreements and construction and consultancy contracts, all professional and other costs and expenses incurred in relation to claims made against third parties, all in-house staff and overheads)
“Moon Ocean Provisional Consideration”	a sum of approximately HK\$4,830,198,248 as the provisional consideration payable by One Midland upon completion of the Moon Ocean SP Agreement
“Moon Ocean Sale Loan”	all sums due by the Moon Ocean Target Companies to members of the Group (other than the Moon Ocean Target Companies) as at the Moon Ocean Completion Date
“Moon Ocean Sale Share”	the one share beneficially owned by and registered in the name of Data Dynasty, representing the entire issued share capital of Value Eight (which ultimately owns Moon Ocean)

DEFINITIONS

“Moon Ocean SP Agreement”	the sale and purchase agreement dated 1 September 2014 and entered into among Data Dynasty, the Company, One Midland and Mr. Lau relating to the entire issued share capital of Value Eight
“Moon Ocean Special Dividend”	one or more special cash distribution(s) or interim dividend(s) proposed to be declared and paid by the Company to the Shareholders (the amount of each such dividend or distribution per Share to be determined by the Board), the record date and payment date for which shall fall on or before the Moon Ocean Completion Date
“Moon Ocean Target Companies”	Value Eight, Union Team, Megafortune, Grand Total, Moon Ocean, CE (Macau), Evergo Property Management (Macau), Strong Well, Grand Silver and Silver Jade collectively
“Mr. Lau”	Mr. Joseph Lau, Luen-hung, a substantial Shareholder and a controlling Shareholder
“Negative Consideration”	a sum equal to the amount of the Silvercord Third Consideration (in the event it is a negative figure) as if it were a positive figure for the purpose of the Silvercord Third Consideration and subject to such amount not exceeding HK\$2,500 million
“Negative Provisional Consideration”	has the meaning as set out under section B(4) headed “Consideration” under the letter from the Board of this circular
“One Midland”	One Midland Limited, a company incorporated in BVI and wholly-owned by Mr. Lau indirectly
“Original Owners”	has the meaning ascribed to it in the announcement of the Company dated 17 June 2012
“Potential Lease”	a potential lease, tenancy or license of the Properties or any part thereof
“Potential Tenant”	any potential or prospective tenant or licensee of the Properties
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, Macau and Taiwan
“Previous Announcements”	the announcements of the Company dated 17 April, 23 May, 24 May, 6 June, 17 June, 14 August, 28 August, 5 September and 14 September 2012, 16 April, 15 May and 15 October 2013, and 12 May, 13 June and 28 August 2014

DEFINITIONS

“Properties”	the Silvercord Properties and the Silvercord Carparking Spaces collectively
“Related Party”	for the purpose of the Stock Exchange Undertaking, a director, substantial shareholder, a subsidiary associated company of the Company (other than a wholly-owned subsidiary of the Company) or an associate of any such person, save that any associated company of the Company which was formed with other independent third parties who is/are not connected person(s) (as defined in the Listing Rules) of the Company as a joint venture consortium to engage in real property development projects will not be regarded as a Related Party pursuant to the Stock Exchange Undertaking
“Relevant Owner(s)”	Mr. Lau and/or his close associate(s) (including without limitation Fly High Target) who is/are the owner(s) of the relevant Properties
“Right Wide”	Right Wide Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Sale Proceeds”	the sale proceeds from the sale or disposal of units in the Development and (where applicable) the current market value as at the Development Upside Sharing Determination Date of the unsold units of the Development
“Second Decision”	has the meaning ascribed thereto in the announcement of the Company dated 15 May 2013
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened for the purpose of the Independent Shareholders considering, and if thought fit, approving the SP Agreements and the Disposal Transactions
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Silver Jade”	Silver Jade Limited, a company incorporated in Macau and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“Silvercord”	Silvercord Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Silvercord Assumed Debts”	the aggregate of the Silvercord First Assumed Debt, the Silvercord Second Assumed Debt and the Silvercord Third Assumed Debt
“Silvercord Building”	has the meaning as set out under section H headed “Reasons for and Benefits of the Disposal Transactions – The Silvercord SP Agreements” under the letter from the Board of this circular
“Silvercord Carparking Spaces”	the carparking spaces held directly by Luck Business, Right Wide, Mark Best and Huge Top, as set out under the section headed “Information on the Assets to be Disposed of” under the letter from the Board of this circular
“Silvercord Completion Date”	any Business Day falling between 1 January 2015 and 31 December 2015 (both days inclusive) as shall be agreed between the vendor and the purchaser under the Silvercord SP Agreements for the purpose of completion thereof, or failing agreement, 31 December 2015
“Silvercord Consideration”	the Silvercord First Consideration, the Silvercord Second Consideration or the Silvercord Third Consideration, as the case may be
“Silvercord Deposits”	the aggregate amounts equivalent to (i) the Silvercord Special Dividend (if approval from the Board has been obtained) receivable by Global King (PTC) Ltd. and Joseph Lau Luen Hung Investments Limited as Shareholders; and (ii) any additional deposits of any amount on top of the aforesaid amount of dividend and distribution to be paid by Fly High Target to Super Series pursuant to the Silvercord First SP Agreement prior to completion thereof
“Silvercord Dividend Entitlements”	the entitlements to the Silvercord Special Dividend by certain Shareholders whom have executed and delivered to Super Series and the Company the Silvercord Letter of Payment Direction
“Silvercord First Assumed Debt”	all sums due and owing to any of the Silvercord First Target Companies by any member of the Group (excluding the Silvercord Target Companies) as at the Silvercord Completion Date
“Silvercord First Completion Accounts”	the unaudited consolidated statement of comprehensive income of the Silvercord First Target Companies for the period from 1 January 2015 and ending on the Silvercord Completion Date and the unaudited consolidated statement of financial position of the Silvercord First Target Companies as at the Silvercord Completion Date, each prepared in accordance with HKFRS

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“Silvercord First Consideration”	the aggregate consideration for the purchase of the Silvercord First Sale Share and the Silvercord First Sale Loan pursuant to the Silvercord First SP Agreement
“Silvercord First Provisional Consideration”	a sum of HK\$9,255,025,626 as the provisional consideration payable by Fly High Target upon completion of the Silvercord First SP Agreement
“Silvercord First Sale Loan”	all sums due by the Silvercord First Target Companies to members of the Group (other than the Silvercord Target Companies) as at the Silvercord Completion Date
“Silvercord First Sale Share”	the one share beneficially owned by and registered in the name of Super Series, representing the entire issued share capital of Brass Ring (which ultimately owns the Silvercord Properties)
“Silvercord First SP Agreement”	the sale and purchase agreement dated 1 September 2014 and entered into among Super Series, the Company, Fly High Target and Mr. Lau relating to the entire issued share capital of Brass Ring
“Silvercord First Target Companies”	Brass Ring and Silvercord collectively
“Silvercord Letter of Payment Direction”	a letter of payment direction regarding the entitlements to the Silvercord Special Dividend by certain Shareholders
“Silvercord Long Stop Date”	31 January 2015 or such other date as may be agreed between the vendor and the purchaser under each of the Silvercord SP Agreements
“Silvercord Properties”	the properties held directly by Silvercord as set out under the paragraph headed “Information on the Assets to be Disposed of” under the letter from the Board of this circular
“Silvercord Provisional Consideration”	the Silvercord First Provisional Consideration, the Silvercord Second Provisional Consideration or the Silvercord Third Provisional Consideration, as the case may be
“Silvercord Sale Loans”	the aggregate of the Silvercord First Sale Loan, the Silvercord Second Sale Loan and the Silvercord Third Sale Loan

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“Silvercord Second Assumed Debt”	all sums due and owing to any of the Silvercord Second Target Companies by any member of the Group (excluding the Silvercord Target Companies) as at the Silvercord Completion Date
“Silvercord Second Completion Accounts”	the unaudited consolidated statement of comprehensive income of the Silvercord Second Target Companies for the period from 1 January 2015 and ending on the Silvercord Completion Date and the unaudited consolidated statement of financial position of the Silvercord Second Target Companies as at the Silvercord Completion Date, each prepared in accordance with HKFRS
“Silvercord Second Consideration”	the aggregate consideration for the purchase of the Silvercord Second Sale Share and the Silvercord Second Sale Loan pursuant to the Silvercord Second SP Agreement
“Silvercord Second Provisional Consideration”	a sum of approximately HK\$5,113,483 as the provisional consideration payable by Fly High Target to Super Series upon completion of the Silvercord Second SP Agreement
“Silvercord Second Sale Loan”	all sums due by the Silvercord Second Target Companies to members of the Group (other than the Silvercord Target Companies) as at the Silvercord Completion Date
“Silvercord Second Sale Share”	the one share beneficially owned by and registered in the name of Super Series, representing the entire issued share capital of Union Leader (which ultimately owns the Silvercord Carparking Spaces)
“Silvercord Second SP Agreement”	the sale and purchase agreement dated 1 September 2014 and entered into among Super Series, the Company, Fly High Target and Mr. Lau relating to the entire issued share capital of Union Leader
“Silvercord Second Target Companies”	Union Leader, Luck Business, Right Wide, Mark Best and Huge Top collectively
“Silvercord SP Agreements”	the Silvercord First SP Agreement, the Silvercord Second SP Agreement and the Silvercord Third SP Agreement collectively
“Silvercord Special Dividend”	one or more special cash distribution(s) or interim dividend(s) proposed to be declared and paid by the Company to the Shareholders (the amount of each such dividend or distribution per Share to be determined by the Board) (excluding the Moon Ocean Special Dividend), the record date and payment date for which shall fall on or before the Silvercord Completion Date

DEFINITIONS

“Silvercord Target Companies”	Brass Ring, Silvercord, Union Leader, Luck Business, Right Wide, Mark Best, Huge Top and CE Finance collectively
“Silvercord Third Assumed Debt”	all sums due and owing to CE Finance by any member of the Group (excluding the Silvercord Target Companies) as at the Silvercord Completion Date
“Silvercord Third Completion Accounts”	the unaudited statement of comprehensive income of CE Finance for the period from 1 January 2015 and ending on the Silvercord Completion Date and the unaudited statement of financial position of CE Finance as at the Silvercord Completion Date, each prepared in accordance with HKFRS
“Silvercord Third Consideration”	the aggregate consideration for the purchase of the Silvercord Third Sale Shares and the Silvercord Third Sale Loan pursuant to the Silvercord Third SP Agreement
“Silvercord Third Provisional Consideration”	a sum of HK\$2 as the provisional consideration payable by Coast Field upon completion of the Silvercord Third SP Agreement
“Silvercord Third Sale Loan”	all sums due by CE Finance to members of the Group (other than the Silvercord Target Companies) as at the Silvercord Completion Date
“Silvercord Third Sale Shares”	the 1,000,000 shares beneficially owned by CEL, representing the entire issued share capital of CE Finance
“Silvercord Third SP Agreement”	the sale and purchase agreement dated 1 September 2014 and entered into among CEL, the Company, Coast Field and Mr. Lau relating to the entire issued share capital of CE Finance
“SP Agreements”	the Moon Ocean SP Agreement, the Silvercord First SP Agreement, the Silvercord Second SP Agreement and the Silvercord Third SP Agreement collectively
“Specified Transaction(s)”	for the purpose of the Stock Exchange Undertaking, transaction(s) between the Company or any of its subsidiaries and a Related Party being: (a) any acquisition or disposal of assets by the Company or any of its subsidiaries whether in the ordinary and usual course of business of such company and/or on normal commercial terms or not;

DEFINITIONS

- (b) an arrangement or agreement whereby the Company or any of its subsidiaries directly or indirectly grants a loan or gives other financial assistance to a Related Party; or
- (c) an arrangement or agreement whereby the Company or any of its subsidiaries provides security, whether by guarantee or otherwise, for the due discharge of any obligation of a Related Party;

which, in any such case, is for a consideration or in respect of a principal amount which, when aggregated with the consideration or principal amount of any other Specified Transaction(s) between the Company or any of its subsidiaries and any Related Party carried into effect during the previous twelve months, exceeds HK\$200 million

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stock Exchange Undertaking”	the undertaking provided by the Company to the Stock Exchange dated 20 September 1990 (as supplemented on 8 January 1991 and amended by letter dated 24 September 1996 from the Stock Exchange)
“Strong Well”	Strong Well Limited, a company incorporated in BVI and an indirect wholly-owned subsidiary of the Company
“Super Series”	Super Series Limited, a company incorporated in BVI and an indirect wholly-owned subsidiary of the Company
“Union Leader”	Union Leader Limited, a company incorporated in BVI and an indirect wholly-owned subsidiary of the Company
“Union Team”	Union Team Limited, a company incorporated in BVI and an indirect wholly-owned subsidiary of the Company
“Value Eight”	Value Eight Limited, a company incorporated in BVI and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

LETTER FROM THE BOARD



CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

Executive Directors:

Lau, Ming-wai

(Chairman and Chief Executive Officer)

Chan, Sze-wan

Lam, Kwong-wai

Lui, Lai-kwan

Non-executive Director:

Amy Lau, Yuk-wai

Independent Non-executive Directors:

Chan, Kwok-wai

Phillis Loh, Lai-ping

Ma, Tsz-chun

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Principal office in Hong Kong:

26th Floor

MassMutual Tower

38 Gloucester Road

Wanchai

Hong Kong

23 September 2014

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS

DISPOSAL OF SUBSIDIARIES

A. INTRODUCTION

Reference is made to the announcement of the Company dated 2 September 2014. On 1 September 2014, each of the following SP Agreements was entered into among the subsidiaries of the Company as vendors, the Company as vendor guarantor, companies wholly-owned by Mr. Lau as purchasers and Mr. Lau as purchaser guarantor:

1. the Moon Ocean SP Agreement; and

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2. the Silvercord SP Agreements (comprising the Silvercord First SP Agreement, the Silvercord Second SP Agreement and the Silvercord Third SP Agreement).

The SP Agreements are related to, among other things:

- (a) the sale and purchase of the entire issued share capital of Value Eight (as contemplated under the Moon Ocean SP Agreement);
- (b) the sale and purchase of the entire issued share capital of Brass Ring (as contemplated under the Silvercord First SP Agreement);
- (c) the sale and purchase of the entire issued share capital of Union Leader (as contemplated under the Silvercord Second SP Agreement); and
- (d) the sale and purchase of the entire issued share capital of CE Finance (as contemplated under the Silvercord Third SP Agreement).

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Disposal Transactions on an aggregated basis exceed 25% but are less than 75%, the Disposal Transactions constitute major transactions for the Company and are subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Mr. Lau, being a substantial Shareholder and a controlling Shareholder, is a director and the sole beneficial owner of the respective purchaser of each of the SP Agreements, Mr. Lau and the respective purchaser of each of the SP Agreements are connected persons of the Company. Accordingly, the Disposal Transactions constitute connected transactions for the Company under Chapter 14A of the Listing Rules, and are subject to the reporting, announcement and Independent Shareholders' Approval requirements pursuant to Chapter 14A of the Listing Rules.

The purpose of this circular is to give you further information regarding, among others, details of the SP Agreements and the Disposal Transactions, the opinion and advice of Gram Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the SP Agreements and the Disposal Transactions, the recommendation from the Independent Board Committee to the Independent Shareholders in connection therewith, certain financial information as required under the Listing Rules, further information of the Group and the valuation report on the Properties and to give you notice of the SGM.

LETTER FROM THE BOARD

B. THE SP AGREEMENTS

(1) The Moon Ocean SP Agreement

Parties

- (a) Data Dynasty, as vendor;
- (b) the Company, as vendor guarantor;
- (c) One Midland, as purchaser; and
- (d) Mr. Lau, as purchaser guarantor.

In consideration of One Midland and Mr. Lau entering into the Moon Ocean SP Agreement, the Company has agreed to guarantee the performance by Data Dynasty of its obligations under the Moon Ocean SP Agreement. In consideration of Data Dynasty and the Company entering into the Moon Ocean SP Agreement, Mr. Lau has agreed to guarantee the performance by One Midland of its obligations under the Moon Ocean SP Agreement.

Assets to be disposed

The Moon Ocean Sale Share and the Moon Ocean Sale Loan. As at 30 June 2014, the Moon Ocean Sale Loan amounted to approximately HK\$4,337.80 million based on the unaudited consolidated or combined management accounts of the Moon Ocean Target Companies.

The Moon Ocean Sale Share to be acquired by One Midland shall be free from all encumbrances (if any) at completion of the Moon Ocean SP Agreement and with all dividends, benefits and other rights becoming attached or accruing thereto as from the Moon Ocean Completion Date.

Consideration

The Moon Ocean Consideration shall be equal to the aggregate of (but subject to a cap amount of HK\$5,800 million):

- (a) approximately HK\$4,830,198,248, which represents the sum of (i) the aggregate total investment cost by the Group to the Moon Ocean Target Companies, before any impairment; and (ii) notional interest of (i) calculated at 1.5% per annum above HIBOR up to 30 June 2014;

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- (b) the aggregate amount of the Moon Ocean Sale Loan to be advanced by the Group (other than the Moon Ocean Target Companies) from 1 July 2014 up to the Moon Ocean Completion Date solely for the purpose of financing the payment of the necessary expenditures incurred by the Moon Ocean Target Companies in their ordinary course of business; and
- (c) the total amount of notional interest on the net principal amount of the Moon Ocean Sale Loan outstanding (after deducting therefrom any amount due from any member of the Group (other than the Moon Ocean Target Companies) to any Moon Ocean Target Companies) from time to time accruing on a daily basis from 1 July 2014 up to the Moon Ocean Completion Date calculated at the rate of 1.5% per annum above HIBOR on the basis of the actual number of days elapsed and a year of 365 days from and including the first day of such period but excluding the last day thereof.

At completion of the Moon Ocean SP Agreement, One Midland shall pay to Data Dynasty the Moon Ocean Provisional Consideration. The difference between the Moon Ocean Provisional Consideration and the Moon Ocean Consideration will be settled in cash or cheque within 7 Business Days after the Moon Ocean Completion Accounts and a certificate confirming the final amount of the Moon Ocean Consideration and setting out the detailed calculation thereof have become available.

The Moon Ocean Provisional Consideration equals to the aggregate of the total investment costs relating to the Macau Land and the notional interest calculated up to 30 June 2014.

The Moon Ocean Consideration was determined after arm's length negotiations between Data Dynasty and One Midland with reference to the total investment costs relating to the Macau Land. According to the unaudited consolidated or combined management accounts of the Moon Ocean Target Companies as at 30 June 2014, the unaudited consolidated or combined net liability of the Moon Ocean Target Companies and the Moon Ocean Sale Loan were approximately HK\$2,408.81 million and HK\$4,337.80 million respectively; accordingly, the Moon Ocean Provisional Consideration represents a premium of approximately 150.4% over the net amount of the unaudited consolidated or combined net liability and the Moon Ocean Sale Loan as shown in the unaudited consolidated or combined management accounts of the Moon Ocean Target Companies.

The Company will publish further announcement(s) once the actual amount of the Moon Ocean Consideration is confirmed.

Deposits

Pursuant to the Moon Ocean SP Agreement, One Midland shall pay to Data Dynasty the Moon Ocean Deposits, which will be applied towards settlement of the Moon Ocean Provisional Consideration at completion.

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If the Conditions Precedent shall not have been satisfied on or before the Moon Ocean Long Stop Date, or completion of the Moon Ocean SP Agreement does not proceed and such non-completion does not arise as a result of the default of One Midland or Mr. Lau under the Moon Ocean SP Agreement, Data Dynasty shall return the Moon Ocean Deposits (if any) without interest to One Midland within 7 Business Days after receiving a written demand from One Midland for the return.

If the Conditions Precedent shall have been satisfied but completion of the Moon Ocean SP Agreement does not proceed and such non-completion arises as a result of the default of One Midland or Mr. Lau under the Moon Ocean SP Agreement, such part of the Moon Ocean Deposits equivalent to 10% of the Moon Ocean Provisional Consideration shall be forfeited to Data Dynasty and, whereupon, the balance of the Moon Ocean Deposits (if any) then received by Data Dynasty will be retained by Data Dynasty as security for the payment of compensation for any additional losses and/or damages (if any) suffered by Data Dynasty arising from such default of One Midland and Mr. Lau until the losses suffered by Data Dynasty has been assessed in accordance with the Moon Ocean SP Agreement. Data Dynasty will, after deducting from the retained sum such losses so assessed to the extent exceeding the amount of the Moon Ocean Deposits so forfeited, return the remaining balance of the retained sum to One Midland. In the event the aggregate amount of the Moon Ocean Deposits received by Data Dynasty at the time of forfeiture shall be less than such part of the Moon Ocean Deposits equivalent to 10% of the Moon Ocean Provisional Consideration, Data Dynasty shall be entitled to forfeit the entire Moon Ocean Deposits and claim against One Midland to recover any further loss or damage (if any) suffered by Data Dynasty, which shall be equal to the amount of the losses and damages suffered by Data Dynasty, which is being assessed in accordance with the Moon Ocean SP Agreement less the total amount of the Moon Ocean Deposits so forfeited, arising from such default.

One Midland may elect to settle the Moon Ocean Provisional Consideration (or any part thereof) by procuring certain Shareholders to apply their Moon Ocean Dividend Entitlements, subject to completion of the Moon Ocean SP Agreement, towards the payment of the Moon Ocean Provisional Consideration and the Company will be authorised and instructed to pay such Moon Ocean Dividend Entitlements to Data Dynasty, in lieu of such Shareholders, to settle the Moon Ocean Provisional Consideration to the extent of the aggregate amount of such Moon Ocean Dividend Entitlements.

Post-completion Development Upside Sharing or Compensation Upside Sharing

Subject to completion of the Moon Ocean SP Agreement having occurred:

- (a) if judgments are made in favour of Moon Ocean in the Appeals and have become final and the title to the Macau Land is vested on Moon Ocean again, One Midland shall pay to Data Dynasty the Development Upside Sharing pursuant to the Moon Ocean SP Agreement; or

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- (b) if judgments are made against Moon Ocean in the Appeals and have become final, One Midland shall pay to Data Dynasty the Compensation Upside Sharing pursuant to the Moon Ocean SP Agreement.

The arrangement of the Development Upside Sharing or the Compensation Upside Sharing (as the case may be) allows the Company to share the possible upside or compensation in relation to the Macau Land and the Development post completion of the Moon Ocean SP Agreement. The Development Upside Sharing and the Compensation Upside Sharing (including the entitlement of Data Dynasty to 20% of the sum of the amounts comprising the Development Upside Sharing or the Compensation Upside Sharing (as the case may be)) were determined on commercial terms as agreed between One Midland and Data Dynasty, taking into account that: (a) there may be further costs to be incurred by the Moon Ocean Target Companies for the Appeals, submission of claims and/or development of the Development, in which case, such further costs would not be shared by the Group; (b) the Group will not share the future loss, if any, arising from the Development post completion of the Moon Ocean SP Agreement; (c) potential risks to be borne by One Midland given the outcome of the Appeals and the amount of claims remain uncertain; and (d) potential risks associated with disposal of a property project under development. Having considered the factors mentioned above, the Directors are of the view that the Development Upside Sharing or the Compensation Upside Sharing (as the case may be) is an additional benefit to the Group as a whole without too much future costs and risks to be borne by the Group post completion of the Moon Ocean SP Agreement.

The aggregate amount of all the Development Upside Sharing or the Compensation Upside Sharing (as the case may be) payable by One Midland to Data Dynasty shall be subject to a maximum amount of HK\$12,500 million. Given that the amount of the Development Upside Sharing or the Compensation Upside Sharing (as the case may be) cannot be determined at this point in time given the uncertainty associated with the outcome of the Appeals which may affect the interests of the Group in the Macau Land, the Company has set such maximum amount of HK\$12,500 million to an exceptionally high level in order to allow the Company to maximise all anticipated benefit from the Development Upside Sharing or the Compensation Upside Sharing (as the case may be), if any. Notwithstanding the maximum amount of HK\$12,500 million as aforesaid, in the event that the aggregate amount of all the Development Upside Sharing or the Compensation Upside Sharing (as the case may be) payable by One Midland exceeds HK\$12,500 million, subject to compliance with the then applicable requirements (if any) under Chapter 14 of the Listing Rules by the Company, including, without limitation, Shareholders' approval (if necessary), One Midland shall still be liable to pay to Data Dynasty the excess of the Development Upside Sharing or the Compensation Upside Sharing (as the case may be).

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Having considered the factors mentioned above, the Board considers the aggregate amount of all the Development Upside Sharing or the Compensation Upside Sharing (as the case may be) payable by One Midland to Data Dynasty and the maximum amount of HK\$12,500 million for the Development Upside Sharing or the Compensation Upside Sharing (as the case may be) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(2) **The Silvercord First SP Agreement**

Parties

- (a) Super Series, as vendor;
- (b) the Company, as vendor guarantor;
- (c) Fly High Target, as purchaser; and
- (d) Mr. Lau, as purchaser guarantor.

In consideration of Fly High Target and Mr. Lau entering into the Silvercord First SP Agreement, the Company has agreed to guarantee the performance by Super Series of its obligations under the Silvercord First SP Agreement. In consideration of Super Series and the Company entering into the Silvercord First SP Agreement, Mr. Lau has agreed to guarantee the performance by Fly High Target of its obligations under the Silvercord First SP Agreement.

Assets to be disposed

The Silvercord First Sale Share and the Silvercord First Sale Loan. As at 30 June 2014, the Silvercord First Sale Loan amounted to approximately HK\$8,906.88 million. In consideration for the sale or procurement of the sale of the Silvercord First Sale Share and the assignment or procurement of the assignment of the Silvercord First Sale Loan by Super Series to Fly High Target or its nominee(s), Fly High Target further agreed to assume or procure (through its nominee(s)) to assume the obligation of repayment of the Silvercord First Assumed Debt (if any) upon completion of the Silvercord First SP Agreement. As at 30 June 2014, there is no Silvercord First Assumed Debt.

The Silvercord First Sale Share to be acquired by Fly High Target shall be free from all encumbrances (if any) at completion of the Silvercord First SP Agreement and with all dividends, benefits and other rights becoming attached or accruing thereto as from the Silvercord Completion Date.

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Consideration

The Silvercord First Consideration shall be equal to the aggregate of (but subject to a cap amount of HK\$10,500 million):

- (a) the consolidated net asset value or liability of the Silvercord First Target Companies (for the purpose of ascertaining such net asset value or liability, Fly High Target acknowledges and accepts that the Silvercord Properties shall have a value of HK\$9,290.80 million (being the market value of the Silvercord Properties as at 29 August 2014 valued by the Independent Property Valuer)) as shown in the Silvercord First Completion Accounts; and
- (b) the aggregate face amount of the Silvercord First Sale Loan, less the aggregate face amount of the Silvercord First Assumed Debt.

At completion of the Silvercord First SP Agreement, Fly High Target shall pay to Super Series the Silvercord First Provisional Consideration. The difference between the Silvercord First Provisional Consideration and the Silvercord First Consideration will be settled in cash or cheque within 7 Business Days after the Silvercord First Completion Accounts have become available.

The Silvercord First Provisional Consideration equals to the aggregate of the unaudited consolidated net asset value of the Silvercord First Target Companies as at 30 June 2014 taking into account the market value of the Silvercord Properties of HK\$9,290.80 million as at 29 August 2014 as valued by the Independent Property Valuer as mentioned above and the unaudited figures of the amounts of the Silvercord First Sale Loan less the Silvercord First Assumed Debt as at 30 June 2014.

Deposits

Pursuant to the Silvercord First SP Agreement, Fly High Target shall pay to Super Series the Silvercord Deposits, which will be applied towards settlement of the Silvercord First Provisional Consideration at completion.

If the Conditions Precedent shall not have been satisfied on or before the Silvercord Long Stop Date, or completion of the Silvercord First SP Agreement does not proceed and such non-completion does not arise as a result of the default of Fly High Target or Mr. Lau under the Silvercord First SP Agreement, Super Series shall return the Silvercord Deposits (if any) without interest to Fly High Target within 7 Business Days after receiving a written demand from Fly High Target for the return.

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If the Conditions Precedent shall have been satisfied but completion of the Silvercord First SP Agreement does not proceed and such non-completion arises as a result of the default of Fly High Target or Mr. Lau under the Silvercord First SP Agreement, such part of the Silvercord Deposits equivalent to 10% of the Silvercord First Provisional Consideration shall be forfeited to Super Series and, whereupon, the balance of the Silvercord Deposits (if any) then received by Super Series will be retained by Super Series as security for the payment of compensation for any additional losses and/or damages (if any) suffered by Super Series arising from such default of Fly High Target and Mr. Lau until the losses suffered by Super Series has been assessed in accordance with the Silvercord First SP Agreement. Super Series will, after deducting from the retained sum such losses so assessed to the extent exceeding the amount of the Silvercord Deposits so forfeited, return the remaining balance of the retained sum to Fly High Target. In the event the aggregate amount of the Silvercord Deposits received by Super Series at the time of forfeiture shall be less than such part of the Silvercord Deposits equivalent to 10% of the Silvercord First Provisional Consideration, Super Series shall be entitled to forfeit the entire Silvercord Deposits and claim against Fly High Target to recover any further loss or damage (if any) suffered by Super Series, which shall be equal to the amount of the losses and damages suffered by Super Series, which is being assessed in accordance with the Silvercord First SP Agreement less the total amount of the Silvercord Deposits so forfeited, arising from such default.

Fly High Target may elect to settle the Silvercord First Provisional Consideration (or any part thereof) by procuring certain Shareholders to apply their Silvercord Dividend Entitlements, subject to completion of the Silvercord First SP Agreement, towards the payment of the Silvercord First Provisional Consideration and the Company will be authorised and instructed to pay such Silvercord Dividend Entitlements to Super Series, in lieu of such Shareholders, to settle the Silvercord First Provisional Consideration to the extent of the aggregate amount of such Silvercord Dividend Entitlements.

Undertakings

Prior to completion of the Silvercord First SP Agreement, each of Fly High Target and Mr. Lau agrees to give and/or procure the provision of such guarantee or security as may be reasonably required by the relevant banks or lenders or beneficiaries of the CE Guarantees following or upon completion of the Silvercord First SP Agreement and the Silvercord Third SP Agreement.

(3) The Silvercord Second SP Agreement

Parties

- (a) Super Series, as vendor;
- (b) the Company, as vendor guarantor;
- (c) Fly High Target, as purchaser; and
- (d) Mr. Lau, as purchaser guarantor.

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In consideration of Fly High Target and Mr. Lau entering into the Silvercord Second SP Agreement, the Company has agreed to guarantee the performance by Super Series of its obligations under the Silvercord Second SP Agreement. In consideration of Super Series and the Company entering into the Silvercord Second SP Agreement, Mr. Lau has agreed to guarantee the performance by Fly High Target of its obligations under the Silvercord Second SP Agreement.

Assets to be disposed

The Silvercord Second Sale Share and the Silvercord Second Sale Loan. As at 30 June 2014, the Silvercord Second Sale Loan amounted to approximately HK\$3.42 million. In consideration of the sale or procurement of the sale of the Silvercord Second Sale Share and the assignment or the procurement of the assignment of the Silvercord Second Sale Loan by Super Series to Fly High Target or its nominee(s), Fly High Target further agreed to assume or procure (through its nominee(s)) to assume the obligation of repayment of the Silvercord Second Assumed Debt (if any) upon completion of the Silvercord Second SP Agreement. As at 30 June 2014, there is no Silvercord Second Assumed Debt.

The Silvercord Second Sale Share to be acquired by Fly High Target shall be free from all encumbrances (if any) at completion of the Silvercord Second SP Agreement and with all dividends, benefits and other rights becoming attached or accruing thereto as from the Silvercord Completion Date.

Consideration

The Silvercord Second Consideration shall be equal to the aggregate of (but subject to a cap amount of HK\$10 million):

- (a) the consolidated net asset value or liability of the Silvercord Second Target Companies (for the purpose of ascertaining such net asset value or liability, Fly High Target acknowledges and accepts that the Silvercord Carparking Spaces shall have a value of HK\$4.28 million (being the market value of the Silvercord Carparking Spaces as at 29 August 2014 valued by the Independent Property Valuer)) as shown in the Silvercord Second Completion Accounts; and
- (b) the aggregate face amount of the Silvercord Second Sale Loan, less the aggregate face amount of the Silvercord Second Assumed Debt.

At completion of the Silvercord Second SP Agreement, Fly High Target shall pay to Super Series the Silvercord Second Provisional Consideration. The difference between the Silvercord Second Provisional Consideration and the Silvercord Second Consideration will be settled in cash or cheque within 7 Business Days after the Silvercord Second Completion Accounts have become available.

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The Silvercord Second Provisional Consideration equals to the aggregate of the unaudited consolidated net asset value of the Silvercord Second Target Companies as at 30 June 2014 taking into account of the market value of the Silvercord Carparking Spaces of HK\$4.28 million as at 29 August 2014 as valued by the Independent Property Valuer as mentioned above and the unaudited figures of the amounts of the Silvercord Second Sale Loan less the Silvercord Second Assumed Debt as at 30 June 2014.

(4) The Silvercord Third SP Agreement

Parties

- (a) CEL, as vendor;
- (b) the Company, as vendor guarantor;
- (c) Coast Field, as purchaser; and
- (d) Mr. Lau, as purchaser guarantor.

In consideration of Coast Field and Mr. Lau entering into the Silvercord Third SP Agreement, the Company has agreed to guarantee the performance by CEL of its obligations under the Silvercord Third SP Agreement. In consideration of CEL and the Company entering into the Silvercord Third SP Agreement, Mr. Lau has agreed to guarantee the performance by Coast Field of its obligations under the Silvercord Third SP Agreement.

Assets to be disposed

The Silvercord Third Sale Shares and the Silvercord Third Sale Loan. As at 30 June 2014, the Silvercord Third Sale Loan amounted to approximately HK\$2,336.79 million. In consideration of the sale or procurement of the sale of the Silvercord Third Sale Shares and the assignment or the procurement of the assignment of the Silvercord Third Sale Loan by CEL to Coast Field or its nominee(s), Coast Field further agreed to assume or procure (through its nominee(s)) to assume the obligation of repayment of the Silvercord Third Assumed Debt (if any) upon completion of the Silvercord Third SP Agreement. As at 30 June 2014, the Silvercord Third Assumed Debt amounted to approximately HK\$4,011.47 million.

The Silvercord Third Sale Shares to be acquired by Coast Field shall be free from all encumbrances (if any) at completion of the Silvercord Third SP Agreement and with all dividends, benefits and other rights becoming attached or accruing thereto as from the Silvercord Completion Date.

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Consideration

The Silvercord Third Consideration shall be equal to the aggregate of (but subject to a cap amount of HK\$10 million):

- (a) the net asset value or liability of CE Finance as shown in the Silvercord Third Completion Accounts; and
- (b) the aggregate face amount of the Silvercord Third Sale Loan, less the aggregate face amount of the Silvercord Third Assumed Debt.

If the Silvercord Third Consideration is a negative figure or less than HK\$2, the Silvercord Third Consideration shall be deemed to be HK\$2, and in addition, if it is a negative figure, CEL shall, within 7 Business Days after the determination of the Silvercord Third Consideration, pay to Coast Field the Negative Consideration as consideration for Coast Field in substance acquiring a negative equity of CE Finance, or in lieu of such direct payment of the Negative Consideration to Coast Field, the parties agree that the payment obligations of CEL for the Negative Consideration will be deemed fully satisfied and discharged if the Negative Consideration is set-off against and deducted from the Silvercord First Consideration payable by Fly High Target under the terms of the Silvercord First SP Agreement. Based on the unaudited management accounts of CE Finance as at 30 June 2014, the Negative Consideration as at 30 June 2014 amounted to approximately HK\$1,673.60 million (the “**Negative Provisional Consideration**”).

At completion of the Silvercord Third SP Agreement, Coast Field shall pay to CEL the Silvercord Third Provisional Consideration. The difference between the Silvercord Third Provisional Consideration and the Silvercord Third Consideration will be settled in cash or cheque within 7 Business Days after the Silvercord Third Completion Accounts have become available.

The Silvercord Third Provisional Consideration and the Negative Provisional Consideration were determined based on the aggregate of the unaudited net asset value of CE Finance as at 30 June 2014 and the unaudited figures of the amounts of the Silvercord Third Sale Loan less the Silvercord Third Assumed Debt as at 30 June 2014.

The Company will publish further announcement(s) once the actual amount of the Silvercord Consideration is confirmed.

Undertakings

Prior to completion of the Silvercord Third SP Agreement, each of Coast Field and Mr. Lau agrees to give and/or procure the provision of such guarantee or security as may be reasonably required by the relevant banks or lenders or beneficiaries of the CE Guarantees following or upon completion of the Silvercord First SP Agreement and the Silvercord Third SP Agreement.

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C. FINANCING UNDER THE SILVERCORD SP AGREEMENTS

Each of the vendors under the Silvercord SP Agreements has agreed that, if Fly High Target or Coast Field (as the case may be) needs to raise loans or other borrowings from banks or third parties for its payment of the Silvercord Provisional Consideration or the Silvercord Consideration or any part thereof, on the basis of the Silvercord Target Companies providing guarantees or securities (including securities on the Silvercord Properties or the Silvercord Carparking Spaces or any of them, as the case may be) to such banks or third parties, and if so requested by Fly High Target or Coast Field (as the case may be) and subject to compliance with all applicable laws and regulations, the vendor under the relevant Silvercord SP Agreement(s) will procure the relevant Silvercord Target Companies to give reasonable assistance to Fly High Target or Coast Field (as the case may be) prior to or at completion of the relevant Silvercord SP Agreement(s) to facilitate the provision of such securities by such Silvercord Target Companies and the obtaining of such financing by Fly High Target or Coast Field (as the case may be) upon completion of the relevant Silvercord SP Agreement(s). Given the above guarantee(s) or security(ies) if provided by the Silvercord Target Companies will only be provided if completion of the Silvercord SP Agreements occurs, and that upon completion thereof, such Silvercord Target Companies will cease to be subsidiaries of the Company but become wholly-owned subsidiaries of Fly High Target or Coast Field (as the case may be), such financial assistance will therefore be provided by the subsidiaries of the purchaser under the relevant Silvercord SP Agreement(s) to the relevant purchaser. Hence, the assistance if provided by the vendor under the relevant Silvercord SP Agreement(s) will be administrative assistance in facilitating the relevant purchaser to obtain financing to complete the Silvercord SP Agreements. Such administrative assistance is not unusual in sale and purchase transactions of this kind. In view of the above, the Board considers that the aforesaid assistance by the vendor under the relevant Silvercord SP Agreement(s) to the relevant purchaser prior to or at completion of the relevant Silvercord SP Agreement(s) is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

D. THE CONDITIONS PRECEDENT OF THE SP AGREEMENTS

Completion of each of the SP Agreements is conditional upon the satisfaction of the Conditions Precedent that: (i) the Independent Shareholders' Approval having been obtained; and (ii) the Board having approved the Moon Ocean Special Dividend and such Board approval remaining in full force and effect up to completion of each of the relevant SP Agreements.

If the Conditions Precedent shall not have been fulfilled on or before the Moon Ocean Long Stop Date or the Silvercord Long Stop Date (as the case may be), the Moon Ocean SP Agreements or the Silvercord SP Agreements (as the case may be) shall thereupon terminate whereupon none of the parties thereto shall have any claim against the other for costs, damages, compensation or otherwise (save in respect of any prior breach of the relevant SP Agreement(s)).

E. COMPLETION OF THE SP AGREEMENTS

Subject to the Conditions Precedent having been satisfied, completion of the Moon Ocean SP Agreement shall take place on the Moon Ocean Completion Date, and completion of the Silvercord SP Agreements shall take place on the Silvercord Completion Date, upon and subject to their respective terms. Completion of all the Silvercord SP Agreements shall take place simultaneously.

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F. EFFECT OF THE DISPOSAL TRANSACTIONS

After completion of the Moon Ocean SP Agreement and the Silvercord SP Agreements respectively, the Moon Ocean Target Companies, the Silvercord First Target Companies, the Silvercord Second Target Companies and CE Finance will cease to be subsidiaries of the Company respectively, and their financial results, assets and liabilities will cease to be consolidated with the accounts of the Company. Assuming the Moon Ocean SP Agreement and the Silvercord SP Agreements have been completed on 30 June 2014, the total assets of the Group would be increased by approximately HK\$1,201.47 million and the total liabilities of the Group would be decreased by approximately HK\$2,032.74 million arising from the deconsolidation and the net proceeds from the Disposal Transactions after deducting the total transaction costs of the disposal. The Group's performance for the six months ended 30 June 2014 would be increased by approximately HK\$3,234.21 million, which is mainly attributable to the inclusion of the estimated net gain of approximately HK\$2,894 million from the completion of the disposal of Moon Ocean Target Companies pursuant to the Moon Ocean SP Agreement, after deducting the transaction costs of the disposal, assuming the Moon Ocean SP Agreement has been completed on 30 June 2014. The Group's capital commitment and contingent liabilities as at 30 June 2014 would be decreased by approximately HK\$2,796.76 million and HK\$2,795.41 million respectively.

The Moon Ocean SP Agreement

It is estimated that the Group will record a gain of approximately HK\$2,901 million on completion of the Moon Ocean SP Agreement. Such gain is estimated based on the Moon Ocean Provisional Consideration, less the carrying amount of the net liability of the Moon Ocean Target Companies and the Moon Ocean Sale Loan as at 30 June 2014. However, the transaction costs of the disposal of the Moon Ocean Target Companies of approximately HK\$7 million will be deducted from the gain above. The actual gain on completion of the Moon Ocean SP Agreement might be different given that the above estimate is based on the net liability of the Moon Ocean Target Companies and the Moon Ocean Sale Loan as at 30 June 2014 which might be different from those on the Moon Ocean Completion Date.

The Silvercord SP Agreements

It is estimated that the Group will record no gain or loss on completion of the Silvercord SP Agreements. Such gain or loss is estimated based on the Silvercord Provisional Consideration, less: (i) the aggregate carrying amount of the net asset value or net liability (as the case may be) of the Silvercord First Target Companies, the Silvercord Second Target Companies and CE Finance as at 30 June 2014 after adjusting the carrying amounts of the Properties to their market values as at 29 August 2014; and (ii) the Silvercord Sale Loans less the Silvercord Assumed Debts as at 30 June 2014. However, transaction costs of the disposal of the Silvercord First Target Companies, the Silvercord Second Target Companies and CE Finance of approximately HK\$7 million will be recorded as a loss on disposal. The actual gain or loss on completion of the Silvercord SP Agreements might be different given that the above estimate is based on the net asset value or net liability of the Silvercord Target Companies (as the case may be, taking into account the market values of the Properties as at 29 August 2014), the Silvercord Sale Loans and the Silvercord Assumed Debts as at 30 June 2014, which might be different from those on the Silvercord Completion Date (in which case a gain or loss may arise if the net asset value or net liability of the

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Silvercord Target Companies (as the case may be) calculated based on carrying amounts of the Properties as at the Silvercord Completion Date is different from the Silvercord Consideration calculated based on the market values of the Properties as at 29 August 2014).

G. COMPETING INTERESTS

In consideration of Super Series and the Company entering into each of the Silvercord First SP Agreement and the Silvercord Second SP Agreement, Mr. Lau has undertaken to Super Series and the Company in each of the Silvercord First SP Agreement and the Silvercord Second SP Agreement that so long as he and/or his close associate(s) (including without limitation Fly High Target) is/are the owner(s) of the Properties and so long as he or his close associate(s) is a director of the Company, whenever there is any Potential Tenant approaching the Relevant Owner or its agent for a Potential Lease, Mr. Lau will not and, will procure the Relevant Owner not to, accept or enter into the Potential Lease unless the followings steps have been done:

- (a) the Relevant Owner has notified the Company (or any person designated by the Company from time to time to receive notification from the Relevant Owner for such purpose) the opportunity for the Potential Lease and referred the Potential Tenant to the Group for a potential lease, tenancy or licence of the properties owned by the Group, except that no such notification and referral need to be made by the Relevant Owner if the Potential Tenant disagrees with or refuses to such notification and referral (in which case the Relevant Owner shall be free to take up the Potential Lease); and
- (b) following the notification and referral mentioned in paragraph (a) above, the Group has decided not to accept the Potential Tenant for the lease, tenancy or licence of its properties and conveyed its decline decision to the Relevant Owner or the Group has not notified in writing to the Relevant Owner its decision to accept the Potential Tenant within 3 weeks of the notification and referral mentioned in paragraph (a) above.

The Company proposes to adopt the following measures to monitor the compliance of the above undertakings:

- (i) a standard clause is proposed to be inserted into all the tenancy or leasing documents in respect of the Properties to be entered into between the Relevant Owner and the tenants, or alternatively a side letter to be signed and given by the tenants, whereby the tenants will confirm that they have been recommended or referred to lease the properties owned by the Group before entering into the tenancy or leasing documents and that despite the recommendation or referral they do not intend to lease the properties owned by the Group or they intend to lease the properties owned by the Group but the Group has declined to lease the same to them;

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- (ii) where the tenants intend to lease the properties owned by the Group following the above recommendation or the referral but the Group has declined to lease the same to them, the reasons for the decline decisions will be properly recorded and documented by the Group and the relevant records will be passed to the independent non-executive Directors for information purposes annually at the same time as the submission of the tenancy or leasing documents and side letters to the independent non-executive Directors contemplated in subparagraph (iv) below;
- (iii) written instructions will be given by the Company to each of the staff responsible for leasing of the Properties in respect of the measures mentioned in (i) and (ii) above;
- (iv) copies of all such tenancy or leasing documents and side letters will be submitted to and reviewed by the independent non-executive Directors annually, for the purpose of monitoring the compliance of the above undertakings; and
- (v) the independent non-executive Directors will study the documents and records as provided above and discuss their findings with the responsible officers. If there is anything unusual, the independent non-executive Directors will ask for, and evaluate the adequacy of, the explanations. If the explanations are not acceptable to them, the independent non-executive Directors will propose additional measures and internal procedures which they may consider necessary or desirable for redressing the problems or deficiencies identified or better monitoring of the compliance of the above undertakings. In addition, the independent non-executive Directors will disclose the result of their review in the annual report. In the course of their review, the independent non-executive Directors may seek independent legal and/or financial advice, and (if necessary) commission independent third party to carry out a full and thorough investigation into the unusual matters and make recommendations to them on ways of redressing the problems, and upon completion of the investigation, depending on the seriousness of the outcome, take appropriate remedial measures to safeguard the interests of the Company and its Shareholders as a whole.

The Board considers that the above measures are able to resolve the potential competition conflict between Mr. Lau or his close associate(s) and the Group that may follow from completion of the Disposal Transactions.

H. REASONS FOR AND BENEFITS OF THE DISPOSAL TRANSACTIONS

The Moon Ocean SP Agreement

As disclosed in the Previous Announcements, Moon Ocean lodged the Appeals to the Court of Second Instance of Macau against each of the Decision and the Second Decision made by the Chief Executive of Macau. In the event that the Decision and the Second Decision become final before the Moon Ocean Completion Date, based on the Macau Legal Opinion, the Directors are of the opinion that: (1) it is probable for Moon Ocean to recover the construction costs and the project costs incurred in respect of the Development (which amounted to approximately HK\$718.93 million up to 30 June 2014); and (2) by mere operation of the laws of Macau, the Original Owners and the Macau government shall be obliged to return the land costs of approximately HK\$1,329.02

LETTER FROM THE BOARD

million and the premium of approximately HK\$624.07 million of the Macau Land to Moon Ocean should the outcome of the Appeals be unfavourable to Moon Ocean. In such case, Moon Ocean is determined to pursue claims it may have, including but not limited to claims for the land costs, premium, construction costs and project costs paid, the aggregate recoverable amount of which is approximately HK\$2,672.02 million, against the Macau government and/or the Original Owners and/or such other appropriate parties for compensation against the losses suffered or may be suffered by the Moon Ocean Target Companies. Moon Ocean will continue to seek further legal advice as to appropriate actions to be taken in respect of the Macau Land.

Given that it is uncertain when the judgments of these appeal proceedings would be handed down, Moon Ocean has arranged for the revocation and cancellation of the binding letters of offer and the promissory sale and purchase agreements of the presold property units under the Development after taking into account the general preference of the promissory purchasers who wish to have an early revocation and cancellation. As at the Latest Practicable Date, about 95% of the binding letters of offer and the promissory sale and purchase agreements of the presold property units under the Development have been revoked and cancelled.

During the course of developing the Macau Land, Moon Ocean has entered into construction and consultancy contracts with contractors and consultants, which the estimated outstanding committed amount thereunder amounted to approximately HK\$2.8 billion as at 30 June 2014. Should the final outcome of the Appeals be unfavourable to the Group, Moon Ocean may consider entering into cancellation agreements with such contractors and consultants. As such, it may be necessary to make adjustments to the liabilities arising from the outstanding contractual obligations under these construction and consultancy contracts should there be claims from the construction contractors and consultants.

Over the past some two years, the management of the Company has spent a significant portion of their management time and effort to respond to the administrative procedures for repossession of the Macau Land initiated by the Macau government. At present, it is uncertain when the judgments of the Appeals would be handed down. In addition, it is not possible to predict and determine the outcome of the Appeals or any possible claims from outstanding promissory buyers and construction contractors and consultants at this stage.

The Board is of the view that the Moon Ocean SP Agreement provides a good opportunity for the Group to dispose of such investment. The Directors are also of the view that the proposed disposal contemplated under the Moon Ocean SP Agreement would allow the Group to recover the original investment costs (without any impairment) in the Macau Land together with the costs of funding the Macau Land. Given that: (i) the Chief Executive of Macau had declared the previous acts of the previous Chief Executive of Macau in confirming the approval of the transfers of the rights deriving from the land concession relating to the Macau Land were invalid; and (ii) no written offer from any other potential purchasers had been formally received by the Company, the Directors believe that other than the purchaser, there is no other buyer in the market who will be willing to buy the Macau Land at the original investment costs plus funding costs of the Group at this point in time. For this reason, the Directors believe that the realisable value of the Macau Land, if any, would be substantially lower than the original investment costs of the Group. On the

LETTER FROM THE BOARD

other hand, after completion of the Moon Ocean SP Agreement, the Group would be able to focus on other existing business operations of the Group and pursue other investment opportunities when available.

Taking into consideration of the aforementioned, the Board (including the independent non-executive Directors, after taking into account the opinion and advice from Gram Capital) considers that the terms of the Moon Ocean SP Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

The Silvercord SP Agreements

Despite the Group currently holding a substantial part of the retail portion and carparking spaces in the form of strata title on the basement, lower ground floor, ground floor and from first to third floors of the building of which the Properties form part (collectively, the “**Silvercord Building**”), the Group does not currently hold any commercial units on the upper floors of the Silvercord Building. Therefore, the Group believes that the redevelopment potential of the Properties is very limited considering the fact that the Group is unlikely to be able to acquire full ownership of the entire Silvercord Building given its current portion of strata title ownership. As the Properties were valued at market value on 29 August 2014, it follows that the Group will record no gain or loss on completion of the Silvercord SP Agreements if such completion took place on 29 August 2014. Based on the above, the Board is of the view that the transactions contemplated under the Silvercord SP Agreements provide a good opportunity for the Group to realise, among other things, the fair value change of a sizable portion of its retail property portfolio in Hong Kong, taking into account the fact that the Properties are properties with strata title and no redevelopment potential as described above.

Taking into consideration of the aforementioned, the Board including the independent non-executive Directors, after taking into account the opinion and advice from Gram Capital) considers that the terms of each of the Silvercord SP Agreements are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

I. USE OF PROCEEDS

Based on the assumption that Moon Ocean Provisional Consideration and the Silvercord Provisional Consideration will be the same as the Moon Ocean Consideration and Silvercord Consideration respectively, it is estimated that the net sale proceeds arising from the Disposal Transactions would be approximately HK\$12,402.74 million (with estimated sale proceeds of approximately HK\$14,090.34 million, after deducting the Negative Provisional Consideration of approximately HK\$1,673.60 million and the transaction costs related to the Disposal Transactions of approximately HK\$14 million).

LETTER FROM THE BOARD

Subject to the then financial and cashflow position of the Group at the respective point in time prior to the completion of each of the Moon Ocean SP Agreement and the Silvercord SP Agreements and assuming the Disposal Transactions shall have been approved by Independent Shareholders at the SGM, it is currently intended that the aggregate amounts approximate to but not more than the net sale proceeds which may be generated from the Disposal Transactions may be distributed, in one or more phases, to the Shareholders as cash special interim dividend (which is payable out of retained profits of the Company) and/or cash special interim distribution (which is payable out of contributed surplus of the Company) (collectively the “**Special Dividends**”). In this regard, the Disposal Transactions would enable the Shareholders to benefit from Special Dividends of an aggregate sums approximate to but not more than the net sale proceeds of the Disposal Transactions. The Board will take into account the then financial and cashflow position of the Group at the respective point in time and the progress of the development of each of the Moon Ocean SP Agreement and the Silvercord SP Agreements before any such Special Dividends is/are proposed and declared. As there is currently no imminent mega property development projects contemplated or other major projects which requires substantial cash investment in the near future, the Board considers that the distribution of the Special Dividends is in the best interests of the Company and the Shareholders as a whole. If the Company does not proceed with the distribution of the Special Dividends, the net sale proceeds from the Disposal Transactions will be used for general working capital purposes. Further announcement(s) would be made by the Company in relation to the proposed distribution of the Special Dividends, if any, as and when appropriate.

J. INFORMATION ON THE GROUP AND THE VENDORS

The Group is principally engaged in property investment and development, brokerage, securities investment, money lending and cosmetics distribution and trading. Each of Data Dynasty and Super Series is an investment holding company incorporated in BVI and an indirect wholly-owned subsidiary of the Company. CEL is an investment holding company incorporated in Hong Kong and a direct wholly-owned subsidiary of the Company.

K. INFORMATION ON THE PURCHASERS

Each of One Midland, Fly High Target and Coast Field is an investment holding company wholly-owned and established by Mr. Lau for the purpose of holding the various assets to be acquired under the SP Agreements.

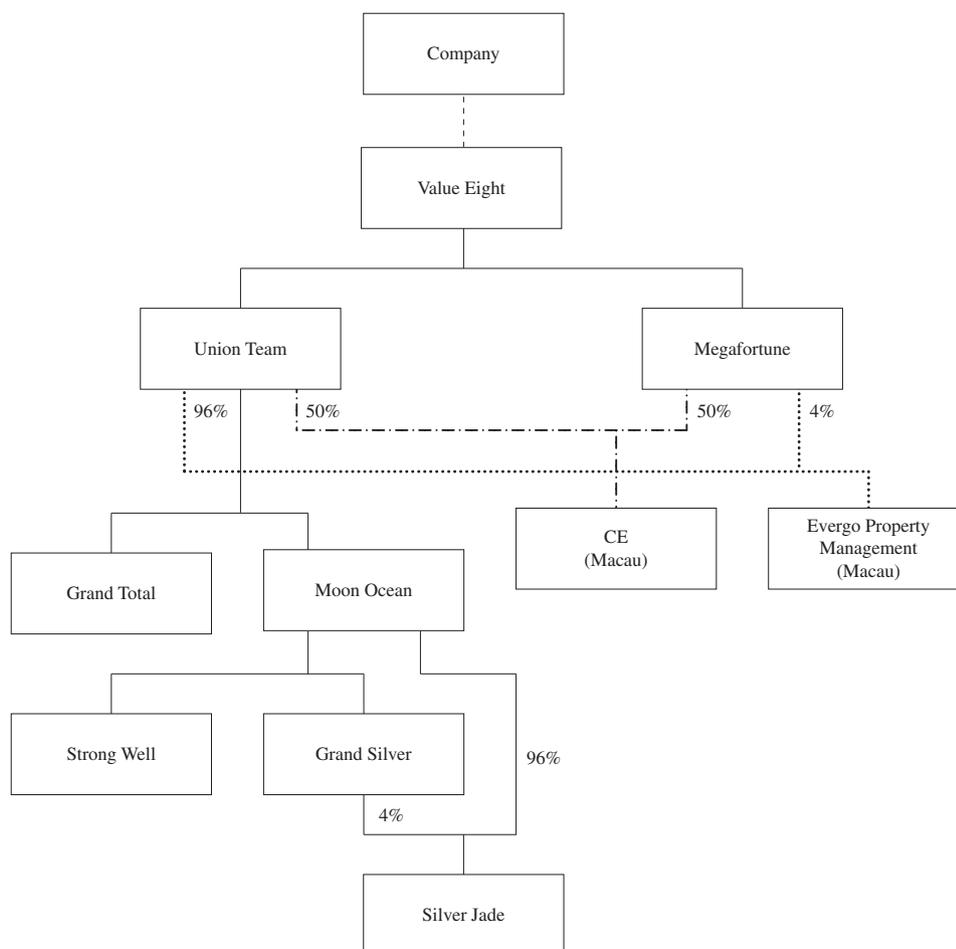
LETTER FROM THE BOARD

L. INFORMATION ON THE ASSETS TO BE DISPOSED OF

Moon Ocean Target Companies

Value Eight is an investment holding company incorporated in BVI and a direct wholly-owned subsidiary of Data Dynasty. As at the Latest Practicable Date, Value Eight holds investments relating to the Macau Land through the Moon Ocean Target Companies, including Moon Ocean.

The group structure of Moon Ocean Target Companies is set out as follows:



Note 1: All shareholdings are 100% unless otherwise stated.

Note 2: - - - - - indicates indirect holding.

LETTER FROM THE BOARD

For further information of Moon Ocean and the Macau Land, please refer to the Previous Announcements. Other than the above, Value Eight does not have any other material assets. After completion of the Moon Ocean SP Agreement, One Midland will become the beneficial owner of the entire issued share capital of Value Eight and each of the Moon Ocean Target Companies will cease to be a subsidiary of the Company.

A summary of the unaudited consolidated or combined results of the Moon Ocean Target Companies for each of the two years ended 31 December 2012 and 2013 is set out below:

	For the year ended 31 December 2012 (HK\$ million)	For the year ended 31 December 2013 (HK\$ million)
Turnover	–	–
Loss before taxation	703	26
Loss after taxation	703	26
Loss attributable to the equity holder	703	26

As at 30 June 2014, the unaudited consolidated or combined net liability of the Moon Ocean Target Companies was approximately HK\$2,408.81 million and the aggregate amount of the Moon Ocean Sale Loan was approximately HK\$4,337.80 million. The substantial decrease in the loss attributable to the equity holder of the Moon Ocean Target Companies for the year ended 31 December 2013 as compared to the year ended 31 December 2012 was mainly due to the decrease in recognition of construction costs and project costs for the Development from approximately HK\$700.23 million (including inter-company transactions of approximately HK\$5.49 million) in 2012 to approximately HK\$24.71 million (including inter-company transactions of approximately HK\$2.68 million) in 2013.

As disclosed in the Previous Announcements, under the Decision, the Chief Executive of Macau had declared the previous acts of the previous Chief Executive of Macau in confirming the approval of the transfers of the rights deriving from the land concession relating to the Macau Land invalid. Under the Second Decision, the Chief Executive of Macau declared the previous act of the Chief Executive of Macau in confirming the approval of certain revision of the terms of the land concession for the Macau Land and exchange of land approved by the Chief Executive of Macau invalid. As a result of the Decision and Second Decision notwithstanding the Decision and the Second Decision are both currently subject to the Appeals, and as stated in the Macau Legal Opinion, Moon Ocean is no longer the registered owner of the Macau Land. Therefore, the Macau Land is not accounted for as property or property interest in the financial statements of Moon Ocean. The costs incurred in respect of the Macau Land up to 30 June 2014 in the aggregate amount of approximately HK\$2,672.02 million have been classified into: (i) land costs of approximately HK\$1,329.02 million; (ii) the premium of approximately HK\$624.07 million; and (iii) construction costs and project costs of approximately HK\$718.93 million. Based on the Macau Legal Opinion and all available information up to the Latest Practicable Date, the land costs and the premium paid by Moon Ocean are reclassified from stock of properties to other receivables in the statement

LETTER FROM THE BOARD

of financial position of Moon Ocean, while the construction costs and the project costs were recognised in profit or loss from stock of properties and prepayments, respectively. Based on the above, the Directors consider that the Macau Land is not a property or property interest owned by Moon Ocean. As Moon Ocean does not have any other properties or property interests (as defined in Chapter 5 of the Listing Rules), based on the above, the Directors consider that Rule 14A.70 of the Listing Rules is not applicable, and accordingly, valuation in respect of the Macau Land and the Development is not required.

Silvercord First Target Companies

Brass Ring is an investment holding company incorporated in BVI and a direct wholly-owned subsidiary of Super Series. Silvercord is a property holding company incorporated in Hong Kong that owns the Silvercord Properties and a direct wholly-owned subsidiary of Brass Ring. After completion of the Silvercord First SP Agreement, Fly High Target will become the beneficial owner of the entire issued share capital of Brass Ring, and each of the Silvercord First Target Companies will cease to be a subsidiary of the Company. As at the Latest Practicable Date, other than the Silvercord Properties and certain pledged bank deposits, the Silvercord First Target Companies do not have any other material assets.

A summary of the unaudited consolidated results of the Silvercord First Target Companies for each of the two years ended 31 December 2012 and 2013 is set out below.

	For the year ended 31 December 2012 (HK\$ million)	For the year ended 31 December 2013 (HK\$ million)
Turnover	410	428
Fair value changes on investment properties	1,668	324
Profit before taxation	1,957	646
Profit after taxation	1,910	593
Profit attributable to the equity holder	1,910	593

As at 30 June 2014, the unaudited consolidated net asset value of the Silvercord First Target Companies was approximately HK\$348.14 million and the aggregate amount of the Silvercord First Sale Loan was approximately HK\$8,906.88 million.

LETTER FROM THE BOARD

Silvercord Properties

Silvercord is the owner of the Silvercord Properties, which details are set out below:

Silvercord Properties	Usage	Attributable interests to the Group
Shops, restaurant and coffee shop on basement, shops on lower ground floor, shops on ground floor (excluding shop no. 38), shops on 1st floor (excluding shop no. 39), shops on 2nd floor (excluding shop no. 41), the whole 3rd floor and car parking spaces nos. 2, 6, 8, 9, 21, 24, 25, 29, 34 and 35 on basement, Silvercord, No. 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong	Commercial	100%

Silvercord Second Target Companies

Union Leader is an investment holding company incorporated in BVI and a direct wholly-owned subsidiary of Super Series. Each of Luck Business, Right Wide, Mark Best and Huge Top is a property holding company incorporated in Hong Kong that owns each of the Silvercord Carparking Spaces respectively and a direct wholly-owned subsidiary of Union Leader. After completion of the Silvercord Second SP Agreement, Fly High Target will become the beneficial owner of the entire issued share capital of Union Leader, and each of the Silvercord Second Target Companies will cease to be a subsidiary of the Company. As at the Latest Practicable Date, other than the Silvercord Carparking Spaces, the Silvercord Second Target Companies do not have any other material assets.

A summary of the unaudited consolidated results of the Silvercord Second Target Companies for each of the two years ended 31 December 2012 and 2013 is set out below:

	For the year ended 31 December 2012 (HK\$'000)	For the year ended 31 December 2013 (HK\$'000)
Turnover	190	192
Fair value changes on investment properties	360	360
Profit before taxation	514	518
Profit after taxation	512	509
Profit attributable to the equity holder	512	509

LETTER FROM THE BOARD

As at 30 June 2014, the unaudited consolidated net asset value of the Silvercord Second Target Companies was approximately HK\$1.69 million and the aggregate amount of the Silvercord Second Sale Loan was approximately HK\$3.42 million.

Silvercord Carparking Spaces

Luck Business, Right Wide, Mark Best and Huge Top are the owners of each of the Silvercord Carparking Spaces respectively, which details are set out below:

Silvercord Carparking Spaces	Usage	Attributable interests to the Group
Car parking spaces nos. 1, 7, 26 and 30 on basement, Silvercord, No. 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong	Commercial	100%

CE Finance

CE Finance is a loan financing company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company. After completion of the Silvercord Third SP Agreement, Coast Field will become the beneficial owner of the entire issued share capital of CE Finance and CE Finance will cease to be a subsidiary of the Company. CE Finance has entered into several loan and security documents in relation to a term loan facility with certain banks and financial institutions. As at the Latest Practicable Date, other than the Silvercord Third Assumed Debt, CE Finance does not have any other material assets.

A summary of the audited results of CE Finance for each of the two years ended 31 December 2012 and 2013 is set out below:

	For the year ended 31 December 2012 <i>(HK\$ million)</i>	For the year ended 31 December 2013 <i>(HK\$ million)</i>
Turnover	160	167
Profit before taxation	2	952
Profit after taxation	2	952
Profit attributable to the equity holder	2	952

LETTER FROM THE BOARD

As at 30 June 2014, the unaudited net asset value of CE Finance was approximately HK\$1.07 million, the aggregate amount of the Silvercord Third Sale Loan was approximately HK\$2,336.79 million and the aggregate amount of the Silvercord Third Assumed Debt amounted to approximately HK\$4,011.47 million. The substantial increase in the profit attributable to the equity holder of CE Finance for the year ended 31 December 2013 as compared to the year ended 31 December 2012 was mainly due to the reversal of impairment loss previously recognised on an amount due from a fellow subsidiary of approximately HK\$950.39 million in 2013 for the amount due has been partially settled.

M. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Disposal Transactions on an aggregated basis exceed 25% but are less than 75%, the Disposal Transactions constitute major transactions for the Company and are subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Mr. Lau, being a substantial Shareholder and a controlling Shareholder, who was interested in 1,430,700,768 Shares, representing approximately 74.99% of the total issued Shares as at the Latest Practicable Date, is a director and the sole beneficial owner of the respective purchaser of each of the SP Agreements, Mr. Lau and the respective purchaser of each of the SP Agreements are connected persons of the Company. Accordingly, the Disposal Transactions constitute connected transactions for the Company under Chapter 14A of the Listing Rules, and are subject to the reporting, announcement and Independent Shareholders' Approval requirements pursuant to Chapter 14A of the Listing Rules.

Each of Mr. Lau, Ming-wai, Ms. Chan, Sze-wan, Ms. Lui, Lai-kwan and Ms. Amy Lau, Yuk-wai is an associate of Mr. Lau, who is a substantial Shareholder and a controlling Shareholder, and the director and the sole beneficial owner of the purchaser under each of the SP Agreements. Notwithstanding that none of the Directors has a material interest in the Disposal Transactions, in view of their relationship with Mr. Lau, each of Mr. Lau, Ming-wai, Ms. Chan, Sze-wan, Ms. Lui, Lai-kwan and Ms. Amy Lau, Yuk-wai abstained from voting on the Board resolutions approving the SP Agreements and the Disposal Transactions. Save as disclosed above, no other Directors abstained from voting on the Board resolutions approving the SP Agreements and the Disposal Transactions.

N. INDEPENDENT FINANCIAL ADVISER AND INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all of the 3 independent non-executive Directors, namely Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun, has been formed to advise the Independent Shareholders in relation to the SP Agreements and the Disposal Transactions.

The Company has, with the approval of the Independent Board Committee, appointed Gram Capital as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in accordance with the requirements under the Listing Rules to advise the Independent Board Committee and the Independent Shareholders regarding the SP Agreements and the Disposal Transactions.

LETTER FROM THE BOARD

O. SGM

The Company will convene the SGM at Falcon Room, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 10 October 2014 at 10:00 a.m. to consider the Disposal Transactions. An ordinary resolution will be put to the vote by poll at the SGM pursuant to the Listing Rules. A notice of the SGM is set out on pages SGM-1 to SGM-3 of this circular.

Any Shareholder with a material interest in the Disposal Transactions and his/her/its associate(s) are required to abstain from voting on the resolution(s) approving the SP Agreements and the Disposal Transactions in accordance with the Listing Rules. Accordingly, Mr. Lau and his associate(s) will abstain from voting on the resolution(s) approving the SP Agreements and the Disposal Transactions.

Further, pursuant to the Stock Exchange Undertaking, the Company has undertaken to the Stock Exchange that it will not enter into Specified Transaction(s) with a Related Party which is for a consideration or in respect of a principal amount which, when aggregated with the consideration or principal amount of any other Specified Transaction(s) between the Company or any of its subsidiaries and any Related Party carried into effect during the previous twelve months, exceed HK\$200 million, unless the approval of the Shareholders at a general meeting of the Company at which the Related Party will abstain from voting is obtained. As Mr. Lau is a substantial Shareholder and a controlling Shareholder and also a director and the sole beneficial owner of the respective purchaser of each of the SP Agreements, each of Mr. Lau and the respective purchaser of each of the SP Agreements is a Related Party for the purpose of the Stock Exchange Undertaking. The Disposal Transactions will therefore constitute Specified Transactions and will be subject to approval by the Shareholders at a general meeting of the Company at which any Shareholder who is a Related Party will abstain from voting.

A form of proxy for use at the SGM is also enclosed. If you are not able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

P. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages IBC-1 to IBC-2 of this circular and the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in connection with the SP Agreements and the Disposal Transactions as well as the principal factors and reasons considered by them in arriving at such advice set out on pages IFA-1 to IFA-22 in this circular.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors whose views are set out on pages IBC-1 to IBC-2 of this circular), having taken into account the opinion and advice of Gram Capital, consider that the terms of each of the SP Agreements and the Disposal Transactions are fair and reasonable so far as the Independent Shareholders are concerned, and the SP Agreements and the Disposal Transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolution(s) approving the SP Agreements and the Disposal Transactions contemplated thereunder at the SGM.

Q. GENERAL

Shareholders are reminded that as at the Latest Practicable Date, the outcome of the Appeals in respect of the Macau Land lodged by Moon Ocean is yet available. There is no certainty at this stage whether judgment in the Appeals will or will not be made in favour of Moon Ocean and the implication of the different outcome of the Appeals which may result in the Macau Land may or may not be vested in Moon Ocean. Shareholders are therefore reminded to consider carefully the proposed Disposal Transactions and the terms thereof and make their own assessment and decision in considering whether or not to approve the Disposal Transactions. Please refer to the letter of advice from Gram Capital set out on pages IFA-1 to IFA-22 of this circular for advice from Gram Capital as to whether the terms of each of the SP Agreements and the Disposal Transactions are fair and reasonable, and whether the SP Agreements and the Disposal Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Shareholders and potential investors of the Company should note that completion of each of the Moon Ocean SP Agreement and the Silvercord SP Agreements is subject to the satisfaction of the Conditions Precedent, namely, the obtaining of the Independent Shareholders' Approval, and the Board having approved the Moon Ocean Special Dividend with such Board approval remaining in full force and effect up to completion of each of the relevant SP Agreements. As at the Latest Practicable Date, none of the Conditions Precedent has been satisfied and it is not certain at this stage as to whether the Board will approve the Moon Ocean Special Dividend or not. Therefore, the relevant Disposal Transactions may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

R. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Lam, Kwong-wai
Executive Director and Company Secretary

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this circular:



CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

23 September 2014

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS IN RESPECT OF DISPOSAL OF SUBSIDIARIES

We refer to the circular issued by the Company to its Shareholders dated 23 September 2014 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

The Disposal Transactions constitute connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders’ Approval requirements pursuant to Chapter 14A of the Listing Rules. Further, as one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Disposal Transactions on an aggregated basis exceed 25% but are less than 75%, the Disposal Transactions also constitute major transactions for the Company.

We have been appointed by the Board to consider the terms of the SP Agreements and the Disposal Transactions and to advise the Independent Shareholders in connection therewith and as to whether, in our opinion, the terms of each of the SP Agreements and the Disposal Transactions are fair and reasonable, and whether the SP Agreements and the Disposal Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Gram Capital has been appointed as the independent financial adviser to advise us in this respect.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board and the letter from Gram Capital as set out in the Circular. Having considered the principal factors and reasons considered by, and the opinion and advice of, Gram Capital as set out in its letter of advice, we consider that the terms of each of the SP Agreements and the Disposal Transactions are fair and reasonable, and the SP Agreements and the Disposal Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group (except that the entering into of the Moon Ocean SP Agreement was not being conducted in the ordinary and usual course of business of the Group). Notwithstanding that the entering into of the Moon Ocean SP Agreement was not conducted in the ordinary and usual course of business of the Group, (i) the Moon Ocean SP Agreement provides a good opportunity for the Group to dispose of the Macau Land; (ii) the proposed disposal contemplated under the Moon Ocean SP Agreement would allow the Group to recover the original investment costs (without any impairment) in the Macau Land together with the costs of funding the Macau Land; and (iii) after completion of the Moon Ocean SP Agreement, the Group would be able to focus on other existing business operations of the Group and pursue other investment opportunities when available. In view of the above, we consider that the SP Agreements and the Disposal Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) approving the SP Agreements and the Disposal Transactions contemplated thereunder at the SGM.

Yours faithfully,

For and on behalf of

Independent Board Committee

Chan, Kwok-wai

Phillis Loh, Lai-ping

Ma, Tsz-chun

Independent Non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the SP Agreements and the Disposal Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
173 Des Voeux Road Central
Hong Kong

23 September 2014

*To: The independent board committee and the independent shareholders
of Chinese Estates Holdings Limited*

Dear Sirs,

MAJOR AND CONNECTED TRANSACTIONS – DISPOSAL OF SUBSIDIARIES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the SP Agreements and the Disposal Transactions, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 23 September 2014 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 1 September 2014, subsidiaries of the Company (as vendors), the Company (as vendor guarantor), companies wholly owned by Mr. Lau (as purchasers) and Mr. Lau (as purchaser guarantor) entered into the SP Agreements comprising the Moon Ocean SP Agreement, the Silvercord First SP Agreement, the Silvercord Second SP Agreement and the Silvercord Third SP Agreement. The SP Agreements relate to the sale and purchase of the entire issued share capital of Value Eight, Brass Ring, Union Leader and CE Finance (collectively and together with their respective subsidiaries, the “**Disposal Groups**”), respectively.

With reference to the Board Letter, the Disposal Transactions constitute major and connected transactions for the Company under Chapters 14 and 14A of the Listing Rules respectively. As such, the Disposal Transactions are subject to the reporting, announcement and Independent Shareholders’ Approval requirements under the Listing Rules. Moreover, the Disposal Transactions constitute Specific Transactions and will be subject to approval by the Shareholders at a general meeting of the Company at which any Shareholder who is a Related Party will abstain from voting.

LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the SP Agreements and the Disposal Transactions are fair and reasonable; (ii) whether the SP Agreements and the Disposal Transactions are on normal commercial terms; (iii) whether the SP Agreements and the Disposal Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iv) how the Independent Shareholders should vote in respect of the resolution(s) to approve the SP Agreements and the Disposal Transactions at the SGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the SP Agreements and the Disposal Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made an independent evaluation or appraisal of the assets and liabilities of either the Group, Value Eight, Brass Ring, Union Leader or CE Finance and we have not been furnished with any such evaluation or appraisal, save as and except for the valuation report dated 29 August 2014 prepared by an independent professional valuer, namely B.I. Appraisals Limited (the "**Valuer**"), in respect of the Properties (the "**Valuation Report**"). The Valuation Report was prepared in accordance with The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors as well as the requirements as stipulated under Chapter 5 of the Listing Rules. We are not experts in the valuation of properties/carparking spaces and therefore have relied solely upon the Valuation Report for the market values of the Silvercord Properties and the Silvercord Carparking Spaces as at 29 August 2014.

LETTER FROM GRAM CAPITAL

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Data Dynasty, One Midland, Value Eight, Moon Ocean, Super Series, Fly High Target, Brass Ring, Union Leader, CEL, Coast Field, CE Finance and Mr. Lau or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the SP Agreements and the Disposal Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the SP Agreements and the Disposal Transactions, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Disposal Transactions

Information on the Group

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

LETTER FROM GRAM CAPITAL

Set out below are the latest key financial information of the Group as extracted from the Company's 2013 annual report and its 2014 interim results announcement:

	For the year ended 31 December 2013 <i>HK\$'000</i>
Revenue from continuing operations (<i>audited</i>)	6,452,726
Profit for the year from continuing operations (<i>audited</i>)	6,501,121
	As at 30 June 2014 <i>HK\$'000</i>
Net asset value (<i>unaudited</i>)	48,521,077

Information on the Disposal Groups

The Disposal Groups, being subjects of the SP Agreements, include the Moon Ocean Target Companies, the Silvercord First Target Companies, the Silvercord Second Target Companies and CE Finance.

The Moon Ocean Target Companies

As referred to in the Board Letter, Value Eight is an investment holding company incorporated in BVI and a direct wholly-owned subsidiary of Data Dynasty. Value Eight holds investments relating to the Macau Land through the Moon Ocean Target Companies, including Moon Ocean. Other than the above, Value Eight did not have other material assets as at the Latest Practicable Date. A chart illustrating the group structure of the Moon Ocean Target Companies is set forth under the sub-section headed "Moon Ocean Target Companies" of the Board Letter.

As referred to in the Previous Announcements and the Company's 2013 annual report, the Macau Land is adjacent to the Macau International Airport and is intended to be developed into a high-end residential project named "La Scala". As at 31 December 2013, 302 units of the Development (after cancellation of two contracted sales) of approximately HK\$3,825.3 million were presold with deposits received of approximately HK\$383.9 million. Nevertheless, as the construction work of the Development has been suspended since 2012 and that it is uncertain when the judgments of the proceedings for the Appeals would be handed down, Moon Ocean has arranged for revocation and cancellation of the binding letters of offer and the promissory sale and purchase agreements of the presold property units under the Development.

LETTER FROM GRAM CAPITAL

Based on the unaudited consolidated or combined management accounts of the Moon Ocean Target Companies, the Moon Ocean Target Companies recorded unaudited turnover and loss of nil and approximately HK\$26 million respectively for the year ended 31 December 2013 and unaudited consolidated or combined net liabilities of approximately HK\$2,408.81 million as at 30 June 2014.

The Silvercord First Target Companies

As referred to in the Board Letter, Brass Ring is an investment holding company incorporated in BVI and a direct wholly-owned subsidiary of Super Series. Silvercord is a property holding company incorporated in Hong Kong which owns the Silvercord Properties for commercial use and is directly wholly owned by Brass Ring. Other than the Silvercord Properties and certain pledged bank deposits, the Silvercord First Target Companies did not have other material assets as at the Latest Practicable Date.

The Silvercord Properties comprise: Shops, restaurant and coffee shop on basement, shops on lower ground floor, shops on ground floor (excluding shop no. 38), shops on first floor (excluding shop no. 39), shops on second floor (excluding shop no. 41), the whole third floor and car parking spaces nos. 2, 6, 8, 9, 21, 24, 25, 29, 34 and 35 on basement, Silvercord, No. 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

Based on the unaudited consolidated accounts of the Silvercord First Target Companies, the Silvercord First Target Companies recorded unaudited turnover and profit after taxation of approximately HK\$428 million and HK\$593 million respectively for the year ended 31 December 2013 and unaudited consolidated net assets of approximately HK\$348.14 million as at 30 June 2014.

The Silvercord Second Target Companies

As referred to in the Board Letter, Union Leader is an investment holding company incorporated in BVI and a direct wholly-owned subsidiary of Super Series. Each of Luck Business, Right Wide, Mark Best and Huge Top is a property holding company incorporated in Hong Kong which owns each of the Silvercord Carparking Spaces respectively for commercial use and is directly wholly owned by Union Leader. Other than the Silvercord Carparking Spaces, the Silvercord Second Target Companies did not have other material assets as at the Latest Practicable Date.

The Silvercord Carparking Spaces comprise: Car parking spaces nos. 1, 7, 26 and 30 on basement, Silvercord, No. 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

Based on the unaudited consolidated accounts of the Silvercord Second Target Companies, the Silvercord Second Target Companies recorded unaudited turnover and profit after taxation of approximately HK\$0.19 million and HK\$0.51 million respectively for the year ended 31 December 2013 and unaudited consolidated net assets of approximately HK\$1.69 million as at 30 June 2014.

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CE Finance

As referred to in the Board Letter, CE Finance is a loan financing company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company. CE Finance has entered into several loan and security documents in relation to a term loan facility with certain banks and financial institutions. Other than the Silvercord Third Assumed Debt, CE Finance did not have other material assets as at the Latest Practicable Date.

Based on the audited/unaudited accounts (as the case may be) of CE Finance, CE Finance recorded audited turnover and profit after taxation of approximately HK\$167 million and HK\$952 million respectively for the year ended 31 December 2013 and unaudited net assets of approximately HK\$1.07 million as at 30 June 2014.

Reasons for the Disposal Transactions and use of proceeds

Reasons for the Moon Ocean SP Agreement

As disclosed in the Previous Announcements, Moon Ocean lodged the Appeals to the Court of Second Instance of Macau against each of the Decision and the Second Decision made by the Chief Executive of Macau. In the event that the Decision and the Second Decision become final before the Moon Ocean Completion Date, based on the Macau Legal Opinion, the Directors are of the opinion that (i) it is probable for Moon Ocean to recover the construction costs and the project costs incurred in respect of the Development; and (ii) by mere operation of the laws of Macau, the Original Owners and the Macau government shall be obliged to return the land costs and the premium of the Macau Land to Moon Ocean should the outcome of the Appeals be unfavourable to Moon Ocean. In such case, Moon Ocean is determined to pursue claims it may have, including but not limited to claims for the land costs, premium, construction costs and project costs paid, against the Macau government and/or the Original Owners and/or such other appropriate parties for compensation against the losses suffered or may be suffered by the Moon Ocean Target Companies. Moon Ocean will continue to seek further legal advice as to appropriate actions to be taken in respect of the Macau Land.

Given that it is uncertain when the judgments of these appeal proceedings would be handed down, Moon Ocean has arranged for revocation and cancellation of the binding letters of offer and the promissory sale and purchase agreements of the presold property units under the Development after taking into account the general preference of the promissory purchasers who wish to have an early revocation and cancellation.

During the course of developing the Macau Land, Moon Ocean has entered into construction and consultancy contracts with contractors and consultants. Should the final outcome of the Appeals be unfavourable to the Group, Moon Ocean may consider entering into cancellation agreements with such contractors and consultants. As such, it may be necessary to make adjustments to the liabilities arising from the outstanding contractual obligations under these construction and consultancy contracts should there be claims from the construction contractors and consultants.

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As advised by the Directors, over the past some two years, the management of the Company has spent a significant portion of their management time and effort to respond to the administrative procedures for repossession of the Macau Land initiated by the Macau government. In this relation, we noted from the Previous Announcements that (i) on 24 May 2012, the Board has resolved the formation of a special committee, comprising the independent non-executive Directors as members to consider and handle all matters in relation to the Accusation (as defined in the announcement of the Company dated 23 May 2012); (ii) on 28 August 2012, Moon Ocean filed to the Chief Executive's Bureau of Macau an objection to the Decision; and (iii) subsequently on 14 September 2012 and 15 May 2013 respectively, the Appeals were lodged by Moon Ocean to the Court of Second Instance of Macau against the Decision and the Second Decision. At present, it is also uncertain when the judgments of the Appeals would be handed down. In addition, it is not possible to predict and determine the outcome of the Appeals or any possible claims from the outstanding promissory buyers and construction contractors and consultants at this stage.

The Board is of the view that the Moon Ocean SP Agreement provides a good opportunity for the Group to dispose of such investment. We have further enquired into the Directors and were advised that based on the preliminary advice from the Company's legal advisers, upon completion of the Moon Ocean SP Agreement, the Group will no longer be liable to any possible legal charges and/or other claims towards the Moon Ocean Target Companies regardless of the outcome of the Appeals. The Directors are also of the view that the proposed disposal contemplated under the Moon Ocean SP Agreement would allow the Group to recover the original investment costs (without any impairment) in the Macau Land together with the costs of funding the Macau Land. Given that (i) the Chief Executive of Macau had declared the previous acts of the previous Chief Executive of Macau in confirming the approval of the transfers of the rights deriving from the land concession relating to the Macau Land invalid; and (ii) no written offer from any other potential purchasers had been formally received by the Company, the Directors believe that other than the purchaser, there is no other buyer in the market who will be willing to buy the Macau Land at the original investment costs plus funding costs of the Group at this point in time. For this reason, the Directors believe that the realisable value of the Macau Land, if any, would be substantially lower than the original investment costs of the Group. On the other hand, after completion of the Moon Ocean SP Agreement, the Group would be able to focus on other existing business operations of the Group and pursue other investment opportunities when available.

Taking into consideration all of the foregoing, we concur with the Directors that the entering into of the Moon Ocean SP Agreement is in the interests of the Company and the Shareholders as a whole even though it was not conducted in the ordinary and usual course of business of the Group.

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Reasons for the Silvercord SP Agreements

As extracted from the Board Letter, despite the Group currently holds a substantial part of the retail portion and carparking spaces in the form of strata title on the basement, lower ground floor, ground floor and from first to third floors of the building of which the Properties form part (i.e. the Silvercord Building), the Group does not currently hold any commercial units on the upper floors of the Silvercord Building. Therefore, the Group believes that the redevelopment potential of the Properties is very limited considering the fact that the Group is unlikely to be able to acquire full ownership of the entire Silvercord Building given its current portion of strata title ownership. As the Properties were valued at market value on 29 August 2014, it follows that the Group would record no gain or loss on completion of the Silvercord SP Agreements if such completion took place on 29 August 2014. Based on the above, the Board is of the view that the transactions contemplated under the Silvercord SP Agreements provide a good opportunity for the Group to realise, among other things, the fair value change of a sizable portion of its retail property portfolio in Hong Kong, taking into account the fact that the Properties are properties with strata title and no redevelopment potential as described above.

Taking into consideration the above, together with the expected possible increase in the net asset value and working capital but possible reduction in gearing ratio of the Group as a result of the completion of the Silvercord SP Agreements as confirmed by the Directors and being disclosed under the section headed “Possible financial effects of the Disposal Transactions” of this letter, we concur with the Directors that the entering into of the Silvercord SP Agreements is in the interests of the Company and the Shareholders as a whole and was conducted in the ordinary and usual course of business of the Group.

Use of proceeds

Based on the assumption that the Moon Ocean Provisional Consideration and the Silvercord Provisional Consideration will be the same as the Moon Ocean Consideration and the Silvercord Consideration respectively, it is estimated that the net sale proceeds arising from the Disposal Transactions would be approximately HK\$12,402.74 million (with estimated sale proceeds of approximately HK\$14,090.34 million, after deducting the Negative Provisional Consideration of approximately HK\$1,673.60 million and the transaction costs related to the Disposal Transactions of approximately HK\$14 million.)

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As confirmed by the Directors, subject to the then financial and cashflow position of the Group at the respective point in time prior to the completion of each of the Moon Ocean SP Agreement and the Silvercord SP Agreements and assuming the Disposal Transactions shall have been approved by the Independent Shareholders at the SGM, it is currently intended that the aggregate amounts approximate to but not more than the net sale proceeds which may be generated from the Disposal Transactions may be distributed, in one or more phases, to the Shareholders as cash special interim dividend (which is payable out of retained profits of the Company) and/or cash special interim distribution (which is payable out of contributed surplus of the Company) (collectively the “**Special Dividends**”). In this regard, we noted that the Disposal Transactions would enable the Shareholders to benefit from the Special Dividends of an aggregate sums approximate to but not more than the net sale proceeds of the Disposal Transactions and hence are in the interest of the Shareholders.

The Directors further confirmed that the Board will take into account the then financial and cashflow position of the Group at the respective point in time and the progress of the development of each of the Moon Ocean SP Agreement and the Silvercord SP Agreements before any such Special Dividend(s) is/are proposed and declared. If the Company does not proceed with the distribution of the Special Dividends, the net sale proceeds from the Disposal Transactions will be used for general working capital purposes.

2. **Principal terms of the SP Agreements**

The Moon Ocean SP Agreement

On 1 September 2014, Data Dynasty (as vendor), the Company (as vendor guarantor), One Midland (as purchaser) and Mr. Lau (as purchaser guarantor), entered into the Moon Ocean SP Agreement, pursuant to which Data Dynasty agreed to sell and One Midland agreed to purchase the Moon Ocean Sale Share and the Moon Ocean Sale Loan. As at 30 June 2014, the Moon Ocean Sale Loan amounted to approximately HK\$4,337.80 million based on the unaudited consolidated or combined management accounts of the Moon Ocean Target Companies.

The Moon Ocean Consideration

Pursuant to the Moon Ocean SP Agreement, the Moon Ocean Consideration shall be equal to the aggregate of:

- (a) approximately HK\$4,830,198,248, which represents the sum of (i) the aggregate total investment cost by the Group to the Moon Ocean Target Companies, before any impairment; and (ii) notional interest of (i) calculated at 1.5% per annum above HIBOR up to 30 June 2014;

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- (b) the aggregate amount of the Moon Ocean Sale Loan to be advanced by the Group (other than the Moon Ocean Target Companies) from 1 July 2014 up to the Moon Ocean Completion Date solely for the purpose of financing the payment of the necessary expenditures incurred by the Moon Ocean Target Companies in their ordinary course of business; and
- (c) the total amount of notional interest on the net principal amount of the Moon Ocean Sale Loan outstanding (after deducting therefrom any amount due from any member of the Group (other than the Moon Ocean Target Companies) to any Moon Ocean Target Companies) from time to time accruing on a daily basis from 1 July 2014 up to the Moon Ocean Completion Date calculated at the rate of 1.5% per annum above HIBOR on the basis of the actual number of days elapsed and a year of 365 days from and including the first day of such period but excluding the last day thereof.

The Moon Ocean Consideration is subject to a cap amount of HK\$5,800 million. Furthermore, based on our enquiry with the Directors, the expected amount of the Moon Ocean Sale Loan to be advanced by the Group from 1 July 2014 up to the Moon Ocean Completion Date is estimated to be approximately HK\$19.46 million; whereas the total amount of notional interest on the net principal amount of the Moon Ocean Sale Loan outstanding from 1 July 2014 up to the Moon Ocean Completion Date is estimated to be approximately HK\$37.72 million. Accordingly, the Moon Ocean Consideration would be equal to approximately HK\$4,887.38 million.

Given that the Moon Ocean Consideration was determined with reference to the total investment costs relating to the Macau Land together with the total Moon Ocean Sale Loan to be advanced by the Group on a dollar-to-dollar basis with notional interest of 1.5% per annum above HIBOR, we are of the view that the aforesaid formula for calculating the Moon Ocean Consideration and the Moon Ocean Consideration are fair and reasonable so far as the Independent Shareholders are concerned.

The Moon Ocean Provisional Consideration

At completion of the Moon Ocean SP Agreement, One Midland shall pay to Data Dynasty the Moon Ocean Provisional Consideration. The difference between the Moon Ocean Provisional Consideration and the Moon Ocean Consideration will be settled in cash or cheque within seven Business Days after the Moon Ocean Completion Accounts and a certificate confirming the final amount of the Moon Ocean Consideration and setting out the detailed calculation thereof have become available.

The Moon Ocean Provisional Consideration equals to the aggregate of the total investment costs relating to the Macau Land and the notional interest calculated up to 30 June 2014, i.e. HK\$4,830,198,248.

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Since certain time is required for preparation of the Moon Ocean Completion Accounts, we concur with the Directors that the payment terms above are acceptable.

The Moon Ocean Deposits

Pursuant to the Moon Ocean SP Agreement, One Midland shall pay to Data Dynasty the Moon Ocean Deposits, which will be applied towards settlement of the Moon Ocean Provisional Consideration at completion. The Moon Ocean Deposits would be largely equivalent to the Moon Ocean Special Dividend receivable by Global King (PTC) Ltd. and Joseph Lau Luen Hung Investments Limited, both are underlying companies of a discretionary trust of which Mr. Lau is the founder and a beneficiary, as Shareholders.

Moreover, One Midland may elect to settle the Moon Ocean Provisional Consideration (or any part thereof) by procuring certain Shareholders to apply their Moon Ocean Dividend Entitlements, subject to completion of the Moon Ocean SP Agreement, towards payment of the Moon Ocean Provisional Consideration and the Company will be authorised and instructed to pay such Moon Ocean Dividend Entitlements to Data Dynasty, in lieu of such Shareholders, to settle the Moon Ocean Provisional Consideration to the extent of the aggregate amount of such Moon Ocean Dividend Entitlements. We understand from the Directors that the certain Shareholders as aforementioned would likely to be Global King (PTC) Ltd. and Joseph Lau Luen Hung Investments Limited.

The Moon Ocean SP Agreement also includes provisions which govern the refund or forfeiture (as the case may be) of the Moon Ocean Deposits in the event that the Conditions Precedent are not satisfied on or before the Moon Ocean Long Stop Date or completion of the Moon Ocean SP Agreement does not proceed as a result of or not due to the default of One Midland or Mr. Lau under the Moon Ocean SP Agreement. Shareholders may refer to the sub-section headed “The Moon Ocean SP Agreement – Deposits” of the Board Letter for relevant details. We consider the provisions on refund and forfeiture of the Moon Ocean Deposits to be reasonable.

Post-completion Development Upside Sharing or Compensation Upside Sharing

Subject to completion of the Moon Ocean SP Agreement having occurred:

- (a) if judgments are made in favour of Moon Ocean in the Appeals and have become final and the title to the Macau Land is vested on Moon Ocean again, One Midland shall pay to Data Dynasty the Development Upside Sharing pursuant to the Moon Ocean SP Agreement; or
- (b) if judgments are made against Moon Ocean in the Appeals and have become final, One Midland shall pay to Data Dynasty the Compensation Upside Sharing pursuant to the Moon Ocean SP Agreement.

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Shareholders may refer to the sub-section headed “The Moon Ocean SP Agreement – Post-completion Development Upside Sharing or Compensation Upside Sharing” of the Board Letter with regard to the determination basis for each of the Development Upside Sharing and the Compensation Upside Sharing as well as the maximum amount, being HK\$12,500 million (the “**Maximum Share**”), they are subject to.

In light of that (i) the further costs to be incurred by the Moon Ocean Target Companies for the Appeals, submission of claims and/or development of the Development, if any, would not be shared by the Group; (ii) the Group would not share the future loss, if any, arising from the Development post completion of the Moon Ocean SP Agreement; (iii) there may be potential risks to be borne by One Midland given the outcome of the Appeals and the amount of claims remains uncertain; and (iv) there may be potential risks associated with disposal of a property project under development, we concur with the Directors that the entitlement of Data Dynasty to 20% of the sum of the amounts comprising the Development Upside Sharing or the Compensation Upside Sharing (as the case may be) is an additional benefit to the Group without too much future costs and risks to be borne by the Group post completion of the Moon Ocean SP Agreement.

Given that the Company would be able to enjoy part of the possible Development Upside Sharing in relation to the Macau Land and the Development in the event that the judgments are made in favour of Moon Ocean in the Appeals, or otherwise the Compensation Upside Sharing, both as aforesaid as an additional benefit on top of the Moon Ocean Consideration (which as being detailed under the sub-section headed “The Moon Ocean Consideration” of this letter) was fairly and reasonably determined, we are of the opinion that such stipulation under the Moon Ocean SP Agreement is beneficial to the Company.

Moreover, in light of that (i) as represented by the Directors, the amount of the Development Upside Sharing or the Compensation Upside Sharing (as the case may be) cannot be determined at this point in time given the uncertainty associated with the outcome of the Appeals which may affect the interest of the Group in the Macau Land; and (ii) in the event that the aggregate amount of all the Development Upside Sharing or the Compensation Upside Sharing (as the case may be) payable by One Midland exceeds the Maximum Share, subject to compliance with the Listing Rules, One Midland shall still be liable to pay to Data Dynasty the excess of the Development Upside Sharing or the Compensation Upside Sharing (as the case may be), we are of the opinion that setting the Maximum Share at an exceptionally high level is acceptable.

The Silvercord First SP Agreement

On 1 September 2014, Super Series (as vendor), the Company (as vendor guarantor), Fly High Target (as purchaser) and Mr. Lau (as purchaser guarantor), entered into the Silvercord First SP Agreement, pursuant to which Super Series agreed to sell and Fly High Target agreed to purchase the Silvercord First Sale Share and the Silvercord First Sale Loan. As at 30 June 2014, the Silvercord First Sale Loan amounted to approximately HK\$8,906.88 million based on the unaudited consolidated accounts of the Silvercord First Target Companies.

LETTER FROM GRAM CAPITAL

The Silvercord First Consideration

(i) Basis of the Silvercord First Consideration

Pursuant to the Silvercord First SP Agreement, the Silvercord First Consideration shall be equal to the aggregate of:

- (a) the consolidated net assets or liabilities of the Silvercord First Target Companies (for the purpose of ascertaining such net asset value or liabilities, Fly High Target acknowledges and accepts that the Silvercord Properties shall have a value of HK\$9,290.80 million, being the market value of the Silvercord Properties as at 29 August 2014 valued by the Valuer (the “**First Valuation**”), as shown in the Silvercord First Completion Accounts; and
- (b) the aggregate face amount of the Silvercord First Sale Loan, less the aggregate face amount of the Silvercord First Assumed Debt.

The Silvercord First Consideration is subject to a cap amount of HK\$10,500 million. Furthermore, based on the unaudited consolidated accounts of the Silvercord First Target Companies, (i) the unaudited consolidated net assets of the Silvercord First Target Companies were approximately HK\$348.14 million (having included the First Valuation of HK\$9,290.80 million) as at 30 June 2014; (ii) the aggregate face amount of the Silvercord First Sale Loan was approximately HK\$8,906.88 million as at 30 June 2014; and (iii) the aggregate face amount of the Silvercord First Assumed Debt was nil as at 30 June 2014. Upon our further enquiry, we also understand that the Directors expected that there would be a decrease in the aggregate amount of the consolidated net assets of the Silvercord First Target Companies and the Silvercord First Sale Loan after deducting the Silvercord First Assumed Debt of approximately HK\$31.09 million from 1 July 2014 up to the Silvercord Completion Date. Accordingly, the Silvercord First Consideration would be equal to approximately HK\$9,223.93 million.

Given that the Silvercord First Consideration was determined with reference to the market value of the Silvercord Properties as evaluated by the Valuer and the remaining assets and liabilities of the Silvercord First Target Companies as well as the aggregate amount of the Silvercord First Sale Loan (less the aggregate amount of the Silvercord First Assumed Debt) were set by their face value on a dollar-to-dollar basis, we are of the view that the aforesaid formula for calculating the Silvercord First Consideration are fair and reasonable.

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(ii) The First Valuation

To further assess the fairness and reasonableness of the Silvercord First Consideration, we have reviewed the Valuation Report and discussed with the Valuer regarding the methodology adopted and the basis and assumptions used in arriving at the First Valuation. In the course of our discussion, we noted that the Valuer carried out a site visit to the Silvercord Properties on 2 September 2014 to research for the necessary information for determining the market value of the Silvercord Properties. Based on the Valuation Report, the Valuer has adopted the direct comparison method and where appropriate the investment method, both of which are under the market approach for the First Valuation. As further confirmed by the Valuer, the market approach is commonly adopted for valuation of properties in Hong Kong and is also consistent with normal market practice. For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer for conducting the First Valuation. From the mandate letter and other relevant information provided by the Valuer and based on our interview with it, we are satisfied with the terms of engagement of the Valuer as well as its qualification and experience for preparation of the Valuation Report. The Valuer has also confirmed that it is independent to the Group, the Moon Ocean Target Companies, the Silvercord Target Companies, One Midland, Fly High Target, Coast Field and Mr. Lau.

Further details of the basis and assumptions of the First Valuation are included in the Valuation Report as contained in Appendix II to the Circular. During our discussion with the Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for or the information used in the First Valuation. Nevertheless, Shareholders should note that valuation of assets or properties usually involves assumptions and therefore the First Valuation may or may not reflect the true market value of the Silvercord Properties accurately.

In view of the above basis for calculation of the Silvercord First Consideration (including the First Valuation), we consider that the Silvercord First Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

The Silvercord First Provisional Consideration

At completion of the Silvercord First SP Agreement, Fly High Target shall pay to Super Series the Silvercord First Provisional Consideration. The difference between the Silvercord First Provisional Consideration and the Silvercord First Consideration will be settled in cash or cheque within seven Business Days after the Silvercord First Completion Accounts have become available.

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The Silvercord First Provisional Consideration equals to the aggregate of the unaudited consolidated net assets of the Silvercord First Target Companies as at 30 June 2014 taking into account of the First Valuation and the unaudited figures of amounts of the Silvercord First Sale Loan less the Silvercord First Assumed Debt as at 30 June 2014, i.e. approximately HK\$9,255,025,626.

Since certain time is required for preparation of the Silvercord First Completion Accounts, we concur with the Directors that the payment terms above are acceptable.

The Silvercord Deposits

Pursuant to the Silvercord First SP Agreement, Fly High Target shall pay to Super Series the Silvercord Deposits, which will be applied towards settlement of the Silvercord First Provisional Consideration at completion. The Silvercord Deposits would be largely equivalent to the Silvercord Special Dividend receivable by Global King (PTC) Ltd. and Joseph Lau Luen Hung Investments Limited, as Shareholders.

Moreover, Fly High Target may elect to settle the Silvercord First Provisional Consideration (or any part thereof) by procuring certain Shareholders to apply their Silvercord Dividend Entitlements, subject to completion of the Silvercord First SP Agreement, towards payment of the Silvercord First Provisional Consideration and the Company will be authorised and instructed to pay such Silvercord Dividend Entitlements to Super Series, in lieu of such Shareholders, to settle the Silvercord First Provisional Consideration to the extent of the aggregate amount of such Silvercord Dividend Entitlements. We understand from the Directors that the certain Shareholders as aforementioned would likely to be Global King (PTC) Ltd. and Joseph Lau Luen Hung Investments Limited.

The Silvercord First SP Agreement also includes provisions which govern the refund or forfeiture (as the case may be) of the Silvercord Deposits in the event that the Conditions Precedent are not satisfied on or before the Silvercord Long Stop Date or completion of the Silvercord First SP Agreement does not proceed as a result of or not due to the default of Fly High Target or Mr. Lau under the Silvercord First SP Agreement. Shareholders may refer to the sub-section headed “The Silvercord First SP Agreement – Deposits” of the Board Letter for relevant details. We consider the provisions on refund and forfeiture of the Silvercord Deposits to be reasonable.

The Silvercord Second SP Agreement

On 1 September 2014, Super Series (as vendor), the Company (as vendor guarantor), Fly High Target (as purchaser) and Mr. Lau (as purchaser guarantor), entered into the Silvercord Second SP Agreement, pursuant to which Super Series agreed to sell and Fly High Target agreed to purchase the Silvercord Second Sale Share and the Silvercord Second Sale Loan. As at 30 June 2014, the Silvercord Second Sale Loan amounted to approximately HK\$3.42 million based on the unaudited consolidated accounts of the Silvercord Second Target Companies.

LETTER FROM GRAM CAPITAL

The Silvercord Second Consideration

(i) Basis of the Silvercord Second Consideration

Pursuant to the Silvercord Second SP Agreement, the Silvercord Second Consideration shall be equal to the aggregate of:

- (a) the consolidated net assets or liabilities of the Silvercord Second Target Companies (for the purpose of ascertaining such net asset value or liabilities, Fly High Target acknowledges and accepts that the Silvercord Carparking Spaces shall have a value of HK\$4.28 million, being the market value of the Silvercord Carparking Spaces as at 29 August 2014 valued by the Valuer (the “**Second Valuation**”)), as shown in the Silvercord Second Completion Accounts; and
- (b) the aggregate face amount of the Silvercord Second Sale Loan, less the aggregate face amount of the Silvercord Second Assumed Debt.

The Silvercord Second Consideration is subject to a cap amount of HK\$10 million. Furthermore, based on the unaudited consolidated accounts of the Silvercord Second Target Companies, (i) the unaudited consolidated net assets of the Silvercord Second Target Companies were approximately HK\$1.69 million (having included the Second Valuation of HK\$4.28 million) as at 30 June 2014; (ii) the aggregate face amount of the Silvercord Second Sale Loan was approximately HK\$3.42 million as at 30 June 2014; and (iii) the aggregate face amount of the Silvercord Second Assumed Debt was nil as at 30 June 2014. Upon our further enquiry, we also understand that the Directors expected that there would be an increase in the aggregate amount of the consolidated net assets of the Silvercord Second Target Companies and the Silvercord Second Sale Loan after deducting the Silvercord Second Assumed Debt of approximately HK\$0.22 million from 1 July 2014 up to the Silvercord Completion Date. Accordingly, the Silvercord Second Consideration would be equal to approximately HK\$5.33 million.

Given that the Silvercord Second Consideration was determined with reference to the market value of the Silvercord Carparking Spaces as evaluated by the Valuer and the remaining assets and liabilities of the Silvercord Second Target Companies as well as the aggregate amount of the Silvercord Second Sale Loan (less the aggregate amount of the Silvercord Second Assumed Debt) were set by their face value on a dollar-to-dollar basis, we are of the view that the aforesaid formula for calculating the Silvercord Second Consideration are fair and reasonable.

LETTER FROM GRAM CAPITAL

(ii) The Second Valuation

To further assess the fairness and reasonableness of the Silvercord Second Consideration, we have reviewed the Valuation Report and discussed with the Valuer regarding the methodology adopted and the basis and assumptions used in arriving at the Second Valuation. In the course of our discussion, we noted that the Valuer carried out a site visit to the Silvercord Carparking Spaces on 2 September 2014 to research for the necessary information for determining the market value of the Silvercord Carparking Spaces. Based on the Valuation Report, the Valuer has adopted the direct comparison method and where appropriate the investment method, both of which are under the market approach for the Second Valuation. As further confirmed by the Valuer, the market approach is commonly adopted for valuation of carparking spaces in Hong Kong and is also consistent with normal market practice. For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer for conducting the Second Valuation. As aforesaid, from the mandate letter and other relevant information provided by the Valuer and based on our interview with it, we are satisfied with the terms of engagement of the Valuer as well as its qualification and experience for preparation of the Valuation Report. The Valuer has also confirmed that it is independent to the Group, the Moon Ocean Target Companies, the Silvercord Target Companies, One Midland, Fly High Target, Coast Field and Mr. Lau.

Further details of the basis and assumptions of the Second Valuation are included in the Valuation Report as contained in Appendix II to the Circular. During our discussion with the Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for or the information used in the Second Valuation. Nevertheless, Shareholders should note that valuation of assets or properties usually involves assumptions and therefore the Second Valuation may or may not reflect the true market value of the Silvercord Carparking Spaces accurately.

In view of the above basis for calculation of the Silvercord Second Consideration (including the Second Valuation), we consider that the Silvercord Second Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

The Silvercord Second Provisional Consideration

At completion of the Silvercord Second SP Agreement, Fly High Target shall pay to Super Series the Silvercord Second Provisional Consideration. The difference between the Silvercord Second Provisional Consideration and the Silvercord Second Consideration will be settled in cash or cheque within seven Business Days after the Silvercord Second Completion Accounts have become available.

LETTER FROM GRAM CAPITAL

The Silvercord Second Provisional Consideration equals to the aggregate of the unaudited consolidated net assets of the Silvercord Second Target Companies as at 30 June 2014 taking into account of the Second Valuation and the unaudited figures of the amounts of the Silvercord Second Sale Loan less the Silvercord Second Assumed Debt as at 30 June 2014, i.e. approximately HK\$5,113,483.

Since certain time is required for preparation of the Silvercord Second Completion Accounts, we concur with the Directors that the payment terms above are acceptable.

The Silvercord Third SP Agreement

On 1 September 2014, CEL (as vendor), the Company (as vendor guarantor), Coast Field (as purchaser) and Mr. Lau (as purchaser guarantor), entered into the Silvercord Third SP Agreement, pursuant to which CEL agreed to sell and Coast Field agreed to purchase the Silvercord Third Sale Shares and the Silvercord Third Sale Loan. As at 30 June 2014, the Silvercord Third Sale Loan amounted to approximately HK\$2,336.79 million based on the unaudited accounts of CE Finance.

The Silvercord Third Consideration

Pursuant to the Silvercord Third SP Agreement, the Silvercord Third Consideration shall be equal to the aggregate of:

- (a) the net asset value or liabilities of CE Finance; and
- (b) the aggregate face amount of the Silvercord Third Sale Loan, less the aggregate face amount of the Silvercord Third Assumed Debt.

If the Silvercord Third Consideration is a negative figure or less than HK\$2, the Silvercord Third Consideration shall be deemed to be HK\$2, and in addition, if it is a negative figure, CEL shall, within seven Business Days after the determination of the Silvercord Third Consideration, pay to Coast Field the Negative Consideration as consideration for Coast Field in substance acquiring a negative equity of CE Finance, or in lieu of such direct payment of the Negative Consideration to Coast Field, the parties agree that the payment obligations of CEL for the Negative Consideration will be deemed fully satisfied and discharged if the Negative Consideration is set-off against and deducted from the Silvercord First Consideration payable by Fly High Target under the terms of the Silvercord First SP Agreement.

LETTER FROM GRAM CAPITAL

The Silvercord Third Consideration is subject to a cap amount of HK\$10 million. Furthermore, based on the unaudited accounts of CE Finance, (i) the unaudited net assets of CE Finance were approximately HK\$1.07 million as at 30 June 2014; (ii) the aggregate face amount of the Silvercord Third Sale Loan was approximately HK\$2,336.79 million as at 30 June 2014; and (iii) the aggregate face amount of the Silvercord Third Assumed Debt was approximately HK\$4,011.47 million as at 30 June 2014. Accordingly, the Negative Consideration as at 30 June 2014 amounted to approximately HK\$1,673.60 million (i.e. the Negative Provisional Consideration) and the Silvercord Third Consideration would be deemed to be HK\$2.

Given that the Silvercord Third Consideration and the Negative Consideration were determined with reference to the assets and liabilities of CE Finance as well as the aggregate amount of the Silvercord Third Sale Loan (less the aggregate amount of the Silvercord Third Assumed Debt) by their face value on a dollar-to-dollar basis, we are of the view that the aforesaid formula for calculating the Silvercord Third Consideration/Negative Consideration and the Silvercord Third Consideration/Negative Consideration are fair and reasonable so far as the Independent Shareholders are concerned.

The Silvercord Third Provisional Consideration

At completion of the Silvercord Third SP Agreement, Coast Field shall pay to CEL the Silvercord Third Provisional Consideration. The difference between the Silvercord Third Provisional Consideration and the Silvercord Third Consideration will be settled in cash or cheque within seven Business Days after the Silvercord Third Completion Accounts have become available.

The Silvercord Third Provisional Consideration is deemed to be HK\$2 and the Negative Provisional Consideration equals to the aggregate of the unaudited net assets of CE Finance as at 30 June 2014 and the unaudited figures of the amounts of the Silvercord Third Sale Loan less the Silvercord Third Assumed Debt as at 30 June 2014.

Since certain time is required for preparation of the Silvercord Third Completion Accounts, we concur with the Directors that the payment terms above are acceptable.

Completion of the SP Agreements

Subject to the Conditions Precedent having been satisfied, completion of the Moon Ocean SP Agreement shall take place on the Moon Ocean Completion Date, and completion of the Silvercord SP Agreements shall take place on the Silvercord Completion Date upon and subject to their respective terms. Completion of all the Silvercord SP Agreements shall take place simultaneously.

LETTER FROM GRAM CAPITAL

Conclusion on the principal terms of the SP Agreements

In light of the aforementioned principal terms of the SP Agreements, we consider that the terms of each of the SP Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. Non-competition undertaking by Mr. Lau

In consideration of Super Series and the Company entering into each of the Silvercord First SP Agreement and the Silvercord Second SP Agreement, Mr. Lau has undertaken to Super Series and the Company in each of the Silvercord First SP Agreement and the Silvercord Second SP Agreement that so long as he and/or his close associate(s) (including without limitation Fly High Target) is/are the owner(s) of the Properties and so long as he or his close associate(s) is a Director, whenever there is any Potential Tenant approaching the Relevant Owner or its agent for a Potential Lease, Mr. Lau will not and, will procure the Relevant Owner not to, accept or enter into the Potential Lease unless the followings steps have been done:

- (a) the Relevant Owner has notified the Company (or any person designated by the Company from time to time to receive notification from the Relevant Owner for such purpose) the opportunity for the Potential Lease and referred the Potential Tenant to the Group for a potential lease, tenancy or license of the properties owned by the Group, except that no such notification and referral need to be made by the Relevant Owner if the Potential Tenant disagrees with or refuses to such notification and referral (in which case the Relevant Owner shall be free to take up the Potential Lease); and
- (b) following the notification and referral mentioned in paragraph (a) above, the Group has decided not to accept the Potential Tenant for the lease, tenancy or licence of its properties and conveyed its decline decision to the Relevant Owner or the Group has not notified in writing to the Relevant Owner its decision to accept the Potential Tenant within three weeks of the notification and referral mentioned in paragraph (a) above.

Shareholders may also refer to the section headed “Competing interests” of the Board Letter with regard to the measures which the Company proposes to adopt to monitor the compliance of the above undertakings.

We concur with the Directors that the above measures would be able to resolve the potential competition conflict between Mr. Lau or his close associate(s) and the Group that may follow from the completion of the Disposal Transactions and thus are favourable to the Company.

LETTER FROM GRAM CAPITAL

4. Possible financial effects of the Disposal Transactions

As confirmed by the Directors, after completion of the Moon Ocean SP Agreement and the Silvercord SP Agreements, the Moon Ocean Target Companies, the Silvercord First Target Companies, the Silvercord Second Target Companies and CE Finance will cease to be subsidiaries of the Company respectively, and their financial results, assets and liabilities will cease to be consolidated with the accounts of the Company.

The Moon Ocean SP Agreement

As extracted from the Board Letter, it is estimated that the Group will record a gain of approximately HK\$2,901 million on completion of the Moon Ocean SP Agreement. Such gain is estimated based on the Moon Ocean Provisional Consideration, less the carrying amount of the net liabilities of the Moon Ocean Target Companies and the Moon Ocean Sale Loan as at 30 June 2014. However, transaction costs of the disposal of the Moon Ocean Target Companies of approximately HK\$7 million will be deducted from the gain above. The actual gain on completion of the Moon Ocean SP Agreement might be different given that the above estimate is based on the net liabilities of the Moon Ocean Target Companies and the Moon Ocean Sale Loan as at 30 June 2014 which might be different from those on the Moon Ocean Completion Date.

As also advised by the Directors, the completion of the Moon Ocean SP Agreement would increase the net asset value and working capital of the Group while reducing its gearing ratio.

The Silvercord SP Agreements

As extracted from the Board Letter, it is estimated that the Group will record no gain or loss on completion of the Silvercord SP Agreements. Such gain or loss is estimated based on the Silvercord Provisional Consideration, less (i) the aggregate carrying amount of the net asset value or liabilities (as the case may be) of the Silvercord First Target Companies, the Silvercord Second Target Companies and CE Finance as at 30 June 2014 after adjusting the carrying amounts of the Properties to their market values as at 29 August 2014; and (ii) the Silvercord Sale Loans less the Silvercord Assumed Debts as at 30 June 2014. However, transaction costs of the disposal of the Silvercord First Target Companies, the Silvercord Second Target Companies and CE Finance of approximately HK\$7 million will be recorded as a loss on disposal. The actual gain or loss on completion of the Silvercord SP Agreements might be different given that the above estimate is based on the net asset value or liabilities of the Silvercord Target Companies (as the case may be, taking into account the market values of the Properties as at 29 August 2014), the Silvercord Sale Loans and the Silvercord Assumed Debts as at 30 June 2014, which might be different from those on the Silvercord Completion Date (in which case a gain or loss may arise if the net asset value or liabilities of the Silvercord Target Companies (as the case may be) calculated based on the carrying amounts of the Properties as at the Silvercord Completion Date is different from the Silvercord Consideration calculated based on the market values of the Properties as at 29 August 2014).

LETTER FROM GRAM CAPITAL

As also advised by the Directors, the completion of the Silvercord SP Agreements would increase the net asset value and working capital of the Group while reducing its gearing ratio.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the SP Agreements.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the SP Agreements and the Disposal Transactions are fair and reasonable; (ii) the SP Agreements and the Disposal Transactions are on normal commercial terms and are conducted in the ordinary and usual course of business of the Group (except that the entering into of the Moon Ocean SP Agreement was not conducted in the ordinary and usual course of business of the Group). Notwithstanding that the entering into of the Moon Ocean SP Agreement was not conducted in the ordinary and usual course of business of the Group, (i) the Moon Ocean SP Agreement provides a good opportunity for the Group to dispose of the Macau Land; (ii) the proposed disposal contemplated under the Moon Ocean SP Agreement would allow the Group to recover the original investment costs (without any impairment) in the Macau Land together with the costs of funding the Macau Land; and (iii) after completion of the Moon Ocean SP Agreement, the Group would be able to focus on other existing business operations of the Group and pursue other investment opportunities when available. In view of the above, we are of the opinion that the SP Agreements and the Disposal Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the SP Agreements and the Disposal Transactions, and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 are disclosed in the annual reports of the Company for the years ended 31 December 2011, 2012 and 2013 and the interim results announcement of the Company for the six months ended 30 June 2014. These annual reports and interim results announcement are published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.chineseestates.com>):

- annual report of the Company for the year ended 31 December 2011 published on 24 April 2012 (pages 71 - 212);
- annual report of the Company for the year ended 31 December 2012 published on 19 April 2013 (pages 83 - 232);
- annual report of the Company for the year ended 31 December 2013 published on 14 April 2014 (pages 79 - 241); and
- interim results announcement of the Company for the six months ended 30 June 2014 published on 28 August 2014 (pages 1 - 21).

2. INDEBTEDNESS

Borrowings

At the close of business on 31 August 2014, being the latest practicable date for the purpose of this indebtedness prior to the printing of this circular, the Group had outstanding borrowings as follow:

	31 August 2014
	<i>HK\$'000</i>
Secured bank loans	16,770,515
Other secured loans	2,252,885
Amounts due to associates	51,419
Amounts due to investee companies	27,085
Amounts due to non-controlling shareholders	448,043
	<u>19,549,947</u>
	<u><u>19,549,947</u></u>

The bank loans and the other loans were secured by the Group's investment properties, other fixed assets, investments held-for-trading, bonds and pledged deposit.

Guarantees

As at 31 August 2014, the Group continued to provide (i) financial guarantees on banking facilities granted to the Group's subsidiaries and associates; and (ii) rental guarantee of certain disposed properties to certain purchasers. Details of the guarantees are as follow:

	31 August 2014
	<i>HK\$'000</i>
Guarantees given to banks in respect of banking facilities utilised by associates	845,592
Guarantees given to a bank in respect of banking facilities in lieu of the cash public utility deposit jointly utilised by subsidiaries	15,000
Repurchase guarantee given to banks in respect of mortgages facilities given to property purchasers by subsidiaries	22,461
Rental guarantee given to certain property purchasers of a subsidiary	37,938
	<u>920,991</u>

Contingent liabilities

As disclosed in the Previous Announcements, the Company's 2013 annual report, the Company's 2014 interim results announcement and elsewhere in this circular, Moon Ocean lodged the Appeals to the Court of Second Instance of Macau against each of the Decision and the Second Decision made by the Chief Executive of Macau. Up to 31 August 2014, the Appeals are still in progress.

During the course of the development of the Development on the Macau Land, Moon Ocean has entered into construction and consultancy contracts with contractors and consultants. The total anticipated outstanding committed amount of these construction and consultancy contracts are approximately HK\$2.8 billion as at 31 August 2014.

Should the final outcome of the Appeals be unfavourable to the Group, Moon Ocean may consider entering into cancellation agreements with these contractors and consultants for the Development. Adjustments may be necessary to be made to the liabilities arising from the outstanding contractual obligations under these construction and consultancy contracts should there be claims from these contractors and consultants.

Regarding the presale of the Development commenced since March 2012, the Group recorded contracted sales on sale of properties of approximately HK\$3,825 million as at 31 August 2014, representing presale of 302 units of the Development, after cancellation of 2 contracted sales, and sales deposits of approximately HK\$384 million have been received by the Group.

Up to 31 August 2014, Moon Ocean entered into agreements in revocation and cancellation of the binding letters of offer and the promissory sale and purchase agreements of 284 presold property units under the Development and an accumulated amount of sales deposits of approximately HK\$358 million and interests of approximately HK\$57 million were repaid to the promissory purchasers. As at 31 August 2014, sales deposits of the remaining 18 units amounted to approximately HK\$26 million. A provision of approximately HK\$5 million would be recognised for the interest incurred for the remaining 18 units as if such revocation and cancellation arrangement has been accepted up to 31 August 2014. Adjustments may be necessary to be made should there be claims made by promissory purchasers of the Development in the presale.

The Directors are of the opinion that the Group will pursue for further legal proceedings to the Appeals. Based on the preliminary advice from the Company's legal advisers, the Group, other than the Moon Ocean Target Companies, would not be liable to these contingent liabilities upon completion of the Moon Ocean SP Agreement.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business of the Group, as at the close of business on 31 August 2014, the Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

The Directors confirm that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited accounts of the Group were made up to, up to and including the Latest Practicable Date, save as disclosed in the profit warning announcement and interim results announcement of the Company published on 8 August 2014 and 28 August 2014, respectively, the Group recorded a decline in revenue and decrease in profit for the six months ended 30 June 2014 as compared with the six months ended 30 June 2013. It was primarily due to absence of completion of development projects and decrease in the fair value gain on investment properties.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of the Group's internal resources, cash flow from operations, the present facilities available and also the effect of the Disposal Transactions, the Group will have sufficient working capital to satisfy its present requirements, that is, for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Given the dissipation of the negative factors, the economic environment of the United States and the European countries are improving. The Group believes that any change to the global monetary policies in future is likely to be gradual and at a controlled pace. In this respect, the global economy is looking less fluctuating and is expected to continue recover in the times ahead.

The Group sees promising future in its core businesses. The Group's retail investment properties consistently recorded satisfactory rental growth, however, rental rates for certain retail business sectors have showed the sign of reaching the peak. In light of changing consumption patterns, the Group is keen to conduct periodic reviews of the tenant mix of its prime shopping malls so as to introduce more popular restaurants, trendy fashion and attractive brands to further boost customer flow and spending. It is expected that the Group will continue to enjoy stable rental growth.

So far, the Group's office properties continued to record high occupancy rate. With the solid demand for quality commercial premises in prime locations, it is expected that the Group's office properties will continue to lease well.

Government policies will remain a major factor in determining the direction of the local property market. Nevertheless, the demand for local residential properties remains strong. The Group expects its property development business in Hong Kong will be optimistic.

In the transformation of the economic growth mechanism, the Central Government timely implemented several stimulative policies to ensure that the economy is operating within a reasonable range. In addition, under the decentralisation and market-oriented principal, administrative intervention measures such as restriction on property purchasing have been gradually relaxed, which will benefit for the long-term healthy development of the property industry in the PRC. The Group believes that the economic growth of the PRC will be steadily maintained. Following the reforms on land, fiscal and tax and as the policies for housing supply system are executed by the Central Government, a more mature and market-based mechanism will firm up. In this connection, the Group is optimistic about the property market in the PRC.

The Group will continue observing the property markets of Hong Kong, the PRC and overseas and will replenish its land bank and expand its investment property portfolio if opportunities arise.

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from B.I. Appraisals Limited, an independent property valuer, in connection with its opinion of market values of the Properties of the Group as at 29 August 2014.



B. I. Appraisals Limited
保柏國際評估有限公司

Registered Professional Surveyors, Valuers & Property Consultants

Unit 1301, 13/F, Tung Wai Commercial Building,
Nos.109-111 Gloucester Road, Wan Chai, Hong Kong

Tel: (852) 2127 7762 Fax: (852) 2137 9876

Email: info@biappraisals.com

Website: www.bigroupchina.com

23 September 2014

The Directors
Chinese Estates Holdings Limited
26th Floor, MassMutual Tower
38 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

**RE: FIVE (5) PROPERTIES IN SILVERCORD, NO. 30 CANTON ROAD, TSIM SHA TSUI,
KOWLOON, HONG KONG**

In accordance with the instruction from Chinese Estates Holdings Limited (hereinafter referred to as the “**Company**”) for us to carry out valuation of the property interests in the captioned properties (detailed addresses of which are more particularly stated in the Summary of Values attached herewith, hereinafter referred to as the “**Properties**”), which are held by the Company and/or its subsidiaries (hereinafter together referred to as the “**Group**”), we confirm that we have carried out inspection, conducted land searches at the Land Registry, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of the property interests as at 29 August 2014 (hereinafter referred to as the “**Date of Valuation**”).

It is our understanding that this valuation document is to be used by the Company for disclosure purpose.

This letter, forming part of our valuation report, identifies the property interests being valued, explains the basis and methodology of our valuation, and lists out the assumptions and the title investigation we have made in the course of our valuations, as well as the limiting conditions.

BASIS OF VALUATION

Our valuation of the property interest in each of the Properties is our opinion of its market value which we would define as intended to mean “an estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Our valuations have been carried out in accordance with The HKIS Valuation Standards 2012 Edition published by The Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

VALUATION APPROACH AND METHODOLOGY

We have focused our valuations by using the Market Approach. In valuing the property interests, which are held for investment by the Group, we have adopted the Direct Comparison Method assuming such property is capable of being sold in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market, or, wherever appropriate, the Investment Method by capitalising the net rental income derived from existing tenancies with due allowance for the reversionary potential of such properties.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that such property interests are sold in the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement that might serve to affect their values. In addition, no account has been taken of any option or right of pre-emption concerning or effecting a sale and no forced sale situation in any manner is assumed in our valuations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoing of an onerous nature that could affect their values.

Apart from the above, we have made further assumptions as follows:

- a) Each of the Properties has been constructed, occupied and used in full compliance with, and without contravention of all ordinances, except only where otherwise stated.
- b) Each of the Properties is finished and maintained in reasonable condition commensurate with its age and use and is in its original layout without any unauthorised alteration.
- c) All consents, approvals, required licences, permits, certificates and authorisations have been obtained, except only where otherwise stated, for the use of each of the Properties upon which our valuation is based.

TITLE INVESTIGATION

We have conducted title searches at the Land Registry for the property interests and have examined the original title deeds for Property Nos. 2 to 5 stated in the Summary of Values. We did not note the existence of any amendments to the copies as available from the Land Registry. However, the original title deed for Property No. 1 stated in the Summary of Values has not been made available for our inspection. We assume no responsibility for matters legal in nature nor do we render any opinion as to the title to the property interests that is assumed to be good and marketable.

LIMITING CONDITIONS

We have inspected the exterior, and where possible, the interior of the Properties on 2 September 2014. However, no structural survey has been made nor have any tests been carried out on any of the building services provided in the Property. We are, therefore, not able to report that the Properties are free from rot, infestation or any other structural defects. Yet, in the course of our inspections, we did not note any serious defects.

We have not conducted any on-site measurement to verify the correctness of the floor areas of the Properties but have assumed that the areas shown on the documents furnished to us are correct. Dimensions, measurements and areas included in the valuation certificates attached are based on information contained in the documents provided to us by the Group and are therefore approximations only.

Moreover, we have not carried out any site investigations to determine or otherwise the suitability of the ground conditions, the presence or otherwise of contamination and the provision of or otherwise suitability for services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred in the event of any future development.

We have relied to a considerable extent on the information and advices given or made available to us by the Group and the relevant government authorities on such matters as planning approvals, statutory notices, easements, tenures, particulars of occupancy, tenancy agreements and all other relevant matters. We have not seen original planning consents and have assumed that the Properties are erected, occupied and used in accordance with such consents.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We were also advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

CURRENCY

Unless otherwise stated, all monetary amounts stated in our valuation report are in Hong Kong Dollars.

REMARKS

We hereby confirm that we have neither present nor prospective interests in the Group, the Properties or the values reported herein.

Our Summary of Values and the Valuation Certificates are enclosed herewith.

Yours faithfully,
For and on behalf of
B.I. APPRAISALS LIMITED
William C. K. Sham
Registered Professional Surveyor (G.P.)
China Real Estate Appraiser
MRICS, MHKIS, MCIREA
Executive Director

Notes:

- (1) Mr. William C. K. Sham is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors. Mr. Sham has over 30 years' experience in the valuation of properties in Hong Kong and has over 15 years' experience in the valuation of properties in the People's Republic of China and the Asia Pacific regions.*
- (2) Inspections of the Properties were carried out on 2 September 2014 by Mr. Ken Tsang, Assistant Manager, who has more than 13 years' experience in the valuation of properties in Hong Kong and the People's Republic of China.*

SUMMARY OF VALUES

Property	Market value in existing state as at 29 August 2014 (HK\$)
1. Shops, Restaurant and Coffee Shop on Basement, Shops on Lower Ground Floor, Shops (excluding Shop No. 38) on Ground Floor, Shops (excluding Shop No. 39) on 1st Floor, Shops (excluding Shop No. 41) on 2nd Floor, the whole 3rd Floor and Car Parking Space Nos. 2, 6, 8, 9, 21, 24, 25, 29, 34 and 35 on Basement, Silvercord, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	9,290,800,000
2. Car Parking Space No. 1 on Basement, Silvercord, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	1,070,000
3. Car Parking Space No. 7 on Basement, Silvercord, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	1,070,000
4. Car Parking Space No. 26 on Basement, Silvercord, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	1,070,000
5. Car Parking Space No. 30 on Basement, Silvercord, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	1,070,000
Total:	9,295,080,000

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 29 August 2014
<p>1. Shops, Restaurant and Coffee Shop on Basement, Shops on Lower Ground Floor, Shops (excluding Shop No. 38) on Ground Floor, Shops (excluding Shop No. 39) on 1st Floor, Shops (excluding Shop No. 41) on 2nd Floor, the whole 3rd Floor and Car Parking Space Nos. 2, 6, 8, 9, 21, 24, 25, 29, 34 and 35 on Basement, Silvercord, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong</p> <p>4,152/13,615th equal and undivided shares of and in Kowloon Inland Lot No. 10656</p>	<p>Silvercord, built in about 1983, is a 20-storey commercial complex consisting of two 14-storey office towers built over a 6-level commercial/carport podium. It is located on the eastern side of Canton Road at its junction with Haiphong Road within the commercial hub of Tsim Sha Tsui.</p> <p>The property comprises retail shops of various nature and restaurants on Basement, Lower Ground, Ground, 1st and 2nd Floors (excluding Shop No. 38 on Ground Floor, Shop No. 39 on 1st Floor and Shop No. 41 on 2nd Floor) and the whole of 3rd Floor together with 10 car parking spaces on Basement.</p> <p>The total gross floor area of the property (excluding car parking areas) is approximately 22,225 sq.m. (239,230 sq.ft.).</p> <p>Kowloon Inland Lot No. 10656 is held under Conditions of Sale No.11435 for a term of 75 years commencing from 30 September 1980 renewable for a further term of 75 years.</p> <p>The Government Rent payable for the subject lot is HK\$1,000 per annum.</p>	<p>The property (excluding the car parking spaces) is let under various tenancies and monthly licences, yielding a total monthly rent of about HK\$40.58 million exclusive of rates and service charges.</p> <p>In addition, the total turnover rent income received in 2013 amounted to approximately HK\$27,646,650.</p> <p>The car parking spaces, except for Car Parking Space No. 2 that is occupied by the Group, are licensed at a total monthly licence fee of HK\$40,724.</p>	<p>HK\$9,290,800,000</p> <p>(100% interest attributable to the Group: HK\$9,290,800,000)</p>

Notes:

- 1) The registered owner of the property is Silvercord Limited held under Conditions of Sale No. 11435 of Kowloon Inland Lot No. 10656.
- 2) The property is subject to the following encumbrances registered in the Land Registry:
 - a) Tenancy Agreement (re: Shop No. G09 only) for 3 years from 1 September 2011 to 31 August 2014 with an option to renew the tenancy for a further term of 3 years in favour of Warnaco Asia Limited vide Memorial No. 11081201850158 dated 14 July 2011;

- b) Legal Charge and Debenture in favour of Bank of China (Hong Kong) Limited vide Memorial No. 13031502390057 dated 8 March 2013;
 - c) Tenancy Agreement (re: Shop Nos. G01-G02, 101-102 and 203-204 only) for 3 years from 1 March 2012 to 28 February 2015 with an option to renew for 3 years in favour of Longchamp Company Limited vide Memorial No. 13123001800012 dated 12 March 2012;
- 3) The subject lot lies within an area currently zoned as “Commercial (6)” on the Approved Tsim Sha Tsui Outline Zoning Plan No. S/K1/28 gazetted on 13 December 2013.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 29 August 2014
<p>2. Car Parking Space No. 1 on Basement, Silvercord, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong</p> <p>2/13,615th equal and undivided shares of and in Kowloon Inland Lot No. 10656</p>	<p>Silvercord, built in about 1983, is a 20-storey commercial complex consisting of two 14-storey office towers built over a 6-level commercial/carport podium. It is located on the eastern side of Canton Road at its junction with Haiphong Road within the commercial hub of Tsim Sha Tsui.</p>	<p>The property is subject to a licence yielding a monthly income of HK\$4,000 exclusive of rates and service charges.</p>	<p>HK\$1,070,000</p> <p>(100% interest attributable to the Group: HK\$1,070,000)</p>
	<p>The property comprises a car parking space on Basement.</p>		
	<p>Kowloon Inland Lot No. 10656 is held under Conditions of Sale No.11435 for a term of 75 years commencing from 30 September 1980 renewable for a further term of 75 years.</p>		
	<p>The Government Rent payable for the subject lot is HK\$1,000 per annum.</p>		

Notes:

- 1) The registered owner of the property is Luck Business Limited vide Memorial No. 07031700480108 dated 28 February 2007.
- 2) The subject lot lies within an area currently zoned as "Commercial (6)" on the Approved Tsim Sha Tsui Outline Zoning Plan No. S/K1/28 gazetted on 13 December 2013.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 29 August 2014
<p>3. Car Parking Space No. 7 on Basement, Silvercord, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong</p> <p>2/13,615th equal and undivided shares of and in Kowloon Inland Lot No. 10656</p>	<p>Silvercord, built in about 1983, is a 20-storey commercial complex consisting of two 14-storey office towers built over a 6-level commercial/carport podium. It is located on the eastern side of Canton Road at its junction with Haiphong Road within the commercial hub of Tsim Sha Tsui.</p> <p>The property comprises a car parking space on Basement.</p> <p>Kowloon Inland Lot No. 10656 is held under Conditions of Sale No.11435 for a term of 75 years commencing from 30 September 1980 renewable for a further term of 75 years.</p> <p>The Government Rent payable for the subject lot is HK\$1,000 per annum.</p>	<p>The property is subject to a licence yielding a monthly income of HK\$4,000 exclusive of rates and service charges.</p>	<p>HK\$1,070,000</p> <p>(100% interest attributable to the Group: HK\$1,070,000)</p>

Notes:

- 1) The registered owner of the property is Right Wide Limited vide Memorial No. 07031700480118 dated 28 February 2007.
- 2) The subject lot lies within an area currently zoned as "Commercial (6)" on the Approved Tsim Sha Tsui Outline Zoning Plan No. S/K1/28 gazetted on 13 December 2013.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 29 August 2014
<p>4. Car Parking Space No. 26 on Basement, Silvercord, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong</p> <p>2/13,615th equal and undivided shares of and in Kowloon Inland Lot No. 10656</p>	<p>Silvercord, built in about 1983, is a 20-storey commercial complex consisting of two 14-storey office towers built over a 6-level commercial/carport podium. It is located on the eastern side of Canton Road at its junction with Haiphong Road within the commercial hub of Tsim Sha Tsui.</p> <p>The property comprises a car parking space on Basement.</p> <p>Kowloon Inland Lot No. 10656 is held under Conditions of Sale No.11435 for a term of 75 years commencing from 30 September 1980 renewable for a further term of 75 years.</p>	<p>The property is subject to a licence yielding a monthly income of HK\$3,500 exclusive of rates and service charges.</p>	<p>HK\$1,070,000</p> <p>(100% interest attributable to the Group: HK\$1,070,000)</p>
	<p>The Government Rent payable for the subject lot is HK\$1,000 per annum.</p>		

Notes:

- 1) The registered owner of the property is Mark Best Limited vide Memorial No. 07031700480125 dated 28 February 2007.
- 2) The subject lot lies within an area currently zoned as "Commercial (6)" on the Approved Tsim Sha Tsui Outline Zoning Plan No. S/K1/28 gazetted on 13 December 2013.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 29 August 2014
5. Car Parking Space No. 30 on Basement, Silvercord, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong 2/13,615 th equal and undivided shares of and in Kowloon Inland Lot No. 10656	<p>Silvercord, built in about 1983, is a 20-storey commercial complex consisting of two 14-storey office towers built over a 6-level commercial/carport podium. It is located on the eastern side of Canton Road at its junction with Haiphong Road within the commercial hub of Tsim Sha Tsui.</p> <p>The property comprises a car parking space on Basement.</p> <p>Kowloon Inland Lot No. 10656 is held under Conditions of Sale No.11435 for a term of 75 years commencing from 30 September 1980 renewable for a further term of 75 years.</p> <p>The Government Rent payable for the subject lot is HK\$1,000 per annum.</p>	<p>The property is subject to a licence yielding a monthly income of HK\$4,500 exclusive of rates and service charges.</p>	<p>HK\$1,070,000 (100% interest attributable to the Group: HK\$1,070,000)</p>

Notes:

- 1) The registered owner of the property is Huge Top Limited vide Memorial No. 07031700480132 dated 28 February 2007.
- 2) The subject lot lies within an area currently zoned as "Commercial (6)" on the Approved Tsim Sha Tsui Outline Zoning Plan No. S/K1/28 gazetted on 13 December 2013.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he/she was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to Appendix 10 of the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long Positions

The Company

Name of Directors	Number of Shares Held	Note	Capacity	Percentage of Issued Share Capital
Lau, Ming-wai	1,430,700,768	*	Beneficiary of trust	74.99%
Lui, Lai-kwan	1,430,700,768	*	Interest of children under 18	74.99%

Note:

- * These shares were indirectly owned by a discretionary trust of which Mr. Lau, Ming-wai and the children of Ms. Lui, Lai-kwan were eligible beneficiaries of that trust.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial Shareholders

So far as was known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, persons other than a Director or chief executive of the Company who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or held any option in respect of such capital were as follows:

Long Positions

Name of Substantial Shareholders	Number of Shares Held	Notes	Capacity	Percentage of Issued Share Capital
Mr. Lau	1,430,700,768	^	Founder and beneficiary of trust	74.99%
Alto Trust Limited	1,430,700,768	#	Trustee and interest in controlled corporation	74.99%
Solar Bright Ltd.	1,430,700,768	#	Beneficiary of a trust and interest in controlled corporation	74.99%
Global King (PTC) Ltd.	1,199,715,948	#	Trustee	62.89%
Joseph Lau Luen Hung Investments Limited	230,984,820	#	Beneficial owner	12.10%

Notes:

^ These shares were indirectly owned by a discretionary trust of which Mr. Lau was the founder. Mr. Lau and his certain other family members were eligible beneficiaries of that trust.

Alto Trust Limited as trustee of a discretionary trust held the entire issued share capital of Solar Bright Ltd. and therefore was regarded as interested in the same parcel of shares held by Solar Bright Ltd.. Solar Bright Ltd. held the entire issued share capital of Global King (PTC) Ltd. and all issued units in a unit trust of which Global King (PTC) Ltd. was the trustee and therefore was regarded as interested in the same parcel of shares held by Global King (PTC) Ltd. as trustee of the unit trust. Solar Bright Ltd. also held the entire issued share capital of Joseph Lau Luen Hung Investments Limited and therefore was also regarded as interested in the same parcel of shares held by Joseph Lau Luen Hung Investments Limited. As such, the 1,430,700,768 shares of the Company in which Solar Bright Ltd. was deemed to be interested represented the aggregate of the 1,199,715,948 shares and 230,984,820 shares of the Company held by Global King (PTC) Ltd. and Joseph Lau Luen Hung Investments Limited respectively, which was referred to in the interests of Mr. Lau, Ming-wai and the interests of children under 18 of Ms. Lui, Lai-kwan as disclosed under "Interests of Directors and chief executive of the Company".

Save as disclosed above, so far as was known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, no persons other than a Director or chief executive of the Company had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or held any option in respect of such capital.

Save as disclosed above, none of the Directors was a director or an employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. MATERIAL LITIGATION

Save as disclosed below, as at the Latest Practicable Date, so far as known to the Directors, there is no litigation, arbitration or claim of material importance in which the Group is engaged or pending or threatened against the Group.

Chenghai Royal Garden, Shantou, the PRC

In relation to certain property interests located in Chenghai Royal Garden, Shantou, the PRC, the Group, for the purpose of property development, entered into a contract for Pre-registration of Grant of State-owned Land Use Right ("**Contract**") with the district bureau of Chenghai dated 5 August 1992, had made certain down payment. However, the Group subsequently determined not to proceed with the land requisition and requested for refund.

In April 2005, the Group commenced legal proceedings at the Shantou City Intermediate People's Court ("**Intermediate Court**") to terminate the Contract with the Shantou City Planning and State-owned Land Resources Bureau ("**Chenghai Bureau**"). In view of the uncertainty in the recoverability of the amount claimed and any other entitlements under the Contract, the Group had made a full provision for an impairment loss of HK\$71,118,000 during 2004.

On 28 December 2006, the Intermediate Court made a judgment in favour of the Group.

After having gone through a series of appeals to the High People's Court of Guangdong Province ("**High Court**") and the Supreme People's Court, the case was remitted to the Intermediate Court for rehearing. On 5 December 2012, the Intermediate Court delivered a judgment in favour of the Group and upheld the majority claims of the Group. Chenghai Bureau submitted an application for appeal to the High Court on 26 December 2012 against the said judgment. On 4 January 2013, the Group also submitted an application for appeal to the High Court in respect of those remaining minority claims of the Group that were not upheld by the Intermediate Court.

On 8 May 2013, the High Court held a case hearing. On 3 December 2013, the High Court delivered the judgment which upheld the ruling of the Intermediate Court and dismissed the appeals of both parties. On 30 March 2014, the Group has submitted an application for the enforcement of judgment to the Intermediate Court and the application is accepted by the Intermediate Court on 1 April 2014.

Appeals lodged by Moon Ocean

Moon Ocean lodged the Appeals to the Court of Second Instance of Macau against each of the Decision and the Second Decision made by the Chief Executive of Macau. For details, please refer to the paragraph headed “INDEBTEDNESS – Contingent liabilities” in Appendix I to this circular.

4. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors entered or proposed to enter into any service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation other than statutory compensation.

5. MATERIAL CONTRACTS

During the two years immediately preceding the date of this circular, the following contracts, not being contracts entered into in the ordinary course of business, have been entered by the Company and/or members of the Group and are or may be material:

- (a) the sale and purchase agreement dated 5 September 2012 entered into among Loyal Pride Limited (an indirect wholly-owned subsidiary of the Company), the Company and Dynamic Grand Limited (an independent third party) for the sale of shares in Grandday Group Limited at a total consideration of US\$500 million (equivalent to approximately HK\$3,878.45 million);
- (b) the sale and purchase agreement dated 5 December 2012 entered into among Billion Up Limited (an indirect wholly-owned subsidiary of the Company), the Company and China Lerthai Commercial Real Estate Holdings Limited (an independent third party) for the sale of shares in Chi Cheung Investment Company, Limited (now known as LT Commercial Real Estate Limited) for a final consideration of approximately HK\$559,199,000; and
- (c) the SP Agreements.

6. INTEREST IN ASSETS OR CONTRACTS

- (a) As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have since 31 December 2013, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.

- (b) As at the Latest Practicable Date, save for the SP Agreements, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which contract or arrangement was subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, Mr. Lam, Kwong-wai is a non-executive director of LT Commercial Real Estate Limited ("LT") (a company whose shares are listed on the Stock Exchange). LT is engaged in securities investment and financing, property investment and property development business. As such, Mr. Lam, Kwong-wai was regarded as being interested in such business which competed or were likely to compete with the Group.

As at the Latest Practicable Date, each of Mr. Lau, Ming-wai and Ms. Lui, Lai-kwan had personal interests in private companies engaged in property investment businesses while Mr. Lau, Ming-wai had personal interests in private companies engaged in securities investment businesses. As such, they were regarded as being interested in such businesses which compete or may compete with the Group. However, when compared with the dominance and size of operations of the Group, such competing businesses were considered immaterial.

8. MISCELLANEOUS

- (a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business in Hong Kong is at 26th Floor, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong.
- (b) The Company's Branch Registrar and Transfer Office in Hong Kong is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Mr. Lam, Kwong-wai, who is a Certified Public Accountant (Practising).
- (d) The English text of this circular and the form of proxy shall prevail over the Chinese text in the case of inconsistency.

9. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given their opinions or advice which are contained in this circular.

Name	Qualification
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
B.I. Appraisals Limited	An independent professional property valuer

As at the Latest Practicable Date, each of the above experts:

- (a) did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2013, being the date up to which the latest published audited financial statements of the Group were made; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name, letter and/or report in the form and context in which they respectively appear.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company in Hong Kong at 26th Floor, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong during normal business hours on any weekdays (except public holidays) from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the years ended 31 December 2011, 2012 and 2013 and the interim results announcement of the Company for the six months ended 30 June 2014;

- (c) the material contracts as referred to in the section headed “Material Contracts” in this appendix;
- (d) the letter from the Independent Board Committee containing its advice to the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (e) the letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from Gram Capital” in this circular;
- (f) the property valuation report from B.I. Appraisals Limited in respect of the valuation of the Properties, the text of which is set out in Appendix II to this circular;
- (g) the written consent of the experts referred to in the paragraph headed “Qualification and Consent of Experts” in this appendix; and
- (h) this circular.

NOTICE OF SGM



CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Chinese Estates Holdings Limited (the “**Company**”) will be held at Falcon Room, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 10 October 2014 at 10:00 a.m. for the purpose of considering and, if thought fit, with or without amendments, passing the following ordinary resolution:

ORDINARY RESOLUTION

“**THAT**

the terms and conditions, and the entering into, of each of:

- (i) the sale and purchase agreement dated 1 September 2014 entered into among Data Dynasty Limited (an indirect wholly-owned subsidiary of the Company), the Company, One Midland Limited and Mr. Joseph Lau, Luen-hung (“**Mr. Lau**”) relating to, among others, the sale and purchase of the entire issued share capital of Value Eight Limited (the “**Moon Ocean SP Agreement**”) (a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification);
- (ii) the sale and purchase agreement dated 1 September 2014 entered into among Super Series Limited (an indirect wholly-owned subsidiary of the Company) (“**Super Series**”), the Company, Fly High Target Limited (“**Fly High Target**”) and Mr. Lau relating to, among others, the sale and purchase of the entire issued share capital of Brass Ring Limited (the “**Silvercord First SP Agreement**”) (a copy of which has been produced to the Meeting marked “B” and signed by the chairman of the Meeting for the purpose of identification);

NOTICE OF SGM

- (iii) the sale and purchase agreement dated 1 September 2014 entered into among Super Series, the Company, Fly High Target and Mr. Lau relating to the sale and purchase of the entire issued share capital of Union Leader Limited (the “**Silvercord Second SP Agreement**”) (a copy of which has been produced to the Meeting marked “C” and signed by the chairman of the Meeting for the purpose of identification); and
- (iv) the sale and purchase agreement dated 1 September 2014 entered into among Chinese Estates, Limited (a direct wholly-owned subsidiary of the Company), the Company, Coast Field Ltd. and Mr. Lau relating to the sale and purchase of the entire issued share capital of Chinese Estates and Finance, Limited (the “**Silvercord Third SP Agreement**”) (a copy of which has been produced to the Meeting marked “D” and signed by the chairman of the Meeting for the purpose of identification) (the Moon Ocean SP Agreement, the Silvercord First SP Agreement, the Silvercord Second SP Agreement and the Silvercord Third SP Agreement are collectively referred to as the “**Agreements**”),

and all the transactions contemplated thereunder be and are hereby approved, confirmed and/or ratified (as the case may be); and that any one director or (if affixing of seal is required) any two directors of the Company be authorised for and on behalf of the Company, among other matters, to sign, execute, perfect, deliver (including under seal where applicable) and to authorise the signing, executing, perfecting and delivering (including under seal where applicable) of all such documents and deeds, and to do or authorise doing all such acts, matters and things, as he/she may in his/her absolute discretion consider necessary, expedient or desirable to give effect to and implement and/or complete all matters in connection with the transactions contemplated under each of the Agreements, and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Agreements as he/she may in his/her absolute discretion consider to be desirable and in the interests of the Company, and all of such acts of director(s) as aforesaid be hereby approved, ratified and confirmed.”

By Order of the Board

Lam, Kwong-wai

Executive Director and Company Secretary

Hong Kong, 23 September 2014

NOTICE OF SGM

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal office in Hong Kong:
26th Floor, MassMutual Tower
38 Gloucester Road
Wanchai, Hong Kong

Notes:

1. Any shareholder of the Company (the “**Shareholder(s)**”) entitled to attend and vote at the Meeting is entitled to appoint one or more separate proxies to attend and to vote instead of him. A proxy need not be a Shareholder.
2. To be valid, the form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at the Company's branch registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Meeting (or at any adjournment thereof).
3. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the Meeting or at any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. Resolution as set out in this notice will be taken by poll at the Meeting.
6. As at the date hereof, the Board comprised Mr. Lau, Ming-wai, Ms. Chan, Sze-wan, Mr. Lam, Kwong-wai and Ms. Lui, Lai-kwan as Executive Directors, Ms. Amy Lau, Yuk-wai as Non-executive Director and Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun as Independent Non-executive Directors.